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Volume III
Benefits and Burial Programs
and Departmental Administration,
Congressional Submission, FY 2010

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National Cemetery Administration

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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 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) | | | | | |
| | 2008 Actual | 2009 | | 2010 Estimate | Increase(+) Decrease(-) |
| | | Budget Estimate | Current Estimate | | |
| Operations and Maintenance | \$193,858 | \$180,959 | \$230,000 ^{1/} | \$242,000 | +12,000 |
| Major Construction..... | 167,400 | 105,000 | 105,000 | 112,200 | +7,200 |
| Minor Construction | 75,000 | 25,000 | 87,000 | 50,720 | -36,280 |
| Grants for Construction of State Veterans Cemeteries . | 39,500 | 32,000 | 42,000 | 42,000 | 0 |
| Facilities Operation Fund ... | 9 | 100 | 143 | 150 | +7 |
| National Cemetery Gift Fund..... | 105 | 180 | 200 | 215 | +15 |
| Compensation and Pensions: | | | | | |
| Headstones & Markers | 46,100 | 44,800 | 44,200 | 45,500 | +1,300 |
| Graveliners & OBR Reimbursements | 60,900 | 37,100 | 61,300 | 49,500 | -11,800 |
| Regular Budget Authority | \$582,872 | \$425,139 | \$569,843 | \$542,285 | -\$27,558 |
| American Recovery and Reinvestment Act of 2009 ... | 0 | 0 | 50,000 | 0 | -\$50,000 |
| Total Budget Authority ... | \$582,872 | \$425,139 | \$619,843 | \$542,285 | -\$77,558 |

1/ The 2009 current estimate includes additional funds as appropriated in P.L. 110-329: Consolidated Security, Disaster Assistance and Continuing Appropriations Act, 2009.

Relationships Among Programs and Appropriations

NCA receives funding from eight appropriation accounts. The Operations and Maintenance appropriation funds the operation of 128 operational national cemeteries, the continued activation of three new 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 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.

Program Highlights

Annual Veteran deaths were estimated at 658,000 in 2008, and have begun to slowly decline. However, with the opening of new national cemeteries, annual interments will increase from 103,000 in 2008 to an estimated 112,000 in 2010. Interments in 2014 are expected to be about 113,000, a 10 percent increase from 2008. The total number of graves maintained is also expected to increase during the planning time frame from 2.9 million in 2008 to approximately 3.4 million in 2014.

With the activation of six new national cemeteries by 2010, NCA will encompass 131 existing 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 2010, 71 national cemeteries 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.

By 2010, six new national cemeteries will have opened to serve Veterans in the areas of Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Sarasota County, Florida; and Bucks County, Pennsylvania. By the year 2014, six more national cemeteries (Ft. Rosecrans, California; Baltimore, Maryland; Finns Point, New Jersey; Alexandria, Louisiana; Fort Leavenworth, Kansas; and New Albany, Indiana) 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 in the areas of Fort Rosecrans, Baltimore, Finn's Point, Fort Leavenworth, and New Albany National Cemeteries as Veterans in these areas will remain served by other national cemeteries within 75 miles.

A satellite cemetery for Fort Rosecrans National Cemetery, located at Miramar Marine Corps Air Station, California, is scheduled to open in 2010. This facility will prevent loss of service to Veterans in the San Diego service area when Ft. Rosecrans National Cemetery closes. Also, Riverside National Cemetery, whose service area overlaps that of Fort Rosecrans National Cemetery, will continue to serve Veterans living in the San Diego area.

As cemetery service capabilities decrease, Veterans may lose access to burial options located within a reasonable distance of their homes. In order to ensure that burial options continue to be provided for eligible Veterans and their family members, NCA needs to explore burial options for unserved centers of Veteran population; expand existing national cemeteries where appropriate; maintain a national cemetery presence in existing service areas; develop more effective use of available burial space; and 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 2008, NCA processed over 361,000 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 337,000 in 2014. NCA issued more than 511,000 Presidential Memorial Certificates in 2008, and expects to issue approximately 461,000 in the year 2014.

| Table 1: Performance Summary Table | | | | | | | |
|---|-------------------------------|-------|-------|-------|-----------------------|-----------------------|-------------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Key Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| Strategic Goal 3 | | | | | | | |
| Honor and serve Veterans in life and memorialize them in death for their sacrifices on behalf of the Nation. | | | | | | | |
| Objective 3.4 | | | | | | | |
| Ensure that the burial needs of Veterans and eligible family members are met. | | | | | | | |
| 1) Percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence | 77.1% | 80.2% | 83.4% | 84.2% | 86.9% | 90.0% | 90.0% |
| 2) Percent of respondents who rate the quality of service provided by the national cemeteries as excellent | 94% | 94% | 94% | 94% | 98% | 98% | 100% |
| 3) Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours | 73% | 74% | 72% | 72% | 81% | 82% | 93% |
| 4) Percent of requests from funeral directors for interment at national cemeteries that are received electronically (Internet) | N/Av | N/Av | N/Av | N/Av | Baseline | TBD | 50% |
| Objective 3.5 | | | | | | | |
| Provide Veterans and their families with timely and accurate symbolic expressions of remembrance. | | | | | | | |
| 5) Percent of graves in national cemeteries marked within 60 days of interment | 94% | 95% | 94% | 93% | 95% | 95% | 95% |

| Table 1: Performance Summary Table | | | | | | | |
|--|------------------------|------|------|------|----------------------|-----------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Key Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 6) Percent of applications for headstones and markers that are processed within 20 days for the graves of Veterans who are not buried in national cemeteries | 13% | 62% | 38% | 95% | 90% | 90% | 90% |
| 7) Percent of headstones and markers that are delivered undamaged and correctly inscribed | 96% | 96% | 96% | 96% | 98% | 98% | 98% |
| 8) Percent of headstone and marker applications from private cemeteries and funeral homes received electronically via fax or Internet | N/Av | N/Av | N/Av | 46% | 50% | 52% | 75% |
| Strategic Goal 4 | | | | | | | |
| Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation. | | | | | | | |
| 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. | | | | | | | |
| 9) Percent of respondents who rate national cemetery appearance as excellent | 98% | 97% | 97% | 98% | 99% | 99% | 100% |
| 10) Percent of respondents who would recommend the national cemetery to Veteran families during their time of need | 98% | 98% | 98% | 98% | 99% | 99% | 100% |
| 11) Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment | 70% | 67% | 69% | 65% | 76% | (1) 85% | 90% |

Table 1: Performance Summary Table

ALL MEASURES

| Measure Description (Key Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
|--|------------------------|------|------|------|----------------------|-----------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 12) Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations | 72% | 77% | 75% | 84% | 90% | (1) 93% | 95% |
| 13) Percent of gravesites that have grades that are level and blend with adjacent grade levels | 84% | 86% | 83% | 86% | 90% | (1) 93% | 95% |
| 14) Percent of national cemetery buildings and structures that are assessed as "acceptable" according to National Shrine Standards | N/Av | N/Av | N/Av | N/Av | Baseline | TBD | 90% |

N/Av = past history is not available

(1) Target reflects the effects of additional funding from the American Recovery and Reinvestment Act of 2009, P.L. 111-5.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

1) Percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence

a) Means and Strategies:

- Develop additional VA national cemeteries.
- Expand existing VA national cemeteries.
- Make more effective use of available burial space.
- Provide grants through the State Cemetery Grants Program (SCGP) to establish or expand state Veterans cemeteries.

b) Data Source: VetPop2007 version 1.0 model using 2000 census data

c) Data Verification:

- VA 's Office of the Inspector General performed an audit in 1999 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 2002 in a 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.

d) Measure Validation:

- VA established a 75-mile service area standard because NCA data determined that more than 80 percent of persons interred in VA national cemeteries resided within 75 miles of the cemetery at their time of death.

e) Cross-Cutting Activities:

- NCA partners with states to provide Veterans and their eligible family members with burial options through the State Cemetery Grants Program.
- 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.

f) External Factors: None

g) Other Supporting Information:

- In 2008 an independent evaluation of the VA Burial Benefits Program was completed.
- NCA leadership is using the results of the evaluation to provide direction for improving access to a burial option for more Veterans.

Workload Indicators - Objective 3.4

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2014 |
|-----------------------|--------|--------|---------|---------|---------|---------|---------|
| Interments performed: | | | | | | | |
| Full-casket | 57,201 | 57,620 | 57,845 | 58,725 | 60,500 | 63,000 | 64,900 |
| In-ground cremain | 24,679 | 26,108 | 27,054 | 27,472 | 27,900 | 28,500 | 26,500 |
| Columbaria niche | 11,365 | 13,069 | 15,286 | 17,078 | 19,200 | 20,000 | 21,800 |
| Total interments | 93,245 | 96,797 | 100,185 | 103,275 | 107,600 | 111,500 | 113,200 |

The number of interments performed includes interments of both Veterans and eligible family members. Detail is provided to show type of interment. In 2008, cremations comprised more than 43 percent of all interments in national cemeteries.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

2) Percent of respondents who rate the quality of service provided by the national cemeteries as excellent

a) Means and Strategies:

- Obtain feedback from Veterans, their families, and other cemetery visitors to ascertain how they perceive the quality of service provided by VA national cemeteries.
- Conduct focus groups to collect data on stakeholder expectations and their perceptions related to the quality of service provided by VA national cemeteries.

b) Data Source: NCA's annual Survey of Satisfaction with National Cemeteries

c) Data Verification:

- VA Headquarters staff oversees the data collection process.
- VA Headquarters staff provides an annual report on a national level describing the sampling plan and survey methodology.

d) Measure Validation:

- An important element in ensuring burial needs of Veterans and eligible family members are met is providing high-quality, courteous, and responsive service.

e) Cross-Cutting Activities:

- NCA works closely with DoD components and Veterans service organizations to provide military funeral honors.
- NCA works closely with funeral directors to improve responsiveness and quality of scheduling services.

f) External Factors:

- Veterans and their families may experience feelings of dissatisfaction when expectations concerning military funeral honors are not met.
- Dissatisfaction with services provided by the funeral home can adversely affect the public's perceptions regarding the quality of service provided by the VA national cemetery.

g) Other Supporting Information: Same as measure #1.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

5) Percent of graves in national cemeteries marked within 60 days of interment

a) Means and Strategies:

- Reengineer 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.
- Continue the local inscription program to decrease the time it takes to mark a grave after interment in a VA national cemetery.
- Provide NCA field and office employees with on-line access to monthly and fiscal year-to-date tracking reports on timeliness of marking graves in VA national cemeteries.

b) Data Source: NCA's Burial Operations Support System (BOSS)

c) Data Verification:

- NCA Central Office employees who are trained and skilled in data collection and analysis collect and verify the data. Data are verified by sampling against source interment data in BOSS.

d) Measure Validation:

- The amount of time it takes to mark the grave after an interment is important to Veterans and their family members.

e) Cross-Cutting 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; Andrew Johnson National Cemetery and Andersonville National Cemetery, which are administered by DOI; and a majority of state Veterans cemeteries order headstones and markers directly through NCA's BOSS.

f) External Factors:

- Outside contractual performance greatly affects the quality and timeliness of service provided to Veterans and families.
- Extremes in weather, such as periods of excessive rain or snow, or extended periods of freezing temperatures that impact ground conditions can cause delays in the delivery and installation of headstones and markers.

g) Other Supporting Information: Same as measure #1.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

6) Percent of applications for headstones and markers that are processed within 20 days for the graves of Veterans who are not buried in national cemeteries

a) Means and Strategies:

- Use online ordering through NCA's Automated Monument Application System (AMAS).
- Electronically transmit all headstones and marker orders to contractors.

b) Data Source: AMAS

c) Data Verification:

- VA Headquarters staff oversees the data collection process to verify data accuracy and integrity.

d) Measure Validation:

- Measuring the timeliness of processing headstone and marker applications for the graves of Veterans who are not buried in national cemeteries is important because it helps ensure the timely delivery of headstones and markers.

e) Cross-Cutting Activities: Same as measure #5.

f) External Factors: None

g) Other Supporting Information:

- NCA and the VA Office of Information Technology are in the process of testing and implementing an Internet-based headstone and marker application to improve the processing of headstone and marker applications submitted for the graves of Veterans who are not buried in a VA national cemetery.

| <i>Workload Indicators - Objective 3.5</i> | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2014 |
| Number of headstone and marker applications processed | 363,627 | 336,266 | 359,530 | 361,192 | 359,500 | 351,043 | 337,014 |
| Number of PMCs issued | 487,809 | 405,538 | 423,143 | 511,353 | 517,290 | 480,434 | 461,234 |

The number of applications processed for Government-furnished headstones and markers includes those that have been disapproved and cancelled orders. NCA will continue to ensure that Presidential Memorial Certificates (PMCs) are delivered accurately and timely.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

9) Percent of respondents who rate national cemetery appearance as excellent

a) Means and Strategies:

- Establish standards and measures by which NCA can determine the effectiveness and efficiency of its operations.
- Continue the Organizational Assessment and Improvement (OAI) Program to identify and prioritize continuous improvement opportunities within VA national cemeteries and enhance program accountability throughout NCA.

b) Data Source: NCA’s annual Survey of Satisfaction with National Cemeteries

c) Data Verification: Same as measure #2.

d) Measure Validation:

- Same as measure #2.

e) Cross-Cutting Activities:

- NCA continues to partner with other Federal and civic organizations that provide volunteers to assist in maintaining the appearance of VA national cemeteries.
- NCA is working with VA’s Office of the General Counsel (OGC) and outside patent counsel to obtain patents for NCA-developed technology.

f) External Factors:

- Through the duration of time, cemeteries experience a number 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.

g) Other Supporting Information:

| <i>Workload Indicators - Objective 4.5</i> | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2014 |
| Occupied graves maintained: | | | | | | | |
| In-ground casket | 2,349,786 | 2,391,128 | 2,430,440 | 2,470,798 | 2,513,000 | 2,558,000 | 2,733,000 |
| In-ground cremain | 272,543 | 289,175 | 305,420 | 322,445 | 340,000 | 357,000 | 419,000 |
| Columbaria niches | 83,725 | 94,331 | 107,117 | 121,329 | 137,000 | 153,000 | 223,000 |
| Total | 2,706,054 | 2,774,634 | 2,842,977 | 2,914,572 | 2,990,000 | 3,068,000 | 3,375,000 |
| Developed acres maintained | 7,186 | 7,272 | 7,413 | 7,566 | 7,803 | 8,015 | 8,699 |

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

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*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 therefore; cemeterial expenses as authorized by law; purchase of one passenger motor vehicle for use in cemeterial operations; hire of passenger motor vehicles; and repair, alteration or improvement of facilities under the jurisdiction of the National Cemetery Administration, [\$230,000,000] \$242,000,000 of which not to exceed [\$23,000,000] \$24,200,000 shall be available until September 30, [2010] 2011.

Appropriation Highlights
(dollars in thousands)

| | 2008 Actual | 2009 | | 2010 Estimate | Increase(+) Decrease(-) |
|--|------------------|--------------------|-----------------------------------|------------------|----------------------------|
| | | Budget Estimate | Current Estimate ^{1/} | | |
| Average employment | 1,512 | 1,603 | 1,603 | 1619 | +16 |
| Field Activities: | | | | | |
| Cemeterial programs..... | \$161,441 | \$145,957 | \$193,879 | \$204,679 | +\$10,800 |
| Memorial programs..... | 5,708 | 5,581 | 6,091 | 6,219 | +128 |
| Operations Support Center ... | 3,670 | 2,518 | 3,965 | 4,068 | +103 |
| Recovery Act | 0 | 0 | 40,000 | 10,000 | -30,000 |
| Headquarters: | | | | | |
| Central Office | 16,656 | 19,693 | 18,241 | 19,014 | +773 |
| Memorial Service Networks.. | 7,452 | 7,367 | 8,024 | 8,220 | +196 |
| Total obligations..... | \$194,927 | \$181,116 | \$270,200 | \$252,200 | -\$18,000 |
| Reimbursements (-)..... | -71 | -135 | -178 | -178 | 0 |
| Unob. Bal. Trans. to Unexpired Acct. (-) | -725 | 0 | -227 | 0 | +227 |
| Available Balance BOY (-) | -723 | -221 | -28 | -10,255 | -10,227 |
| Available Balance EOY | +28 | +221 | +10,255 | +255 | -10,000 |
| Recycling Revenue (-) | -4 | -22 | -22 | -22 | 0 |
| Balance Expiring..... | +426 | 0 | 0 | 0 | 0 |
| Transfer to Construction..... | +1,142 | 0 | 0 | 0 | 0 |
| Total Budget authority | \$195,000 | \$180,959 | \$280,000 | \$242,000 | -\$38,000 |
| Regular Appropriation | \$195,000 | \$180,959 | \$230,000 | \$242,000 | +\$12,000 |
| American Recovery and Reinvestment Act of 2009 Budget Authority. | \$0 | \$0 | \$50,000 | \$0 | -\$50,000 |
| Total Appropriation | \$195,000 | \$180,959 | \$280,000 | \$242,000 | -\$38,000 |
| Outlays | \$167,002 | \$187,750 | \$232,118 | \$268,940 | +\$36,822 |
| 1/ The 2009 Current Estimate includes additional funds as appropriated in P.L. 110-329; Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009. | | | | | |

Program Activities and Administration

The Operations and Maintenance appropriation funds the operation of 128 national cemeteries and 33 other cemeterial installations. It will also fund the opening and activation of three new national cemeteries, as well as the maintenance of all national cemeteries and installations 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 and proposed expansion of the program to include Active Duty Deaths will also be funded from this appropriation. 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 2010, cemeterial activities will encompass 131 operational 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 Service. Currently, the Finance Service 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.

In 2010, NCA will continue the implementation of a phased approach to assuming responsibility from VA medical centers 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 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. 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 \$242,000,000 in budget authority and 1,619 FTE for Operations and Maintenance in 2010.

Workloads continue to grow at existing cemeteries, and \$1,638,000 is requested to fund contract maintenance personnel and operating supplies. This funding 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 2010 budget request.

In 2010, additional funding of \$1,649,000 and 16 FTE is required to continue daily operations, and conduct interment activities at the last three of the six new national cemeteries established by the National Cemetery Expansion Act of 2003, Public Law 108-109. Burial operations at Bakersfield National Cemetery in California, Alabama National Cemetery in the Birmingham area, and Washington's Crossing National Cemetery in Southeastern, Pennsylvania are projected to begin not later than the end of calendar year 2009.

This budget contains a net increase of \$335,000 for payments to Centralized Services for support provided to the National Cemetery Administration.

Analysis of Increases and Decreases - Obligations

(dollars in thousands)

| | 2009 | 2010 |
|--|------------------|------------------|
| | Estimate | Estimate |
| Prior year obligations | \$194,927 | \$270,200 |
| Interment workload increases at existing cemeteries | +611 | 0 |
| Maintenance workload increases at existing cemeteries..... | +499 | +1,638 |
| January pay raises/higher average employment..... | +8,225 | +2,775 |
| Changes in benefits | +660 | +344 |
| Inflation | +2,036 | +889 |
| Centralized payments..... | +321 | +335 |
| New cemetery activations and operations | +5,000 | +1,649 |
| Additional funds for gravesite renovation provided by P.L. 110-329..... | -28,191 | 0 |
| Transfer, IT adjustment | +900 | 0 |
| National shrine commitment..... | +26,900 | +1,970 |
| Non-recurring maintenance program | +2,000 | 0 |
| Memorial and lodge renovation..... | +2,000 | 0 |
| Emergency, PCS, travel, hurricane clean up | +2,200 | 0 |
| Maintenance, equipment , supplies and leases..... | +12,112 | +2,400 |
| Regular obligations..... | \$230,200 | \$242,200 |
| American Recovery and Reinvestment Act of 2009 | +40,000 | -30,000 |
| Total obligations..... | \$270,200 | \$252,200 |

Changes from Original 2009 President's Budget Request

(dollars in thousands)

| | 2009 | | Increase(+) Decrease(-) |
|--|--------------------|-----------------------------------|----------------------------|
| | Budget Estimate | Current Estimate ^{1/} | |
| Average employment | 1,603 | 1,603 | 0 |
| Funding: | | | |
| Personal services | \$114,305 | \$118,933 | +\$4,628 |
| Travel | 3,040 | 3,524 | +484 |
| Transportation of things | 1,452 | 1,776 | +324 |
| Rents, communications, and utilities | 6,510 | 6,900 | +390 |
| Printing and reproduction..... | 759 | 1,453 | +694 |
| Other services | 39,553 | 114,099 | +74,546 |
| Supplies and materials | 8,278 | 10,296 | +2,018 |
| Equipment..... | 7,219 | 13,219 | 6,000 |
| Total obligations..... | \$181,116 | \$270,200 | +\$89,084 |
| Reimbursements (-) | -135 | -178 | -43 |
| Recycling Revenue (-) | -22 | -22 | 0 |
| Unob. Bal. Trans. to Unexpired Acct. ... | 0 | -227 | -227 |
| Available Balance BOY | -221 | -28 | +193 |
| Available Balance EOY | +221 | +10,255 | +10,034 |
| Total Budget Authority | \$180,959 | \$280,000 | +\$99,041 |
| Regular Appropriation | \$180,959 | \$230,000 | +\$49,041 |
| American Recovery and Reinvestment Act Budget Authority | 0 | 50,000 | +50,000 |
| Total Appropriation..... | \$180,959 | \$280,000 | +\$99,041 |

^{1/} The 2009 Current Estimate includes additional funds beyond the President's Budget Request as appropriated in P.L. 110-329; Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009.

Summary of Employment and Obligations

(dollars in thousands)

| | 2009 | | | 2010 Estimate | Increase(+) Decrease(-) |
|--|------------------|--------------------|-----------------------------------|------------------|----------------------------|
| | 2008 Actual | Budget Estimate | Current Estimate ^{1/} | | |
| Average employment | 1,512 | 1,603 | 1,603 | 1,619 | +16 |
| Obligations: | | | | | |
| Personal services | \$106,377 | \$114,305 | \$118,933 | \$123,162 | +\$4,229 |
| Travel | 2,891 | 3,040 | 3,524 | 3,400 | -124 |
| Transportation of things ... | 1,484 | 1,452 | 1,776 | 1,818 | +42 |
| Rent, communications, and utilities | 5,966 | 6,510 | 6,900 | 6,969 | +69 |
| Printing and reproduction | 1,328 | 759 | 1,453 | 1,465 | +12 |
| Other services | 59,047 | 39,553 | 114,099 | 95,091 | -19,008 |
| Supplies and materials | 8,270 | 8,278 | 10,296 | 10,458 | +162 |
| Equipment | 9,564 | 7,219 | 13,219 | 9,837 | -3,382 |
| Total obligations | \$194,927 | \$181,116 | \$270,200 | \$252,200 | -\$18,000 |

^{1/} The 2009 current estimate includes additional funds beyond the President's Budget Request as appropriated in P.L. 110-329; Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009.

| <i>2009 Average Salary Methodology</i> | |
|---|-----------------|
| 2008 average salary (262 days) | \$51,308 |
| Annualization of 2008 pay raise (0.625 percent) | +321 |
| 2009 pay raise (2.925 percent) | +1,501 |
| Decrease of one day (0.382 percent) | -196 |
| Change in staff composition | +625 |
| 2009 average salary (261 days) | \$53,559 |
| Regular benefits percentage | 30.20% |
| 2009 average salary with benefits | \$69,734 |

The 2009 average salary reflects a net increase of 4 percent above the \$51,308 average salary for 2008. This includes annualization of the 2008 pay raise of 2.5 percent in January 2008, the January 2009 pay raise of 3.9 percent, a decrease of one paid day and a change in staff composition. This change reflects the addition of 90 FTE to address additional cemetery workload and staff new NCA cemeteries.

| <i>2010 Average Salary Methodology</i> | |
|---|-----------------|
| 2009 average salary (261 days)..... | \$53,559 |
| Annualization of 2009 pay raise (0.975 percent) | +522 |
| 2010 pay raise (1.500 percent) | +803 |
| Change in staff composition..... | -17 |
| 2010 average salary (261 days)..... | \$54,867 |
| Regular benefits percentage | 30.60% |
| 2010 average salary with benefits | \$71,656 |

The 2010 average salary reflects a net 2.4 percent increase over the \$53,559 average salary for 2009. This includes annualization of the 2009 pay raise of 3.9 percent, the projected January 2010 pay raise of 2.0 percent, and a change in staff composition.

| Detail of Budget Estimates | | | | |
|-----------------------------------|------------------|------------------|------------------|-----------------|
| (dollars in thousands) | | | | |
| | 2008 | 2009 | 2010 | Increase(+) |
| | Actual | Current Estimate | Estimate | Decrease(-) |
| Average employment | | | | |
| Field activities: | | | | |
| Cemeterial programs..... | 1,271 | 1,354 | 1,370 | +16 |
| Memorial programs..... | 52 | 52 | 52 | 0 |
| Operations Support Center: | | | | |
| Systems Integration Center..... | 0 | 0 | 0 | 0 |
| Business Office..... | 31 | 32 | 32 | 0 |
| Headquarters: | | | | |
| Central Office..... | 107 | 112 | 112 | 0 |
| Memorial Service Networks..... | 51 | 53 | 53 | 0 |
| Total FTE..... | 1,512 | 1,603 | 1,619 | +16 |
| Wage grade employment..... | 886 | 929 | 929 | 0 |
| GS employment..... | 626 | 674 | 690 | +16 |
| Personal services..... | \$106,377 | \$118,933 | \$123,162 | +\$4,229 |

The 2010 request for personal services reflects annualization of the 3.9 percent 2009 pay raise, a projected 2.0 percent pay raise in January 2010, associated benefits costs, and funding for additional FTE.

The budget requests 16 FTE to sustain progression of cemeterial operations at the remaining three new national cemeteries opening fast-track burial sections in calendar year 2009 in Bakersfield National Cemetery in California; Alabama National Cemetery near Birmingham, Alabama; and Washington's Crossing National Cemetery in Southeastern Pennsylvania.

| Detail of Budget Estimates (cont'd) | | | | |
|--|----------------|------------------|----------------|---------------|
| (dollars in thousands) | | | | |
| | 2008 | 2009 | 2010 | Increase(+) |
| | Actual | Current Estimate | Estimate | Decrease(-) |
| Travel: | | | | |
| Employee travel..... | \$2,273 | \$2,703 | \$2,572 | -\$131 |
| GSA vehicle rental..... | 618 | 821 | 828 | +7 |
| Total..... | \$2,891 | \$3,524 | \$3,400 | -\$124 |

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 2010, cemeterial activities will encompass 131 operational national cemeteries and 33 soldiers' lots, plots, and monument sites.

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

| | 2008 | 2009 | 2010 | Increase(+) |
|--------------------------------------|----------------|------------------|----------------|--------------|
| | Actual | Current Estimate | Estimate | Decrease(-) |
| Transportation of things..... | \$1,484 | \$1,776 | \$1,818 | +\$42 |

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.

| <i>Detail of Budget Estimates (cont'd)</i> | | | | |
|--|----------------|------------------|----------------|--------------|
| (dollars in thousands) | | | | |
| | 2008 | 2009 | 2010 | Increase(+) |
| | Actual | Current Estimate | Estimate | Decrease(-) |
| Rents, communications, and utilities: | | | | |
| Equipment rental..... | \$277 | \$221 | \$223 | +\$2 |
| SLUC | 1,345 | 1,322 | 1,333 | +11 |
| Utility and other charges..... | 4,344 | 5,357 | 5,413 | +56 |
| Total | \$5,966 | \$6,900 | \$6,969 | +\$69 |

Rental costs include rental of equipment at national cemeteries and payment of standard level user charges (SLUC) to GSA. Utility costs include electricity, water, and gas, which are required for the operation and maintenance of the national cemeteries. The 2010 request contains funding for utility costs resulting from the opening and activation of three new national cemeteries.

| <i>Detail of Budget Estimates (cont'd)</i> | | | | |
|--|----------------|---------------------|----------------|----------------------------|
| (dollars in thousands) | | | | |
| | 2008 | 2009 | 2010 | Increase(+) Decrease(-) |
| | Actual | Current Estimate | Estimate | |
| Printing and reproduction..... | \$1,328 | \$1,453 | \$1,465 | +\$12 |

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.

| Other services: | | | | |
|---|-----------------|------------------|-----------------|------------------|
| Maintenance of other equipment | \$281 | \$924 | \$931 | +\$7 |
| Maintenance and repair projects (recurring)..... | 48,527 | 60,835 | 61,652 | +817 |
| Franchise Fund | 477 | 798 | 804 | +6 |
| Operational and other services. | 9,762 | 51,542 | 31,704 | -19,838 |
| Total..... | \$59,047 | \$114,099 | \$95,091 | -\$19,008 |

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 161 cemeterial installations. These projects include recurring maintenance and repair of roads, drives, parking lots, and walks; painting of buildings, fences and gates; repair of roofs, walls, and irrigation and electrical systems.

Purchases from the Franchise Fund are for administrative services such as accounting and security services.

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, land and structures and insurance claims and indemnities. They include non-recurring maintenance funding, focusing on the correction of deficiencies

cited in the Facility Condition Assessments and Five Year Plan. Operational and other services also include payments to support activities performed by other VA Departmental staff offices for centralized programs within the department. Operational and other services costs associated with the opening and activation of the three new national cemeteries are included in this request. The request includes funding for costs associated with payroll processing by the Defense Finance and Accounting Service.

| <i>Detail of Budget Estimates (cont'd)</i> | | | | |
|--|----------------|------------------|-----------------|---------------|
| (dollars in thousands) | | | | |
| | 2008 | 2009 | 2010 | Increase(+) |
| | Actual | Current Estimate | Estimate | Decrease(-) |
| Supplies and materials total..... | \$8,270 | \$10,296 | \$10,458 | +\$162 |

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

Funding for supplies and materials associated with the opening and activation of the three new national cemeteries is included in this request.

| <i>Detail of Budget Estimates (cont'd)</i> | | | | |
|---|----------------|-----------------|----------------|-----------------|
| (dollars in thousands) | | | | |
| | 2008 | 2009 | 2010 | Increase(+) |
| | Actual | Current | Estimate | Decrease(-) |
| Equipment: | | | | |
| Cemetery maintenance and interment equipment..... | \$8,956 | \$7,012 | \$9,628 | +\$2,616 |
| Office and other equipment..... | 608 | 6,207 | 209 | -5,998 |
| Total, equipment..... | \$9,564 | \$13,219 | \$9,837 | -\$3,382 |

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 open and activate the remaining three new national cemeteries of the six new national cemeteries mandated by the National Cemetery Expansion Act of 2003, Public Law 108-109. The first three of the six mandated cemeteries are operational. The remaining cemeteries are expected to begin interment operations in calendar year 2009.



National Cemetery Administration Construction Program

National Cemetery Construction

Construction projects to develop additional gravesites at national cemeteries, acquire land, and make infrastructure improvements are critical to achieving the strategic goals and objectives of the National Cemetery Administration (NCA). These projects are funded from VA's Major and Minor Construction appropriations. 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 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/Minor Construction Projects

Details of the major construction and minor construction request are included in Volume IV - Construction and 5 Year Capital Plan.

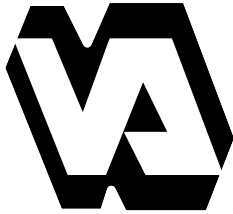
| Major Construction Funding for NCA Programs (dollars in thousands) | | | | | |
|--|------------------------|--------------------|-------------------------|-------------------------|--------------------------------------|
| Construction | 2008 Actual | 2009 PB | 2009 Enacted | 2010 Request | Increase (+) Decrease (-) |
| <u>New Cemeteries:</u> | | | | | |
| Bakersfield, CA Area - Phase 1 | \$19,500 | \$0 | \$0 | \$0 | \$0 |
| Birmingham, AL Area - Phase 1 | \$18,500 | \$0 | \$0 | \$0 | \$0 |
| Columbia/Greenville, SC Area - Phase 1 | \$19,200 | \$0 | \$0 | \$0 | \$0 |
| Jacksonville, FL Area - Phase 1 | \$22,400 | \$0 | \$0 | \$0 | \$0 |
| Sarasota, FL Area - Phase 1 | \$27,800 | \$0 | \$0 | \$0 | \$0 |
| Southeastern Pennsylvania Area - Phase 1 | \$29,600 | \$0 | \$0 | \$0 | \$0 |
| <u>Cemetery Expansion and Improvement:</u> | | | | | |
| Abraham Lincoln, IL - Phase 2 Gravesite Exp | \$0 | \$0 | \$0 | \$38,300 | +\$38,300 |
| Calverton, NY - Gravesite Expansion | \$0 | \$29,000 | \$29,000 | \$0 | -\$29,000 |
| Fort Sam Houston, TX - Gravesite Development ... | \$29,400 | \$0 | \$0 | \$0 | \$0 |
| Houston, TX - Phase 4 Gravesite Exp | \$0 | \$0 | \$0 | \$35,000 | +\$35,000 |
| Massachusetts, MA - Phase 3 Gravesite Exp | \$0 | \$20,500 | \$20,500 | \$0 | -\$20,500 |
| Puerto Rico, PR - Gravesite Exp | \$0 | \$33,900 | \$33,900 | \$0 | -\$33,900 |
| Subtotal, Construction | \$166,400 | \$83,400 | \$83,400 | \$73,300 | -\$10,100 |
| <u>Advance Planning Fund</u> | | | | | |
| Various Locations | \$1,000 | \$6,000 | \$6,000 | \$13,400 | +\$7,400 |
| <u>Construction Initiatives</u> | | | | | |
| Land Acquisition | \$0 | \$5,000 | \$5,000 | \$25,500 | +\$20,500 |
| Energy Initiatives | \$0 | \$10,600 | \$10,600 | \$0 | -\$10,600 |
| | \$0 | \$15,600 | \$15,600 | \$25,500 | +\$9,900 |
| Total, Major Projects | \$167,400 | \$105,000 | \$105,000 | \$112,200 | +\$7,200 |
| <i>Jefferson Barracks Rightsizing (CARES)* (non-add)</i> | <i>\$0</i> | <i>\$5,000</i> | <i>\$5,000</i> | <i>\$0</i> | <i>-\$5,000</i> |

Funding excludes the cost of pre-placed crypts, which are funded by the Compensation and Pensions appropriation.
* The project is included in the Veterans Health Administration list of major construction projects.

Minor Construction Projects

| <i>Minor Construction Funding for NCA Programs</i> | | | | | |
|--|------------------------|--------------------|-------------------------|-------------------------|---|
| (dollars in thousands) | | | | | |
| | 2008 Actual | 2009 PB | 2009 Enacted | 2010 Request | \$ Change 2009-2010 PB to Req. |
| Annual appropriations | \$75,000 | \$25,000 | \$87,000 | \$50,720 | -\$36,280 |
| Total, Minor Projects..... | \$75,000 | \$25,000 | \$87,000 | \$50,720 | -\$36,280 |

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Grants for Construction of State Veterans Cemeteries

Appropriation Language

For grants to assist States in establishing, expanding, or improving state Veterans cemeteries as authorized by section 2408 of title 38, United States Code, \$42,000,000, to remain available until expended.

| Appropriation Highlights (dollars in thousands) | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|---------------------|
| | 2008 | 2009 | 2009 | 2010 | Increase (+) |
| | Actual | PB | Enacted | Request | Decrease (-) |
| Obligations | \$36,937 | \$32,000 | \$43,500 | \$43,401 | -99 |
| Unobligated balances: | | | | | |
| Start of year (-) | -338 | 0 | -2,901 | -1,401 | 1,500 |
| End of year | 2,901 | 0 | 1,401 | 0 | -1,401 |
| Budget authority | | | | | |
| (appropriation) | \$39,500 | \$32,000 | \$42,000 | \$42,000 | 0 |

Program Description

Grants are provided to states for the establishment, expansion, improvement or operation of state Veterans 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 2008, 24,826 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 \$42,000,000 to fund grants for state Veterans cemeteries in 2010. 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 14 new state Veterans cemeteries between 2009 and 2014.

| <i>Total Obligations by State</i> | |
|---|------------------|
| From program inception in 1980 through 06/03/08 (dollars in thousands) | |
| Arizona | \$8,003 |
| Arkansas | 5,892 |
| California | 8,822 |
| Colorado | 6,007 |
| Connecticut..... | 682 |
| Delaware..... | 11,017 |
| Georgia..... | 11,723 |
| Guam..... | 5,438 |
| Hawaii..... | 14,997 |
| Idaho..... | 8,238 |
| Illinois..... | 231 |
| Indiana | 5,662 |
| Iowa..... | 7,625 |
| Kansas | 19,464 |
| Kentucky..... | 22,847 |
| Louisiana..... | 5,621 |
| Maine..... | 8,640 |
| Maryland | 10,608 |
| Massachusetts | 19,020 |
| Minnesota | 3,894 |
| Missouri | 16,536 |
| Montana..... | 5,959 |
| Nevada..... | 14,249 |
| New Hampshire | 4,327 |
| New Jersey..... | 19,936 |
| North Carolina..... | 2,402 |
| North Dakota | 3,023 |
| Pennsylvania | 23 |
| Rhode Island | 8,880 |
| Saipan, CNMI..... | 1,667 |
| South Carolina | 5,184 |
| Tennessee..... | 3,826 |
| Texas..... | 24,726 |
| Utah | 868 |
| Vermont | 852 |
| Virginia..... | 8,048 |
| Wisconsin..... | 9,360 |
| Wyoming..... | 1,781 |
| Total | \$316,078 |

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*National Cemetery Administration
Gift and Facilities Operation Funds*

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. 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.

Summary of Budget Request

No appropriation action is required. The Gift Fund is a trust fund, which is financed from gifts and bequests from donors. Fund obligations are estimated to be \$215,000 in 2010.

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. 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.

Summary of Budget Request

No appropriation action is required. The Fund is financed by proceeds from the lease of land or buildings. Fund obligations are estimated to be \$150,000 in 2010.

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Benefits

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Compensation & Pensions

Appropriation Language

For the payment of compensation benefits to or on behalf of Veterans and a pilot program for disability examinations as authorized by section 107 and chapters 11, 13, 18, 51, 53, 55, and 61 of title 38, United States Code; pension benefits to or on behalf of Veterans as authorized by chapters 15, 51, 53, 55, and 61 of title 38, United States Code; and burial benefits, the Reinstated Entitlement Program for Survivors, emergency and other officers' retirement pay, adjusted-service credits and certificates, payment of premiums due on commercial life insurance policies guaranteed under the provisions of title IV of the Servicemembers Civil Relief Act (50 U.S.C. App. 541 et seq.), and for other benefits as authorized by sections 107, 1312, 1977, and 2106, and chapters 23, 51, 53, 55, and 61 of title 38, United States Code, \$47,218,200,007 , to remain available until expended: Provided, That not to exceed \$29,283,000 of the amount appropriated under this heading shall be reimbursed to "General operating expenses", " "Medical support and compliance", and "Information technology systems" for necessary expenses in implementing the provisions of chapters 51, 53, and 55 of title 38, United States Code, the funding source for which is specifically provided as the "Compensation and pensions" appropriation: *Provided further*, That such sums as may be earned on an actual qualifying patient basis, shall be reimbursed to "Medical care collections fund" to augment the funding of individual medical facilities for nursing home care provided to pensioners as authorized.

Summary of Appropriation Highlights
(dollars in thousands)

| | 2009 | | | | |
|--|---------------------|---------------------|----------------------------------|---------------------|----------------------------|
| | 2008 Actual | Budget Estimate | Current Estimate ¹ | 2010 Estimate | Increase(+) Decrease(-) |
| Compensation Obligations | | | | | |
| Veterans | \$31,571,657 | \$34,689,066 | \$35,413,663 | \$37,757,865 | \$2,344,202 |
| Survivors | 4,708,536 | 4,974,508 | 4,893,067 | 5,090,653 | 197,586 |
| Special Benefits for Children | 18,440 | 19,207 | 19,594 | 19,678 | 84 |
| Clothing Allowance | 62,290 | 66,506 | 68,492 | 71,390 | 2,898 |
| Other (REPS, SAFD, EAJA) | 14,346 | 16,011 | 15,060 | 14,833 | -227 |
| Medical Exam Pilot Program | 98,461 | 99,000 | 134,754 | 0 | -134,754 |
| OBRA Payments to VBA | 478 | 857 | 475 | 489 | 14 |
| OBRA Payments to ITS | 94 | 97 | 97 | 100 | 3 |
| Health and Human Services | 0 | 1,000 | 1,000 | 750 | -250 |
| Concurrent Receipt (Non-Add) ² | 0 | 0 | 0 | 46,993 | 46,993 |
| Total Compensation Obligations: | \$36,474,302 | \$39,866,252 | \$40,546,202 | \$42,955,758 | \$2,409,556 |
| Pensions Obligations | | | | | |
| Veterans | \$2,858,181 | \$3,053,154 | \$2,879,950 | \$2,899,009 | \$19,059 |
| Survivors | 918,973 | 952,792 | 1,018,777 | 1,113,339 | 94,562 |
| Medical Exam Pilot Program | 958 | 1,000 | 1,311 | \$0 | -1,311 |
| OBRA Payment to VBA | 9,444 | 8,996 | 9,378 | 9,660 | 282 |
| OBRA Payment to ITS | 3,588 | 3,056 | 5,076 | 5,036 | -40 |
| OBRA Payment to VHA | 9,630 | 13,792 | 11,772 | 13,998 | 2,226 |
| Total Pension Obligations: | \$3,800,773 | \$4,032,790 | \$3,926,264 | \$4,041,041 | \$114,777 |
| Burial Obligations | | | | | |
| Burial Allowance | \$30,926 | \$39,107 | \$39,409 | \$40,167 | \$758 |
| Burial Plot | 12,951 | 20,751 | 20,119 | 20,506 | 387 |
| Service Connected Deaths | 27,249 | 30,672 | 27,633 | 28,776 | 1,143 |
| Burial Flags | 17,917 | 20,169 | 15,969 | 15,969 | 0 |
| Headstones/Markers/Allowances | 52,761 | 44,800 | 58,093 | 62,557 | 4,464 |
| Graveliners/OBR | 54,145 | 37,100 | 36,369 | 53,434 | 17,065 |
| Total Burial Obligations: | \$195,949 | \$192,598 | \$197,593 | \$221,408 | \$23,815 |
| Total C&P Obligations | \$40,471,024 | \$44,091,640 | \$44,670,058 | \$47,218,207 | \$2,548,149 |
| Funding: | | | | | |
| Unobligated balances (SOY) | -\$1,246,318 | -\$979,959 | -\$2,014,149 | \$0 | \$2,014,149 |
| Unobligated balances (EOY) | \$2,014,149 | \$0 | \$0 | \$0 | \$0 |
| Adjusted Budget Authority (Net) | \$41,238,855 | \$43,111,681 | \$42,655,909 | \$47,218,207 | \$4,562,298 |
| Appropriation | \$41,236,322 | \$43,111,681 | \$43,111,681 | \$47,218,207 | \$4,106,526 |
| Reappropriation | \$2,533 | \$0 | \$0 | \$0 | \$0 |
| Transfers to Insurance VI&I | \$0 | \$0 | -\$5,772 | \$0 | \$5,772 |
| Transfers to RB | \$0 | \$0 | -\$450,000 | \$0 | \$450,000 |
| Outlays | \$40,241,426 | \$43,940,145 | \$44,516,584 | \$47,055,859 | \$2,539,275 |
| Distribution of Budget Authority (net): | | | | | |
| Compensation | \$37,242,133 | \$38,886,293 | \$38,532,052 | \$42,955,758 | \$4,423,706 |
| Pension | \$3,800,773 | \$4,032,790 | \$3,926,264 | \$4,041,041 | \$114,777 |
| Burial | \$195,949 | \$192,598 | \$197,593 | \$221,408 | \$23,815 |
| Distribution of Outlays (net): | | | | | |
| Compensation | \$36,255,726 | \$39,728,674 | \$40,406,276 | \$42,807,356 | \$2,401,080 |
| Pension | \$3,789,751 | \$4,018,873 | \$3,912,715 | \$4,027,095 | \$114,380 |
| Burial | \$195,949 | \$192,598 | \$197,593 | \$221,408 | \$23,815 |

1. Compensation and Pension one time Recovery Act obligations are not included, please see page 2A-23 for program description and requirements.

2. Concurrent receipt is proposed legislation submitted by the President in conjunction with the budget request.

| Caseload Summary | | | | | |
|--------------------------------------|--------------------|------------------------|-------------------------------------|----------------------|--------------------------------|
| | | 2009 | | | |
| | 2008 Actual | Budget Estimate | Current Estimate¹ | 2010 Estimate | Increase(+) Decrease(-) |
| Compensation | | | | | |
| Veterans: | | | | | |
| Cases | 2,900,807 | 3,014,841 | 3,014,748 | 3,154,217 | +139,469 |
| Average Payment | \$10,884 | \$11,506 | \$11,747 | \$11,985 | +\$238 |
| Survivors: | | | | | |
| Cases | 336,717 | 341,502 | 342,223 | 348,335 | +6,112 |
| Average Payment | \$13,984 | \$14,567 | \$14,298 | \$14,614 | +\$316 |
| Other Caseload: ² | | | | | |
| Special Benefits for Children | 1,168 | 1,167 | 1,173 | 1,178 | +5 |
| Clothing Allowance | 94,094 | 95,913 | 97,790 | 101,929 | +4,139 |
| REPS | 58 | 80 | 50 | 42 | -8 |
| Special Allowance for Dependents | 59 | 65 | 59 | 59 | 0 |
| Equal Access to Justice Act | 2,234 | 2,444 | 2,234 | 2,234 | 0 |
| Pensions | | | | | |
| Veterans: | | | | | |
| Cases | 319,363 | 318,786 | 311,854 | 303,447 | -8,407 |
| Average Payment | \$8,950 | \$9,577 | \$9,235 | \$9,554 | +\$319 |
| Survivors: | | | | | |
| Cases | 194,182 | 198,949 | 192,253 | 187,509 | -4,744 |
| Average Payment | \$4,733 | \$4,789 | \$5,299 | \$5,938 | +\$639 |
| Burial Caseload | | | | | |
| Burial Allowance | 68,250 | 84,038 | 82,960 | 84,556 | +1,596 |
| Burial Plot | 43,868 | 69,169 | 67,064 | 68,354 | +1,290 |
| Service-Connected Deaths | 15,125 | 15,336 | 13,817 | 14,388 | +571 |
| Burial Flags | 588,106 | 500,000 | 500,010 | 500,010 | 0 |
| Headstones/Markers/ Allowances | 330,477 | 343,702 | 340,069 | 342,243 | +2,174 |
| Graveliners/Outer Burial Receptacles | 149,955 | 112,493 | 102,639 | 134,235 | +31,596 |

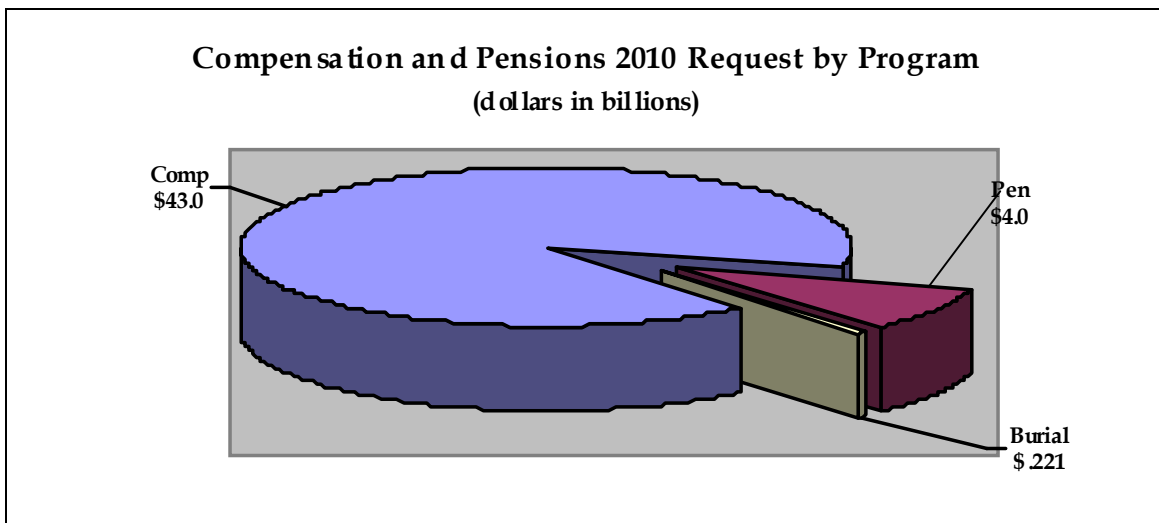
Note: Dollars may not add due to rounding in this and subsequent charts.

1.Compensation and Pension Recovery payments and caseload are not included in charts, please see page 2I-1. 2.

Summary of Budget Request

Budget authority of \$47.3 billion is estimated for 2010 to support the benefit programs funded by the Compensation and Pensions appropriation account. The 2010 request includes the Reinstated Entitlement Program for Survivors (REPS) funding appropriated through the Compensation and Pensions Account. Continued funding is requested for discretionary expenses associated with the Omnibus Budget Reconciliation Act (OBRA). OBRA payments allow the VA to perform program integrity matches that help ensure payments are made to eligible beneficiaries.

In 2010, funding for Compensation is estimated at \$43.0 billion, for payments to 3,154,217 Veterans, 348,335 survivors, and 1,178 children receiving special benefits. The Pensions program will provide benefits to an estimated 303,447 Veterans and 187,509 survivors totaling to over \$4.0 billion. Of the total requested, \$221.4 million is estimated for 2010 to provide burial benefits on behalf of eligible deceased Veterans. This funding will provide 84,556 burial allowances, 68,354 burial plot allowances, 14,388 service-connected death awards, 500,010 burial flags, 342,243 headstones or markers, and 134,235 graveliners or reimbursement for privately purchased outer burial receptacles.



Changes from Original 2009 Budget Estimate

Current estimated obligations for 2009 for the Compensation and Pensions program increase \$578.4 million from the original estimate. This increase is primarily the result of an increase in the cost of living adjustment (COLA) from the 2009 President's Budget (5.8 percent vs. 2.5 percent) and the impact of increased average benefit payments in the Compensation program. The revised estimates for 2009 are based on an analysis of actual compensation and pension cases and average cost observed during 2008. The Compensation and Pension account will transfer \$450 million to the Readjustment Benefits account in 2009 in order to assist with program increases related to implementation of the new Post 9/11 GI Bill education benefits. Another transfer in the amount of \$5.7 million will be made to the Insurance Veterans Insurance & Indemnities program to support program obligations.

Compensation

The Compensation program accounts for \$679.9 million of the increase over the original estimate. Driving the increase is the higher estimated cost associated with the average payment for Veterans. Average annual benefit payments for Veterans have increased \$241 from the original estimate (\$11,747 vs. \$11,506), amounting to a \$726.7 million increase from the previous estimate. These increases are partially offset by a decrease in average payment for survivors. The average annual benefit payments have decreased \$269 from the original estimate (\$14,298 vs. \$14,567), this amounts to a \$92.1 million decrease from the previous estimate. Veteran and survivor caseload increases resulted in a net total increase of \$9.4 million from the original estimate. Survivor caseload increased 721 (342,223 vs. 341,502), increasing costs \$10.5 million. Veteran cases decreased 93 (3,014,748 vs. 3,014,841), decreasing obligations by \$1.1 million.

Compensation benefits also include Special Benefits for Children, Clothing Allowance, Reinstated Entitlement Program for Survivors, Special Allowance for Dependents (SAFD), Equal Access to Justice Act (EAJA) payments, Medical Exam Pilot Program, VBA OBRA payments, and ITS OBRA payments. The costs for these benefits had a net increase of \$36.8 million. This is primarily due to a \$35.8 million increase in the Medical Exam Pilot Program. Obligations for clothing allowance increased by \$2.0 million and Vietnam Era Children increased \$387 thousand. These increases were partially offset by some minor decreases in obligations. Reinstated Entitlement Program for Survivors (REPS) decreased by \$478 thousand. VBA OBRA decreased by \$382 thousand. Equal Access to Justice Act (EAJA) and Special Allowance for Dependents (SAFD) obligations decreased by \$382 thousand and \$91 thousand respectively.

Pensions

There is a decrease of \$106.5 million in obligations for the Pensions program from the 2009 budget estimate. Average payment for Veterans decreased (\$9,235 vs. \$9,577), decreasing obligations by \$106.7 million. Survivor average payment increased \$510 from the original estimate (\$5,299 vs. \$4,789), increasing obligations by \$98.0 million. Caseload decreased for both Veterans (6,932) and survivors (6,697), resulting in a combined decrease of \$98.5 million. Other pension obligations include the Medical Exam Pilot Program and OBRA reimbursements to VBA, ITS, and VHA. The largest changes are due to the OBRA reimbursements. While ITS OBRA increased by \$2.0 million from the 2009 President's Budget, VHA OBRA decreased by \$2.0 million. VBA OBRA and the Medical Exam Pilot Program had a combined net increase of \$693 thousand.

Burial

The current 2009 Burial benefits budget estimate of \$197.6 million is \$5.0 million more than the original budget estimate of \$192.6 million. This increase in funding is primarily due to increases in average payment for graveliners (\$281 vs. \$209) and headstones and markers (\$171 vs. \$130). Combining this increase with a decrease in caseload for graveliners and headstones and markers results in a net increase of \$12.6 million. A decrease in average payment for burial flags (\$32 vs. \$40) results in a decrease of \$4.2 million in obligations. A decrease in service-connected deaths of 1,519 from the original estimate decreases obligations by \$3.0 million. A combined decrease of 2,105 in burial plots and an increase in average payment for burial allowance (\$475 vs. \$465) has a net decrease of \$329 thousand.

| Analysis of Increases and Decreases | | |
|---|--------------------------|--------------------------|
| (dollars in thousands) | | |
| | 2009 Estimate | 2010 Estimate |
| Prior Year Obligations | \$40,471,024 | \$44,670,058 |
| Compensation | | |
| Veterans Caseload and average payment changes (net) | +\$2,270,958 | +\$2,041,615 |
| Survivor Caseload and average payment changes (net) | -65,197 | +149,312 |
| PL 110-111 COLA 2.3%, effective 12/01/07 | +128,661 | - |
| PL 110-324 COLA 5.8%, effective 12/01/08 | +1,692,114 | +350,863 |
| Proposed COLA 0%, effective 12/01/09 | - | - |
| Other Benefits | | |
| Special Benefits for Children | +\$1,154 | +\$84 |
| Clothing Allowance | +6,202 | +2,888 |
| Other (REPS, SAFD, EAJA) | +713 | -227 |
| Medical Exams Pilot Program | +36,293 | -134,754 |
| Payments for VBA OBRA | -3 | +14 |
| Payments for ITS OBRA | +3 | +3 |
| Health and Human Services | +1,000 | -250 |
| Total Compensation Net Change | +\$4,071,899 | +\$2,409,557 |
| Pensions | | |
| Caseload and average payment changes (net) | -\$71,589 | +\$76,916 |
| COLAs | +193,162 | +36,705 |
| Payments for VBA OBRA | -65 | +281 |
| Payments for ITS OBRA | +1,488 | -40 |
| Payments for VHA OBRA | +2,142 | +2,226 |
| Medical Exams Pilot Program | +353 | -1,311 |
| Total Pensions Net Change | +\$125,491 | +\$114,777 |
| Burial | +\$1,644 | +\$23,815 |
| Total Net Change | +\$4,199,034 | +\$2,548,149 |
| Estimated Obligations | \$44,670,058 | \$47,218,207 |

Analysis of Increases and Decreases

Compensation

In 2010, Compensation obligations are estimated to surpass the 2009 level by nearly \$2.6 billion, from \$40.5 billion to \$43.0 billion. The 2009 COLA (5.8 percent) is expected to add \$350.9 million to the cost of the program in 2010. The public laws that enact COLAs provide a rate increase to all Disability Compensation beneficiaries, including DIC spouses and children. Rates are matched with the Consumer Price Index and are automatically tied to that afforded to Social Security beneficiaries. Accordingly, the 2010 COLA is expected to be zero percent.

The net effect of projected higher caseloads and changes in average payments will increase costs \$2.2 billion over 2009. The significant changes in average payments and caseloads are primarily the result of both increased workload and increased rating-related claims processing expected in 2010. 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.

Under the category of Other Benefits, costs are projected to decrease by \$85.2 million from 2009 to 2010. Beginning with the 2010 budget, all Medical Examinations will be funded from the General Operating Expense (GOE) account, leading to a decrease in Compensation & Pensions of \$134.8 million. The GOE account will be increased appropriately to cover needed medical exams (please see the Compensation & Pensions portion of the General Operating Expenses chapter for further explanation). An increase of \$47.0 million is due to concurrent receipts payments. Following program areas resulted in increases: Clothing Allowance (\$2.9 million), Special Benefits for Children (\$84 thousand), and payments for OBRA (\$17 thousand). There is also a decrease of \$250 thousand and \$227 thousand due to the reimbursement to Health and Human Services for access to the National Directory of New Hires and for the REPS program, respectively.

Pensions

In 2010, Pension obligations are expected to increase \$114.8 million from the 2009 level. The 2009 5.8 percent COLA is expected to add \$36.7 million to the cost of the program in 2010. Obligations are also increased due to higher average payments. Although caseload estimates continue to decrease (490,956 vs. 504,107), the increase in average payment (\$8,173 vs. \$7,734) causes a greater increase to pension obligations. Caseload declines for Veterans by 8,407 cases and

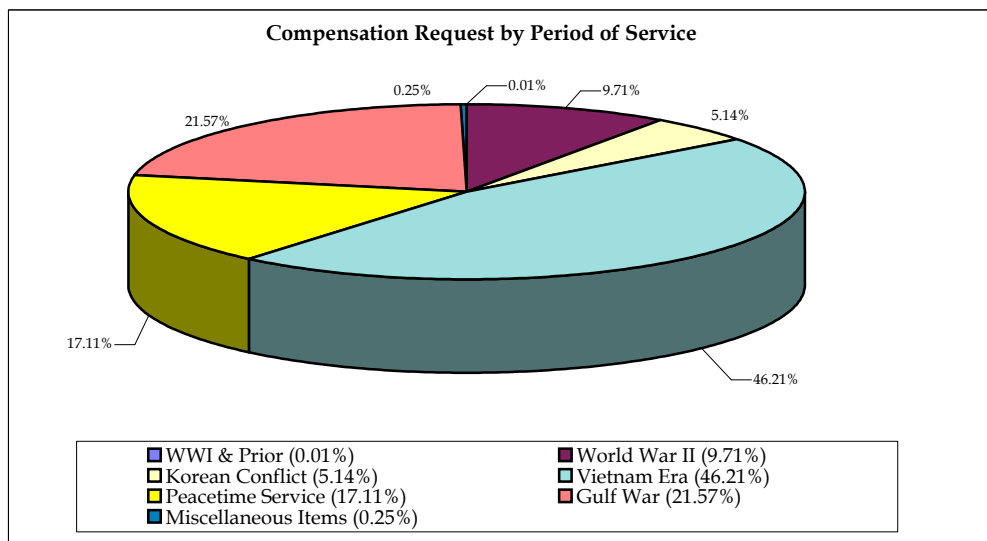
for survivors by 4,744 cases, but annual average payment increases by \$319 for Veterans and \$639 for survivors. The net impact is an increase in obligations of \$76.9 million. A net increase in pension obligations is due to an increase in reimbursement costs for OBRA (\$2.5 million) and a decrease in Medical Examinations (\$1.3 million).

Burial

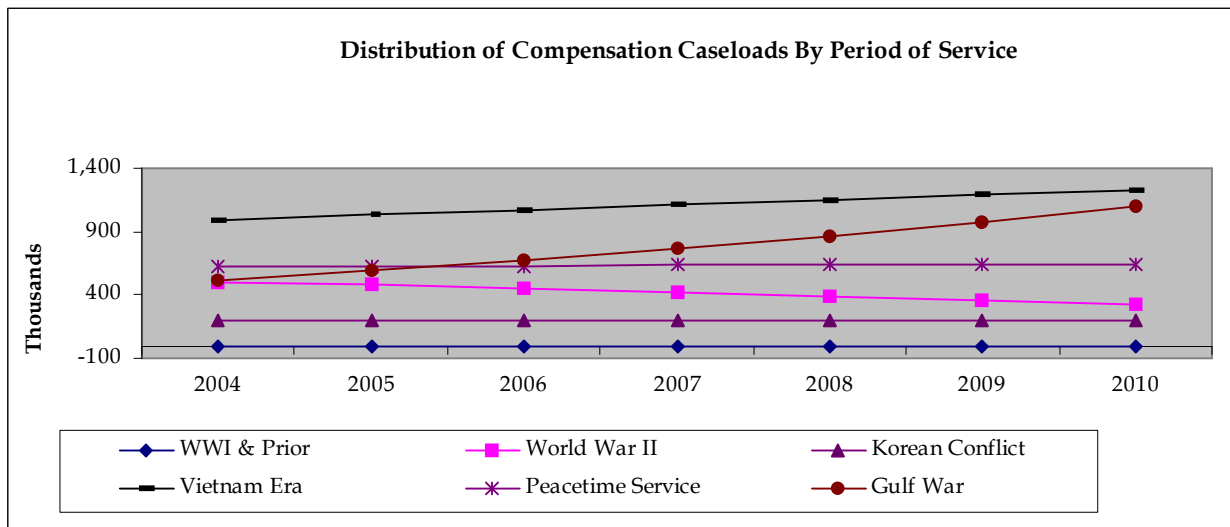
In 2010, burial benefits obligations are projected to increase by \$23.8 million. An increase in workload for pre-placed crypts increases burial benefits \$16.1 million. Increases in workload and average payments for headstones and markers increased obligations \$4.5 million. An increase in service-connected deaths, due to an increase in anticipated Veterans' deaths, will increase obligations \$1.1 million. A net effect of a decrease in caseload and an increase in average payment for graveliners will increase obligations \$992 thousand. An increase in burial allowances and burial plots will increase obligations \$758 thousand and \$387 thousand, respectively.

Compensation Program Highlights

The 2010 request continues historical trends. In 2010, Compensation benefit obligations are expected to total \$43.0 billion and be made to 3,502,552 beneficiaries (3,154,217 Veterans and 348,335 survivors). The estimated obligations for 2010 will increase almost \$2.6 billion over the 2009 level (from \$40.5 billion to \$43.0 billion). In 2010, 90 percent of the estimated cases will receive benefits under the Veteran's portion of the Compensation program, which accounts for over 88 percent of the program cost. As shown in the graphic below on "Compensation Request by Period of Service," the Vietnam Era accounts for over 46.2 percent of program obligations. This percentage is projected to increase in the outyears.



In 2010, benefits in the Compensation program are estimated to be dispersed to 3,154,217 Veterans, 348,335 survivors, and 1,178 children. The 2010 Veteran and survivor caseload estimate is distributed among World War I & Prior (434), World War II (329,934), Korean Conflict (192,533), Vietnam Era (1,232,982), Gulf War (1,098,166), and Peacetime (648,503) periods of service. The older periods of service caseloads 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.



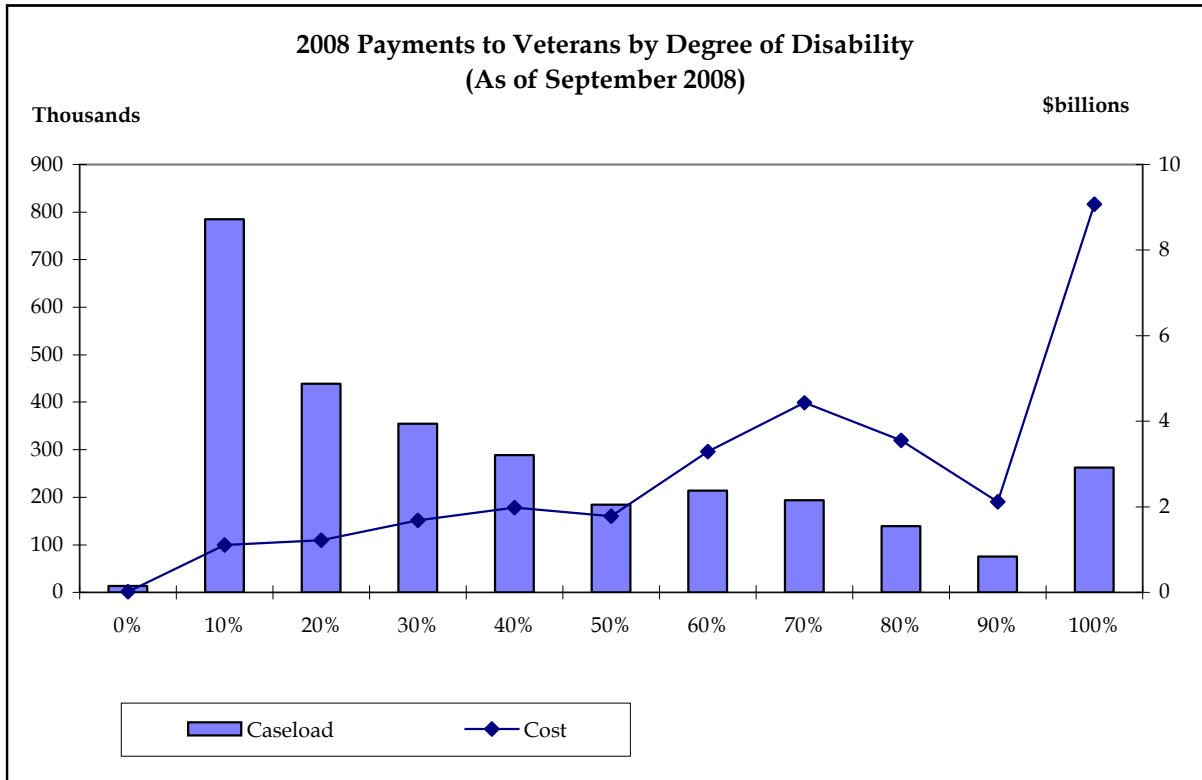
Numerous factors contribute to the total cost of the Compensation program. Some factors that influence cost fluctuations are increasing average degree of disability, additional benefits from enacted legislation or regulations, variations in the number of dependents, increasing number of Individual Unemployability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

Based on historical data, the average degree of disability is forecasted to increase through 2010 and the outyears. The average degree of disability for Veterans increased from 39.6 percent in 2007 to 40.4 percent in 2008. 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 2008)**

| Year | 0% | 10% | 20% | 30% | 40% | 50% | 60% | 70% | 80% | 90% | 100% | Avg. Degree |
|------|--------|---------|---------|---------|---------|---------|---------|---------|---------|--------|---------|-------------|
| 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% |
| 2007 | 13,774 | 782,034 | 429,621 | 344,912 | 274,216 | 172,351 | 197,877 | 178,663 | 124,943 | 67,208 | 249,175 | 39.6% |
| 2008 | 13,287 | 783,340 | 437,976 | 353,587 | 288,079 | 183,831 | 213,413 | 193,526 | 138,880 | 75,311 | 261,901 | 40.4% |

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'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 2008, almost 150,000 Veterans received an increase to their disability benefits, as shown on the following chart.

| Veterans Compensation 2008 Increased Disability Rating Levels | | | | | | | | | | | |
|--|---------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|----------------|
| | Disability Level Increase | | | | | | | | | | |
| Current | 10% | 20% | 30% | 40% | 50% | 60% | 70% | 80% | 90% | 100% | Total |
| 0% | 75 | 57 | 34 | 48 | 25 | 36 | 6 | 3 | 7 | 35 | 326 |
| 10% | - | 9,890 | 5,826 | 4,819 | 1,763 | 2,404 | 1,002 | 504 | 161 | 1,608 | 27,977 |
| 20% | - | - | 7,134 | 7,472 | 2,384 | 2,710 | 1,179 | 923 | 309 | 1,678 | 23,789 |
| 30% | - | - | - | 7,690 | 5,422 | 3,258 | 2,296 | 935 | 274 | 2,004 | 21,879 |
| 40% | - | - | - | - | 6,388 | 7,455 | 3,491 | 2,002 | 597 | 2,118 | 22,051 |
| 50% | - | - | - | - | - | 5,792 | 4,810 | 2,028 | 673 | 2,150 | 15,453 |
| 60% | - | - | - | - | - | - | 7,129 | 4,756 | 1,448 | 2,898 | 16,231 |
| 70% | - | - | - | - | - | - | - | 5,985 | 2,160 | 3,446 | 11,591 |
| 80% | - | - | - | - | - | - | - | - | 4,336 | 2,759 | 7,095 |
| 90% | - | - | - | - | - | - | - | - | - | 3,366 | 3,366 |
| Total | 75 | 9,947 | 12,994 | 20,029 | 15,982 | 21,655 | 19,913 | 17,136 | 9,965 | 22,062 | 149,758 |

As of September 2008, almost 1.2 million out of almost 3.0 million Veteran cases received additional compensation for dependents. The number of dependents totaled 1.7 million, or 1.49 dependents per case. As the average age of Veterans from the older war periods increases, the number of dependents decreases.

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 2008, there were 247,393 Veterans receiving IU, an

increase of 10,072 cases over 2007. Although IU caseload continues to increase, the rate at which it increases has declined over the past few years.

| Veterans Compensation Individual Unemployability | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Without Dependents | 38,920 | 47,960 | 55,492 | 62,035 | 64,497 | 65,808 | 71,009 |
| With Dependents | 106,937 | 127,575 | 144,826 | 159,057 | 164,138 | 171,513 | 176,384 |
| Total | 145,857 | 175,535 | 200,318 | 221,092 | 228,635 | 237,321 | 247,393 |

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 | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Without Dependents | 68,999 | 76,543 | 82,431 | 89,552 | 96,345 | 103,702 | 112,368 |
| With Dependents | 94,274 | 110,851 | 125,206 | 141,161 | 154,555 | 172,643 | 189,590 |
| Total | 163,273 | 187,394 | 207,637 | 230,713 | 250,900 | 276,345 | 301,958 |

The majority of retroactive payments are one-time payments disbursed 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 2008, retroactive payments were 7.7 percent of total 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.

| Compensation Retroactive Payments (Dollars in millions) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Retro Payments | \$2,498 | \$2,613 | \$2,302 | \$2,184 | \$2,002 | \$2,486 | \$2,786 |
| Compensation Payments | \$22,341 | \$24,686 | \$26,330 | \$28,643 | \$30,833 | \$33,639 | \$36,280 |
| Percent of Retro to Total | 11.2% | 10.6% | 8.7% | 7.6% | 6.5% | 7.4% | 7.7% |

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 Pension 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 | | | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| 0% | 408 | 584 | 412 | 467 | 495 | 496 | 502 |
| 10% | 30,635 | 42,313 | 41,102 | 44,960 | 50,850 | 51,393 | 51,063 |
| 20% | 30,038 | 33,691 | 28,569 | 30,465 | 32,752 | 33,054 | 32,180 |
| 30% | 16,711 | 22,494 | 20,543 | 23,486 | 24,775 | 25,705 | 26,360 |
| 40% | 13,292 | 18,018 | 16,286 | 18,774 | 20,324 | 21,218 | 21,795 |
| 50% | 8,349 | 11,514 | 10,852 | 12,617 | 12,889 | 14,028 | 15,065 |
| 60% | 6,908 | 10,096 | 9,251 | 11,104 | 11,949 | 13,359 | 15,004 |
| 70% | 5,625 | 8,424 | 7,783 | 8,737 | 8,478 | 9,648 | 11,037 |
| 80% | 2,764 | 4,248 | 3,797 | 4,665 | 4,864 | 5,816 | 7,062 |
| 90% | 1,260 | 1,964 | 1,788 | 2,138 | 2,162 | 2,564 | 3,348 |
| 100% | 6,934 | 9,602 | 9,338 | 9,309 | 8,829 | 9,591 | 10,327 |
| Total | 122,924 | 162,948 | 149,721 | 166,722 | 178,368 | 186,872 | 193,743 |
| Avg. Degree | 34.1% | 35.2% | 35.3% | 38.5% | 34.8% | 35.5% | 36.9% |

Based on an analysis of Veteran trends, there is a relationship between Veterans terminating from the compensation rolls and survivors acceding to the compensation rolls. The relationship is significantly more pronounced as the Veteran’s degree of disability increases. The survivor’s Dependency and Indemnity Compensation (DIC) program is available to surviving spouses who have not remarried (or those remarried after the age of 57), unmarried children under 18 years of age, helpless children, and low-income parents of deceased Veterans.

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.

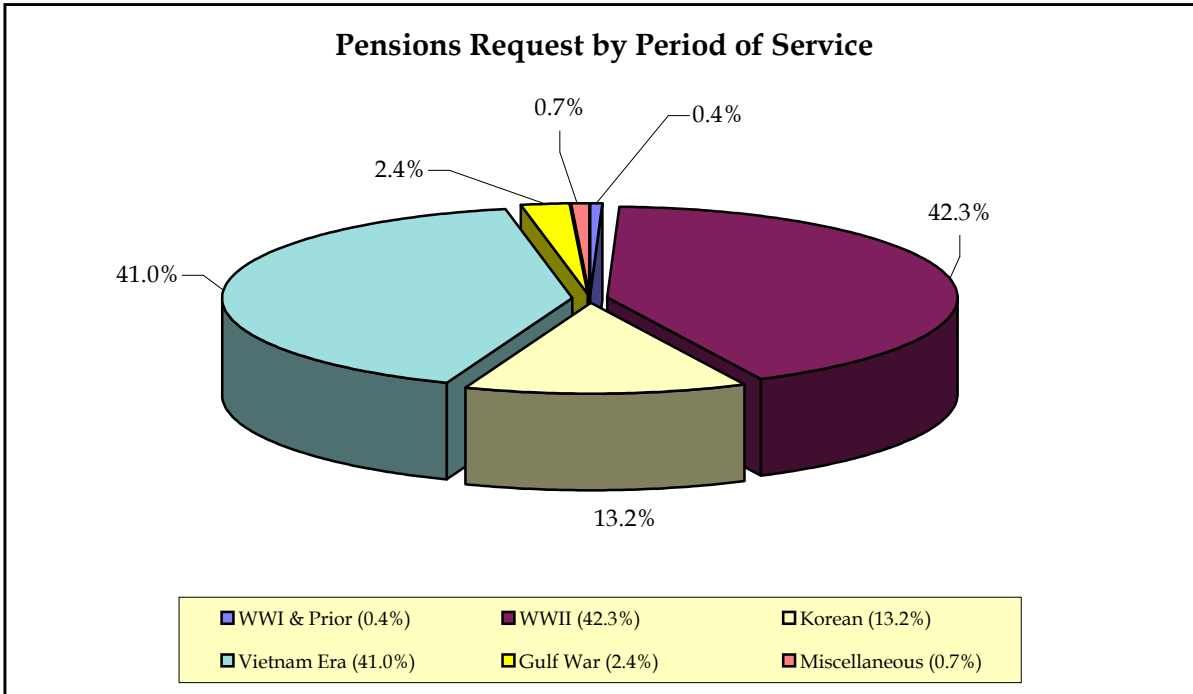
| Survivor Compensation | | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Accession Trends | | | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Total | 13,366 | 17,421 | 18,211 | 18,551 | 17,876 | 17,507 | 24,737 |

Veteran termination data has demonstrated that survivors typically accede to the compensation rolls within three years. In 2008, 14,221 cases acceded to the DIC rolls within the first three years after the Veteran terminated. The chart below shows the net delta of accessions minus terminations for both Veterans and survivors. This effect has been considered in future projections.

| Compensation | | | | | | | |
|--|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Net Effect (Accession Minus Terminations) | | | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Veterans | 64,381 | 86,591 | 70,082 | 81,405 | 99,014 | 106,551 | 107,763 |
| Survivors | 3,024 | 5,224 | 5,052 | 5,568 | 3,344 | 4,286 | 11,256 |
| Total | 67,405 | 91,815 | 75,134 | 86,973 | 102,358 | 110,837 | 119,019 |

Pensions Program Highlights

In 2010, Pensions benefit obligations are expected to total \$4.0 billion and be made to 490,956 pension beneficiaries. The 2010 request continues the historical trends of decreasing caseload and increasing obligations. Over 94 percent of the estimated cases will receive benefits under the Improved Law program, accounting for 99 percent of the program's cost. As shown in the "Pensions Request by Period of Service" chart, the Vietnam Era accounts for 41.0 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 accede to 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 | | | |
|-------------------------------------|----------|----------------------------|----------|
| PL 95-588 Income Limitations | | | |
| (As of December 2008) | | | |
| Veterans | | Survivors | |
| Without dependents | \$11,830 | Spouses without dependents | \$7,933 |
| With one dependent | \$15,493 | Spouses with one dependent | \$10,385 |
| Each additional dependent | \$2,020 | Each additional dependent | \$2,020 |

| Pensions | | | | | | | | | |
|-----------------------|---------------|------------------------|---------------------------|---------------|------------------------|---------------------------|---------------|------------------------|---------------------------|
| Summary by Law | | | | | | | | | |
| | 2008 | | | 2009 | | | 2010 | | |
| | 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 | 474,391 | \$7,862 | \$3,729,478 | 470,741 | \$8,188 | \$3,854,375 | 462,489 | \$8,586 | \$3,970,986 |
| Prior Law | 38,950 | \$1,212 | \$47,208 | 33,255 | \$1,325 | \$44,064 | 28,396 | \$1,450 | \$41,161 |
| Old Law | 204 | \$2,298 | \$468 | 112 | \$2,583 | \$288 | 71 | \$2,841 | \$200 |
| Veterans | | | | | | | | | |
| Improved Law | 312,772 | \$9,097 | \$2,845,294 | 306,358 | \$9,363 | \$2,868,452 | 298,863 | \$9,666 | \$2,888,748 |
| Prior Law | 6,510 | \$1,962 | \$12,772 | 5,431 | \$2,096 | \$11,380 | 4,531 | \$2,238 | \$10,140 |
| Old Law | 81 | \$1,421 | \$115 | 66 | \$1,792 | \$118 | 53 | \$2,259 | \$121 |
| Survivors | | | | | | | | | |
| Improved Law | 161,618 | \$5,471 | \$884,184 | 164,383 | \$5,998 | \$985,923 | 163,626 | \$6,614 | \$1,082,238 |
| Prior Law | 32,441 | \$1,062 | \$34,436 | 27,824 | \$1,175 | \$32,684 | 23,865 | \$1,300 | \$31,021 |
| Old Law | 123 | \$2,874 | \$353 | 46 | \$3,714 | \$171 | 17 | \$4,650 | \$80 |

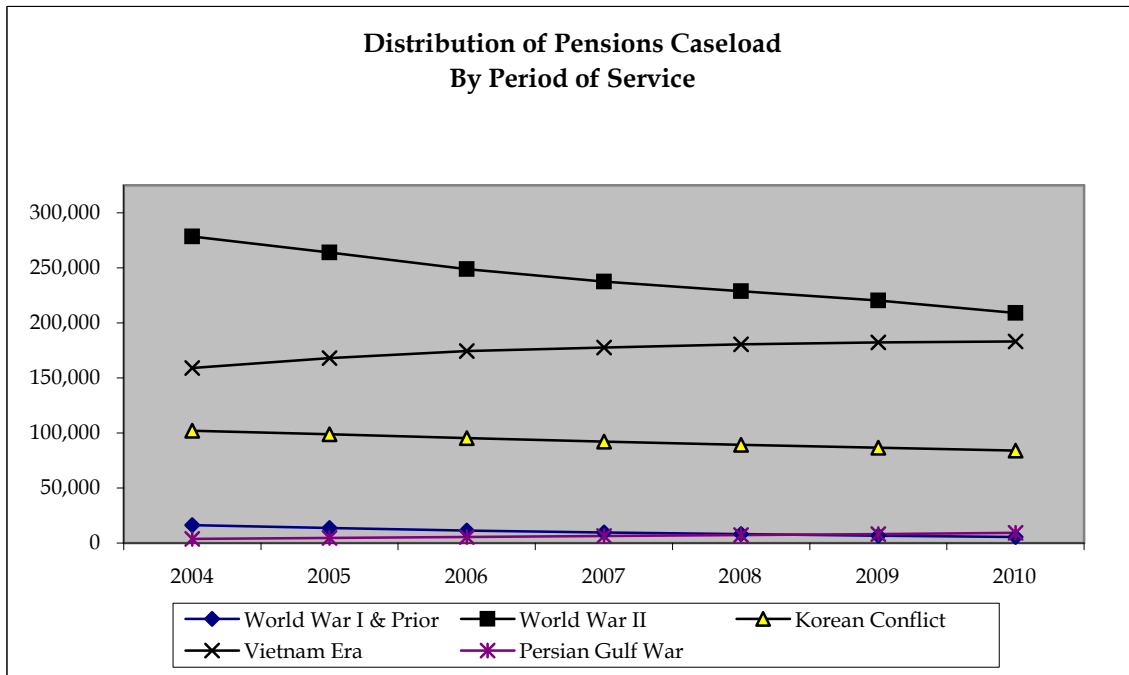
A major factor of the cost of the Pensions program is the impact of the automatic cost-of-living adjustment. However, the COLA for Improved Law beneficiaries, which is automatically tied to that afforded to Social Security beneficiaries, is estimated to be zero in 2010. Since rates for pensioners covered 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 pension 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, \$2,686 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.

Total Pensions caseloads for both Veterans and survivors are expected to continue to decline through 2010. The 2010 Veteran and survivor caseload estimate is distributed among World War I & Prior (5,651), World War II (208,885), Korean Conflict (83,931), Vietnam Era (183,200), and Gulf War (9,289). 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 assisted 185 survivors of Veterans from the Spanish-American War and the Civil War in 2008.



A significant factor in forecasting obligations is the age distribution of both Veterans and survivors. As of September 30, 2008, the average age of Veterans who received pension was 70. The age of survivors of Veterans who received a pension was higher at 78. 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 2008, Gulf War and

Vietnam Era Veteran caseloads increased (net) by 811 and 2,572, respectively. VA estimates that the increasing average age will eventually slow down due to the increasing number of Veterans from recent periods of service acceding to the rolls.

| Pensions | | | | | | | | |
|-----------------------------------|----------------------|-----------------------|---------------------|---------------------------|------------------------|------------------------|----------------------|----------------------------|
| Age of Pensions Recipients | | | | | | | | |
| (As of September 2008) | | | | | | | | |
| 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 | 32 | - | - | 32 | 19 | - | - | 19 |
| 25 - 35 | 1,106 | - | - | 1,106 | 171 | - | - | 171 |
| 36 - 45 | 4,381 | - | - | 4,381 | 1,309 | 2 | - | 1,311 |
| 46 - 55 | 38,038 | 44 | - | 38,082 | 10,849 | 76 | - | 10,925 |
| 56 -65 | 111,946 | 496 | - | 112,442 | 20,305 | 436 | - | 20,741 |
| 66 - 75 | 32,603 | 691 | 3 | 33,297 | 23,467 | 1,695 | 1 | 25,163 |
| Over 75 | 123,505 | 4,727 | 73 | 128,305 | 104,255 | 19,532 | 123 | 123,910 |
| Total | 311,611 | 5,958 | 76 | 317,645 | 160,375 | 21,741 | 124 | 182,240 |

Note: Survivor pension age data does not include 13,500 cases within unknown age.

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.

| Veteran Pensions | | | | | | | |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Accessions and Terminations | | | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Accessions | 37,124 | 47,489 | 44,956 | 42,208 | 40,213 | 40,574 | 42,930 |
| Terminations | 38,913 | 47,515 | 48,589 | 49,300 | 46,146 | 47,426 | 48,257 |
| Net Delta | -1,789 | -26 | -3,633 | -7,092 | -5,933 | -6,852 | -5,327 |

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 2008)

"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 |
| 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 |
| 2007 | 90 | <0.1 | 55 | 35 | 176 | .01 | 171 | 5 | 114 |
| 2008 | 76 | <0.1 | 46 | 30 | 224 | .01 | 122 | 2 | 100 |

"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 |
| 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 |
| 2007 | 7,161 | 2.2 | 3,364 | 3,797 | 25,225 | 14.0 | 23,884 | 1,341 | 9,534 |
| 2008 | 5,958 | 2.0 | 2,823 | 3,135 | 30,836 | 15.7 | 20,560 | 1,181 | 9,095 |

"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 |
| 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 |
| 2007 | 315,624 | 97.7 | 235,846 | 79,778 | 155,263 | 85.9 | 152,892 | 2,371 | 4,803 |
| 2008 | 311,611 | 98.0 | 235,456 | 76,155 | 164,988 | 84.2 | 158,168 | 2,208 | 4,612 |

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

| | 2008 | | | 2009 | | | 2010 | | |
|---|------------------|-----------------|---------------------|------------------|-----------------|---------------------|------------------|-----------------|---------------------|
| | Average Cases | Average Benefit | Total Obligations | Average Cases | Average Benefit | Total Obligations | Average Cases | Average Benefit | Total Obligations |
| Compensation Total ^{1/} | 3,237,525 | \$11,206 | \$36,474,302 | 3,356,971 | \$12,007 | \$40,546,201 | 3,502,552 | \$12,247 | \$43,002,751 |
| Veterans Total | 2,900,807 | \$10,884 | \$31,571,657 | 3,014,748 | \$11,747 | \$35,413,663 | 3,154,217 | \$11,985 | \$37,804,858 |
| World War I | 1 | \$24,543 | \$25 | 1 | \$24,543 | \$25 | 1 | \$24,543 | \$25 |
| World War II | 288,718 | 10,157 | 2,932,539 | 265,254 | 10,780 | 2,859,445 | 243,697 | 11,441 | 2,788,173 |
| Korean Conflict | 158,853 | 10,418 | 1,654,957 | 158,138 | 10,575 | 1,672,383 | 157,427 | 10,735 | 1,689,994 |
| Vietnam Era | 1,000,765 | 14,415 | 14,426,187 | 1,030,035 | 15,710 | 16,182,130 | 1,058,883 | 16,507 | 17,478,799 |
| Peacetime Service | 607,682 | 8,800 | 5,347,388 | 610,611 | 10,436 | 6,372,114 | 612,172 | 11,219 | 6,868,232 |
| Gulf War | 844,788 | 8,535 | 7,210,562 | 951,201 | 8,761 | 8,333,327 | 1,070,162 | 8,347 | 8,932,642 |
| ^{2/} Cncrrnt. Rcpts | - | - | - | - | - | - | 11,874 | 3,958 | 46,993 |
| Survivors Total | 336,717 | \$13,984 | \$4,708,536 | 342,223 | \$14,298 | \$4,893,067 | 348,335 | \$14,614 | \$5,090,653 |
| Spanish-American War | 3 | \$8,764 | \$26 | 3 | \$8,764 | \$26 | 3 | \$8,764 | \$26 |
| Mexican Border Period | 1 | 17,172 | 17 | 1 | 17,172 | 17 | 1 | 17,172 | 17 |
| World War I | 693 | 11,726 | 8,126 | 545 | 11,682 | 6,368 | 429 | 11,639 | 4,991 |
| World War II | 97,330 | 14,220 | 1,384,014 | 91,820 | 15,096 | 1,386,151 | 86,237 | 16,090 | 1,387,549 |
| Korean Conflict | 35,910 | 14,442 | 518,614 | 35,506 | 14,607 | 518,615 | 35,106 | 14,773 | 518,616 |
| Vietnam Era | 150,629 | 13,736 | 2,069,086 | 160,276 | 13,838 | 2,217,859 | 170,136 | 13,965 | 2,376,034 |
| Peacetime Service | 33,956 | 13,801 | 468,618 | 33,152 | 14,231 | 471,791 | 32,366 | 14,675 | 474,986 |
| Gulf War | 18,195 | 14,292 | 260,034 | 20,921 | 13,969 | 292,239 | 24,056 | 13,653 | 328,434 |
| Other Total | | | \$194,109 | | | \$239,483 | | | \$107,240 |
| Spec. Ben. For Children | 1,168 | \$15,789 | \$18,440 | 1,173 | \$16,704 | \$19,594 | 1,178 | \$16,704 | \$19,678 |
| Clothing Allowance | 94,094 | 662 | 62,290 | 97,806 | 700 | 68,503 | 101,929 | 700 | 71,390 |
| Other (REPS, SAFD, EAJA) | 2,351 | 6,102 | 14,346 | 2,343 | 6,428 | 15,060 | 2,335 | 6,352 | 14,833 |
| OBRA Payment to VBA | - | - | 478 | - | - | 475 | - | - | 489 |
| OBRA Payment to ITS | - | - | 94 | - | - | 97 | - | - | 100 |
| Medical Exam Pilot Prgm | - | - | 98,461 | - | - | 134,754 | - | - | - |
| HHS | - | - | - | - | - | 1,000 | - | - | 750 |
| Pensions Total ^{1/} | 513,544 | \$7,355 | \$3,800,773 | 504,107 | \$7,734 | \$3,926,264 | 490,956 | \$8,173 | \$4,041,041 |
| Veterans Pensions Total | 319,363 | \$8,950 | \$2,858,181 | 311,854 | \$9,235 | \$2,879,950 | 303,447 | \$9,554 | \$2,899,009 |
| World War I | 1 | \$32,476 | \$35 | 1 | \$32,476 | \$35 | 1 | \$32,476 | \$35 |
| World War II | 90,682 | 9,335 | 846,509 | 83,397 | 10,298 | 858,845 | 75,782 | 11,472 | 869,344 |
| Korean Conflict | 62,276 | 6,729 | 419,079 | 59,627 | 6,920 | 412,624 | 57,091 | 7,116 | 406,269 |
| Vietnam Era | 159,476 | 9,515 | 1,517,398 | 160,983 | 9,470 | 1,524,489 | 161,688 | 9,460 | 1,529,581 |
| Gulf War | 6,927 | 10,851 | 75,161 | 7,845 | 10,701 | 83,956 | 8,886 | 10,554 | 93,779 |
| Survivors Pensions Total | 194,182 | \$4,733 | \$918,973 | 192,253 | \$5,299 | \$1,018,777 | 187,509 | \$5,938 | \$1,113,339 |
| Civil War | 2 | \$878 | \$2 | 2 | \$878 | \$2 | 2 | \$878 | \$2 |
| Spanish- American War | 183 | 2,477 | 454 | 160 | 2,218 | 355 | 140 | 1,986 | 277 |
| Mexican Border Period | 74 | 6,101 | 453 | 71 | 7,246 | 512 | 67 | 8,606 | 579 |
| World War I | 7,738 | 2,748 | 21,264 | 6,489 | 2,922 | 18,963 | 5,441 | 3,108 | 16,911 |
| World War II | 137,759 | 4,735 | 652,230 | 136,942 | 5,462 | 748,021 | 133,103 | 6,296 | 837,997 |
| Korean Conflict | 26,967 | 4,239 | 114,313 | 26,903 | 4,453 | 119,803 | 26,840 | 4,678 | 125,556 |
| Vietnam Era | 21,064 | 6,059 | 127,624 | 21,287 | 6,024 | 128,221 | 21,512 | 5,988 | 128,821 |
| Gulf War | 395 | 6,664 | 2,633 | 399 | 7,263 | 2,900 | 404 | 7,916 | 3,195 |
| Other Pensions Total | | | \$23,620 | | | \$27,537 | | | \$28,694 |
| OBRA Payment to VBA | | | \$9,444 | | | \$9,378 | | | \$9,660 |
| OBRA Payment to ITS | | | 3,588 | | | 5,076 | | | 5,036 |
| OBRA Payment to VHA | | | 9,630 | | | 11,772 | | | 13,998 |
| Medical Exams Pilot Pgm | | | 958 | | | 1,311 | | | - |

1/ Does not include "other" caseload or obligations. 2/ Proposed Legislation provided by Department of Defense.

Proposed Legislation

Concurrent Receipt

The President is proposing legislation that authorizes the Department of Veterans Affairs to no longer withhold retroactive payments to military disabled retirees, also known as Chapter 61 retirees. Eligibility for concurrent receipt will be phased in over five years based on Veterans disability ratings from VA. In 2010, Veterans with ratings of 90 or 100 percent from VA will be eligible. The 2010 estimated obligations are \$47 million with an anticipated caseload of nearly 12 thousand.

Compensation & Pensions, Recovery Act

“The American Recovery and Reinvestment Act of 2009,” Public Law 111-5, authorizes the Compensation and Pension Recovery Act account to make economic stimulus payments to individuals receiving disability, pension, or survivor benefits.

Budget authority of \$700 million is estimated to support the economic recovery payments funded by the Compensation and Pension Recovery Act of 2009 account. A one-time \$250 payment will be paid to an estimated 2.8 million Veterans in 2009.

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Readjustment Benefits

Appropriation Language

For the payment of readjustment and rehabilitation benefits to or on behalf of Veterans as authorized by chapters 21, 30, 31, 33, 34, 35, 36, 39, 51, 53, 55, and 61 of title 38, United States Code, \$8,663,624,000, to remain available until expended: *Provided*, That expenses for rehabilitation program services and assistance which the Secretary is authorized to provide under subsection (a) of section 3104 of title 38, United States Code, other than under paragraphs (1), (2), (5), and (11) of that subsection, shall be charged to this account.

Readjustment Benefits
Summary of Appropriation Highlights
(dollars in thousands)

| | 2009 | | | | |
|---|--------------------|--------------------|---------------------|--------------------|-----------------------------|
| | 2008 Actual | Budget Estimate | Current Estimate | 2010 Estimate | Increase (+) Decrease(-) |
| Obligations: | | | | | |
| Post 9-11 GI Bill (33) | \$0 | \$0 | \$2,139,700 | \$7,140,287 | \$+5,000,586 |
| Veterans/servicemembers (30/34) | 2,112,635 | 2,209,673 | 1,336,356 | 398,548 | -937,809 |
| Reservists (1606) | 149,344 | 204,189 | 226,206 | 322,835 | +96,629 |
| Reservists (1607) | 148,580 | 169,512 | 60,652 | 0 | -60,652 |
| Dependents' Education and Training (35) | 434,715 | 478,067 | 463,651 | 481,726 | +18,076 |
| VR&E Subsistence Allowance | 238,131 | 250,367 | 229,592 | 201,406 | -28,186 |
| VR&E Books, Tuition, Supplies, Fees, etc. | 377,796 | 402,114 | 382,921 | 369,685 | -13,237 |
| Specially Adapted Housing Grants | 38,131 | 35,910 | 56,716 | 58,985 | +2,269 |
| Automobile Grants | 14,659 | 14,900 | 14,700 | 14,800 | +100 |
| Adaptive Equipment | 41,317 | 46,700 | 44,200 | 47,300 | +3,100 |
| Tuition Assistance | 23,413 | 26,113 | 19,461 | 828 | -18,633 |
| National Call to Service | 118 | 132 | 118 | 0 | -118 |
| Licensing and Certification Tests | 1,973 | 2,072 | 2,050 | 277 | -1,773 |
| National Exams 1/ | 128 | 58 | 133 | 35 | -99 |
| Work-Study 2/ | 20,109 | 19,564 | 20,149 | 17,192 | -2,957 |
| State Approving Agencies | 17,336 | 13,000 | 19,000 | 19,000 | 0 |
| Reporting Fees | 3,749 | 3,838 | 3,836 | 4,832 | +996 |
| Reimbursement to GOE | 901 | 1,292 | 5,740 | 2,636 | -3,104 |
| Total Obligations | \$3,623,036 | \$3,877,502 | \$5,025,183 | \$9,080,371 | \$ +4,055,189 |
| Funding: | | | | | |
| Unobligated balance (SOY) | \$-294,822 | \$-329,756 | \$-368,350 | \$0 | \$+368,349 |
| Unobligated balance (EOY) | 368,350 | 0 | 0 | 0 | 0 |
| Budget authority (gross) | 3,696,564 | 3,547,747 | 4,656,834 | 9,080,371 | +4,423,537 |
| Offsetting collections | -396,275 | -460,803 | -373,890 | -416,747 | -42,857 |
| Budget authority (net) | \$3,300,289 | \$3,086,944 | \$4,282,944 | \$8,663,624 | \$+4,380,680 |
| Appropriation | 3,300,289 | 3,086,944 | 3,832,944 | 8,663,624 | +4,830,680 |
| Transfer from Compensation | 0 | 0 | 450,000 | 0 | -450,000 |
| Appropriation adjusted | 3,300,289 | 3,086,944 | 4,282,944 | 8,663,624 | +4,380,680 |
| Outlays (net) | \$3,209,552 | \$3,403,504 | \$4,633,752 | \$8,630,953 | \$+3,997,201 |
| Total Obligations | \$3,623,036 | \$3,877,502 | \$5,025,183 | \$9,080,371 | \$+4,055,189 |
| Education Program | 3,000,088 | 3,217,911 | 4,405,499 | 8,503,091 | +4,097,592 |
| VR&E Program 3/ | 622,948 | 659,591 | 619,683 | 577,280 | -42,403 |
| Budget authority (net) | \$3,300,289 | \$3,086,944 | \$4,282,944 | \$8,663,624 | \$+4,380,680 |
| Education Program | 2,677,342 | 2,427,353 | 3,663,261 | 8,086,344 | +4,423,083 |
| VR&E Program | 622,948 | 659,591 | 619,683 | 577,280 | -42,403 |
| Outlays (net) | \$3,209,552 | \$3,403,504 | \$4,633,752 | \$8,630,953 | \$+3,997,201 |
| Education Program | 2,590,155 | 2,746,845 | 4,011,094 | 8,048,767 | +4,037,673 |
| VR&E Program | 619,398 | 656,659 | 622,659 | 582,185 | -40,474 |

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)

| | 2009 | | | | |
|--|----------------|--------------------|---------------------|------------------|----------------------------|
| | 2008 Actual | Budget Estimate | Current Estimate | 2010 Estimate | Increase(+) Decrease(-) |
| Workload Data and Other Items | | | | | |
| Workload: | | | | | |
| Post 9-11 GI Bill (33) | 0 | 0 | 346,936 | 441,728 | +94,792 |
| Veterans/servicemembers (30/34) | 354,284 | 351,927 | 349,632 | 48,323 | -301,309 |
| Reservists (1606) ^{1/} | 62,403 | 82,577 | 90,980 | 128,305 | +37,325 |
| Reservists (1607) | 44,025 | 33,672 | 34,594 | 0 | -34,594 |
| Dependents' Education and Training (35) | 80,191 | 82,728 | 82,345 | 84,569 | +2,224 |
| VR&E Subsistence Allowance | 55,059 | 54,917 | 56,207 | 44,288 | -11,919 |
| VR&E Books, Tuition, Supplies, Fees, etc. | 16,231 | 15,457 | 16,596 | 16,928 | +332 |
| VR&E Rehab, Evaluation, Planning and Service ^{2/} | 20,534 | 24,573 | 20,996 | 21,416 | +420 |
| Specially Adapted Housing Grants | 1,236 | 811 | 1,250 | 1,250 | 0 |
| Automobile Grants | 1,377 | 1,317 | 1,377 | 1,377 | 0 |
| Adaptive Equipment | 7,217 | 7,198 | 7,217 | 7,217 | 0 |
| National Call to Service | 38 | 31 | 38 | 0 | -38 |
| Average cost: | | | | | |
| Post 9-11 GI Bill (33) | \$0 | \$0 | \$6,167 | \$16,164 | \$+9,997 |
| Veterans/servicemembers (30/34) | \$5,984 | \$6,244 | \$3,803 | \$8,060 | \$+4,258 |
| Reservists (1606) | \$2,393 | \$2,473 | \$2,486 | \$2,516 | \$+30 |
| Reservists (1607) | \$3,375 | \$5,034 | \$3,507 | \$3,549 | \$+42 |
| Dependents' Education & Training (35) | \$5,421 | \$5,779 | \$5,631 | \$5,696 | \$+66 |
| VR&E Subsistence Allowance | \$4,325 | \$4,559 | \$4,494 | \$4,548 | \$+54 |
| VR&E Books, Tuition, Supplies, Fees, etc. | \$5,299 | \$5,714 | \$5,657 | \$6,039 | \$+382 |
| Specially Adapted Housing Grants | \$30,850 | \$44,279 | \$45,367 | \$47,182 | \$+1,815 |
| Automobile Grants | \$10,646 | \$10,880 | \$10,708 | \$10,770 | \$+62 |
| Adaptive Equipment | \$5,725 | \$6,490 | \$6,124 | \$6,550 | \$+427 |
| National Call to Service | \$3,102 | \$4,245 | \$3,102 | \$0 | \$-3,102 |
| Total Cost: | | | | | |
| Post 9-11 GI Bill (33) | \$0 | \$0 | \$2,139,700 | \$7,140,287 | \$+5,000,586 |
| Veterans/servicemembers (30/34) | \$2,119,860 | \$2,197,353 | \$1,329,496 | \$389,488 | \$-940,009 |
| Reservists (1606) ^{2/} | \$149,344 | \$204,189 | \$226,206 | \$322,835 | \$+96,629 |
| Reservists (1607) | \$148,580 | \$169,512 | \$60,652 | \$0 | \$-60,652 |
| Dependents' Education & Training (35) | \$434,715 | \$478,067 | \$463,651 | \$481,726 | \$+18,076 |
| VR&E Subsistence Allowance | \$238,131 | \$250,367 | \$229,592 | \$201,406 | \$-28,186 |
| VR&E Books, Tuition, Supplies, Fees, etc. | \$377,796 | \$402,114 | \$382,921 | \$369,685 | \$-13,237 |
| Specially Adapted Housing Grants | \$38,131 | \$35,910 | \$56,716 | \$58,985 | \$+2,269 |
| Automobile Grants | \$14,659 | \$14,900 | \$14,700 | \$14,800 | \$+100 |
| Adaptive Equipment | \$41,317 | \$46,700 | \$44,200 | \$47,300 | \$+3,100 |
| National Call to Service | \$118 | \$132 | \$118 | \$0 | \$-118 |

^{1/}Work-study costs not included

^{2/}No monetary benefit payment associated with these cases

Summary of Budget Request

Budget authority of nearly \$8.7 billion, when combined with \$416.7 million in offsetting collections from the Department of Defense, will provide funding for estimated Readjustment Benefits obligations. This will primarily fund education benefits, including the Post 9-11 GI Bill (chapter 33) beginning August 1, 2009. This will also pay for subsistence allowance and the cost of books, supplies, tuition, and fees under the Vocational Rehabilitation and Employment (VR&E) program. Funding will also provide reimbursement to the 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.

Post 9-11 GI Bill (Chapter 33) Highlights

Chapter 33 was enacted in the "Post 9-11 Veterans Educational Assistance Act of 2008" (PL 110-252), and will greatly expand education benefits on August 1, 2009. Based on length of active duty service and training rate, students are entitled to a percentage of the following:

- Cost of tuition and fees, not to exceed the most expensive in-state undergraduate tuition at a public institution of higher education (paid to school);
- Monthly housing allowance equal to the basic allowance for housing payable to a military E-5 with dependents, in the same zip code as the school (paid to student);
- Yearly books and supplies stipend of up to \$1,000 per year (paid to student); and
- A one-time payment of \$500 to certain individuals relocating from highly rural areas (paid to student).

Other benefits such as the Yellow Ribbon program, kickers, and refund of chapter 30 payroll deductions will also be available to certain students.

Eligibility to use chapter 33 benefits lasts for 15 years from last period of active duty service based on at least 90 consecutive days of active duty service. Students generally have up to 36 months of entitlement. Certain members of the Armed Forces who are still on active duty may be eligible to transfer benefits to a spouse or dependent children based on Department of Defense policy.

Changes from Original 2009 Budget Estimate

The current estimated obligation of over \$5 billion for 2009 for the Readjustment Benefits program increases \$1.1 billion from the original budget estimate of almost \$3.9 billion. The revised estimates for 2009 include the cost of the Post 9-

11 GI Bill and anticipated changes from an analysis of actual participation rates and cost observed during 2008. The 2009 appropriation is \$746 million over the 2009 President's budget request. The appropriation, when coupled with an anticipated transfer from the C&P account of \$450 million and an unobligated balance of \$368.4 million available at the start of 2009, will fund the increased obligations.

Education Program

Current estimated obligations for 2009 reflect a net increase of nearly \$1.2 billion from the original budget estimate of \$3.2 billion. This results primarily from the inception of the chapter 33 program on August 1, 2009. Chapter 33 obligations were not included in the original budget estimate, and the entire cost of the program, \$2.1 billion to cover 346,936 trainees, is reflected as an increase. While only two months of chapter 33 benefits are paid in 2009, VA anticipates covering the full Fall tuition costs for all new trainees. The new GI Bill results in decreased participation in the chapter 30 and chapter 1607 programs toward the end of the fiscal year. Chapter 30 obligations decrease \$873.3 million while chapter 1607 is anticipated to decline nearly \$108.9 million.

Current 2009 estimated obligations are decreasing \$873.3 million for chapter 30. The majority of chapter 30 eligible participants are expected to elect chapter 33 benefits. Trainees are anticipated to receive chapter 30 benefits for only a portion of 2009, driving down the annual average benefit payment. A decrease in the change in selected resources has decreased chapter 30 obligations almost \$5.5 million from the original budget estimate.

The 2009 current obligations for chapters 1606 and 1607 are revised with the latest Department of Defense estimates provided by the Office of the Actuary. Reservists will be eligible to elect chapter 33 benefits based on activated service. We assumed chapter 1606 recipients would not have enough qualifying active duty time to be eligible for chapter 33 benefits. Public Law 110-252 provided for transferability of reservist education benefits to dependants. Estimates provided by DoD incorporate the effects of this legislation. Current 2009 estimated obligations increase \$22 million in total for chapter 1606. The chapter 1606 estimated caseload has increased by 8,403, increasing obligations \$20.8 million. In addition, the COLA and changes in average payment (\$2,486 vs. \$2,473) increased obligations \$1.2 million.

Chapter 1607 current 2009 estimated obligations have decreased \$108.9 million in total from the original estimate. The chapter 1607 cumulative caseload has increased 922, increasing obligations \$4.6 million. By the end of the fiscal year it is anticipated that all chapter 1607 trainees will be eligible for and elect to transfer to chapter 33, lowering the average annual payment. Although slightly offset by

the temporary rate increase afforded in PL 110-252, average payment declined (\$3,507 vs. \$5,034) decreasing obligations \$113.5 million. Until the recent enactment of PL 110-252, DoD funded all reservist benefits; however chapter 33 payments will be funded through the VA Readjustment Benefits appropriation. For the first time, VA will fund reservist benefits, but only for trainees who elect chapter 33.

Current 2009 obligations have decreased \$14.4 million for the chapter 35 program. The current estimate is based on 2008 actual experience and results in a decrease in average payment (\$5,631 vs. \$5,779). This decrease accounts for \$12.2 million of the overall decrease in obligations. Caseload has decreased slightly by 383 from the 2009 budget estimate, decreasing obligations \$2.2 million.

Additional changes come from miscellaneous programs, resulting in a net increase of \$22.5 million in obligations. For the Special Assistance Programs including Specially Adapted Housing (SAH) and Special Housing Adaptation (SHA) grants, PL 110-289 authorized increases in the maximum available from \$50,000 to \$60,000 and from \$11,000 to \$12,000, respectively. This increase, coupled with an increase in the estimated number of SAH grants (205) and SHA grants (234), results in an increase in obligations of \$20.8 million. Public Law 110-252 provided for an increase of \$6 million for State Approving Agency obligations over the previously authorized reimbursement cap of \$13 million. The anticipated reimbursement to General Operating Expenses is expected to increase \$4.4 million. Partially offsetting these increases is a decrease in Tuition Assistance obligations of \$6.7 million as participation in this program is expected to decline due to the new chapter 33 benefit. The revised average Adaptive Equipment grant decreased \$366, decreasing obligations \$2.5 million.

Vocational Rehabilitation & Employment Program

The current obligation estimate for 2009, \$619.3 million, is \$39.9 million less than the original estimate (\$659.2 million). The revised estimate for 2009 is based on an analysis of actual participation rates during 2008, as well as anticipated transfers of trainees from VR&E to the chapter 33 education benefit. The cumulative caseload estimate increased 1,290; however 10,230 of 56,207 trainees receiving subsistence allowance are currently expected to transfer to chapter 33 toward the end of 2009 for a greater monetary benefit. The net change in subsistence allowance caseload increases obligations \$5.2 million. However, trainees transferring to chapter 33 create a decrease in the average subsistence allowance of \$65 (\$4,494 vs. \$4,559) decreasing obligations \$26 million. Payments for books, tuition, supplies, and fees are expected to be \$19.2 million less than the original budget estimate.

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

| | 2009 Estimate | 2010 Estimate |
|--|---------------------|---------------------|
| Prior year obligations | \$3,623,036 | \$5,025,183 |
| Chapter 33 (Post 9-11 GI Bill) | | |
| COLA | \$0 | \$+125,893 |
| Caseload | +2,139,700 | +584,619 |
| Average Payment | 0 | +4,290,075 |
| Net Changes | +2,139,700 | +5,000,586 |
| Chapter 30 (Montgomery GI Bill) | | |
| COLA | \$0 | \$0 |
| Caseload | -27,836 | -1,145,745 |
| Average Payment and other adjustments | -748,443 | +207,937 |
| Net Changes | -776,279 | -937,809 |
| Chapter 35 (Survivors' and Dependents' Education) | | |
| COLA | +17,404 | +23,579 |
| Caseload | +11,483 | +12,312 |
| Average Payment | +49 | -17,816 |
| Net Changes | +28,936 | +18,076 |
| Chapter 1606 (Reservists) | | |
| COLA | +5,824 | +2,714 |
| Caseload | +68,385 | +92,801 |
| Average Payment and other adjustments | +2,653 | +1,114 |
| Net Changes | +76,862 | +96,629 |
| Chapter 1607 (Reservists) | | |
| COLA | 0 | 0 |
| Caseload | -31,829 | -60,652 |
| Average Payment | -56,099 | 0 |
| Net Changes | -87,928 | -60,652 |
| Chapter 31 (Vocational Rehabilitation and Employment) | | |
| COLA | +8,618 | +9,858 |
| Caseload | +13,072 | -97,483 |
| Average Cost | -25,104 | +46,201 |
| Net Changes | -3,414 | -41,423 |
| Special Assistance for Disabled Veterans | | |
| Housing Grants | +18,585 | +2,269 |
| Automobile Grants | +41 | +100 |
| Adaptive Equipment | +2,883 | +3,100 |
| Net Changes | +21,509 | +5,469 |
| Miscellaneous | | |
| National Exams | +5 | -99 |
| Tuition Assistance | -3,952 | -18,633 |
| Licensing and Certification | +77 | -1,773 |
| Work-Study | +40 | -2,957 |
| National Call to Service | 0 | -118 |
| Reimbursement to GOE | +4,838 | -3,104 |
| State Approving Agencies | +1,664 | 0 |
| Reporting Fees | +87 | +996 |
| Net Changes | +2,760 | -25,684 |
| Total Net Change | \$+1,402,147 | \$+4,055,189 |
| Estimated Obligations | \$5,025,183 | \$9,080,371 |

Analysis of Increases and Decreases

Obligations are expected to increase \$1.4 billion from 2008 to 2009 due to the following:

Post 9-11 GI Bill (Chapter 33)

Chapter 33 was enacted in the Post 9-11 Veterans Educational Assistance Act of 2008 (PL 110-252), and will greatly expand education benefits on August 1, 2009. Total obligations are expected to be \$2.1 billion dollars and represent the full increase over 2008. Decreases in other programs from trainees electing chapter 33 benefits partially offset the total increase.

All-Volunteer Force Educational Assistance Program (Chapter 30)

The decrease in chapter 30 obligations is projected to be nearly \$776.3 million. We anticipate the majority of participants to elect chapter 33 benefits beginning August 1, 2009, affecting both caseload and average payments for the year. The cumulative caseload decreases 4,652 trainees, resulting in obligations decreasing \$27.8 million. In addition, a decrease of \$748.4 million due to changes in average payment not related to the COLA is anticipated. This decrease is primarily due to the transfer of trainees to chapter 33 at the beginning of the Fall semester. Also, 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. Also, the 2009 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 \$28.9 million. Estimated caseload is expected to increase by 1,525 for children and 629 for spouses, increasing total obligations nearly \$11.5 million. The COLA will increase obligations an additional \$17.4 million.

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

Chapter 1606 obligations are projected to increase nearly \$76.9 million. An increase in obligations of \$68.4 million results from an expected increase in chapter 1606 trainees of 28,577. The COLA is expected to increase obligations \$5.8 million. A higher average payment also contributes to the overall increase in obligations by nearly \$2.7 million.

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

Chapter 1607 obligations are projected to decrease \$87.9 million due to the inception of chapter 33. Trainees eligible for 1607 will be eligible for Chapter 33 and are assumed to elect to be paid under Chapter 33 effective August 1, 2009.

Vocational Rehabilitation and Employment (Chapter 31)

The total decrease in program obligations is approximately \$3.4 million from 2008 to 2009. Participants transferring into chapter 33 at the end of the year will contribute to a lower average annual payment for cumulative participants. Approximately \$25.1 million reflects average cost decreases for subsistence allowance and tuition, books, and supplies. A greater number of cumulative trainees (+1,975) yields an additional \$13.1 million in program costs. An \$8.6 million increase is attributable to the COLA for subsistence allowance.

Special Assistance for Disabled Veterans

Special Assistance provides housing, automotive, and adaptive equipment grants for severely disabled Veterans or servicepersons. In 2009, the limit for Special Housing Adaptation grants increased from \$11,000 to \$12,000, and the limit for Specially Adapted Housing grants increased from \$50,000 to \$60,000. These changes increase obligations \$18.6 million. An increase of \$2.9 million is associated with the increasing costs of adaptive equipment. Workload for automobile grants is expected to remain fairly constant.

Miscellaneous

A net increase of \$2.7 million is attributed to changes in all other programs. Reimbursement to General Operating Expenses is expected to increase \$4.8 million. The majority of the GOE reimbursement increase is attributed to PL 108-454 that identified \$3 million for computer system modifications for apprenticeship payments. These funds were not expended in 2007 or 2008, and are available for use in 2009. In addition, Tuition Assistance has decreased obligations nearly \$4 million. State Approving Agencies are expected to increase obligations \$1.7 million in 2009, reaching the \$19 million annual limit. Increases of \$87 thousand in reporting fees and \$77 thousand in Licensing and Certification will also contribute to the overall increase.

Obligations are expected to increase \$4.1 billion from 2009 to 2010 due to the following:

Post 9-11 GI Bill (Chapter 33)

Chapter 33 benefits are anticipated to increase over \$5 billion as the program grows in 2010. The increase in obligations is primarily due to trainees receiving a full year of benefits. The increase in average payments, excluding the COLA, results in an increase of \$4.3 billion. The increase in cumulative caseload of 94,792 trainees (441,728 vs. 346,936) also increases obligations \$584.6 million. In addition, the COLA will increase obligations \$125.9 million.

All-Volunteer Force Educational Assistance Program (Chapter 30)

The decrease of \$937.8 million in chapter 30 obligations is primarily attributed to development of chapter 33. The cumulative caseload is expected to decrease by 301,309 trainees, from 349,632 to 48,323, because chapter 33 offers a greater monetary benefit than chapter 30. The drop in caseload results in a \$1.1 billion decrease in obligations. This decrease is partially offset by an anticipated increase in the average payment, excluding the COLA, and other adjustments, resulting in an increase of \$207.9 million.

Survivors' and Dependents' Educational Assistance (Chapter 35)

The total increase in obligations attributed to chapter 35 is expected to be \$18.1 million. Estimated caseload is expected to increase by 1,561 for children and 663 for spouses, increasing obligations \$12.3 million. The COLA is expected to increase costs \$23.6 million. A decrease in the average payment, excluding the COLA, for children and spouses is expected to account for a decrease in obligations of \$17.8 million.

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

An increase in obligations attributed to chapter 1606 is expected to be \$96.6 million. An estimated increase of 37,325 reservist trainees is expected to increase obligations \$92.8 million. The COLA applied to the entitlement rate for reservist education is expected to increase obligations \$2.7 million. An increase in average payment, excluding the COLA, is associated with a \$1.1 million increase in obligations.

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

Obligations for chapter 1607 are expected to decrease \$60.7 million, eliminating chapter 1607 benefits. All chapter 1607 trainees will be eligible for chapter 33 benefits, which are worth a greater monetary value. All trainees are anticipated to transfer to the new program.

Vocational Rehabilitation and Employment (Chapter 31)

The total decrease in chapter 31 obligations is \$41.4 million from 2009 to 2010, primarily due to participants transferring to chapter 33. Approximately \$46.2 million reflects average cost increases for subsistence allowance and tuition, books, and supplies. Approximately \$9.9 million of the obligation increase is due to an increase in the subsistence allowance COLA. A decrease in subsistence allowance trainees (-11,919) yields a \$97.5 million decrease in program costs.

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 2010. Increases of \$3.1 million and \$2.3 million are

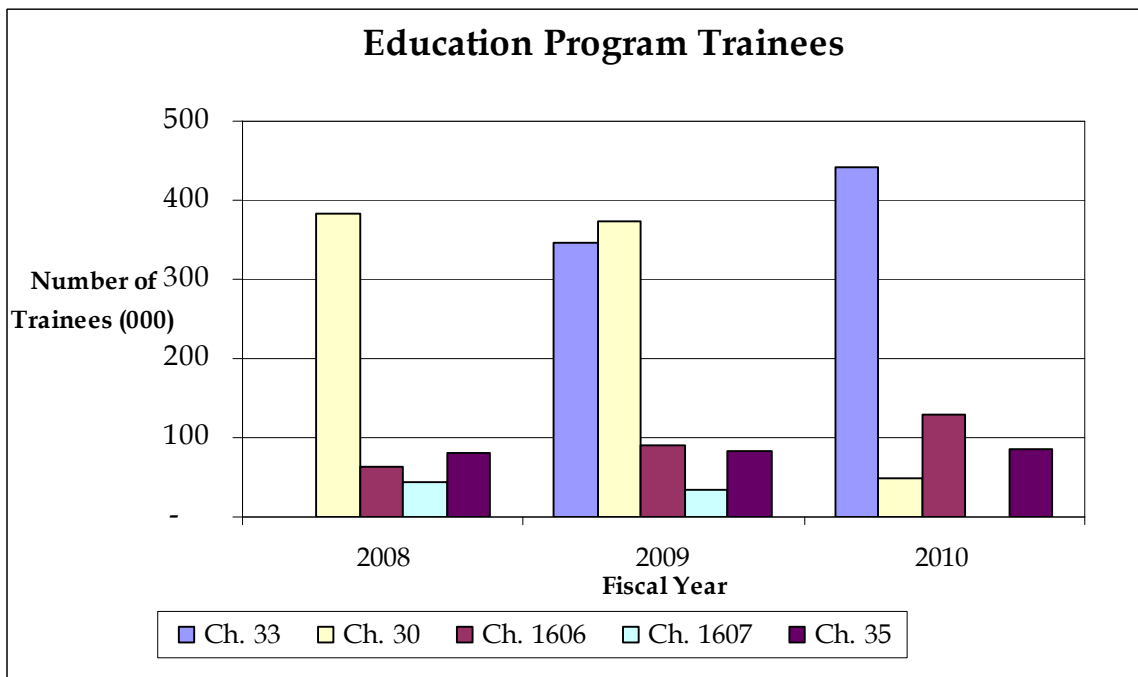
associated with the increasing costs of adaptive equipment and housing grants made necessary by the nature of the Veteran's disability. Obligations for automobile grants increase \$100 thousand.

Miscellaneous

The total change in obligations attributed to the remaining programs is expected to be a decrease of \$25.7 million. Tuition Assistance is expected to drop \$18.6 million due to the transition from chapter 30 to chapter 33 benefits. For the same reason, work-study will decrease nearly \$3 million and Licensing and Certification will decrease by \$1.8 million. Reimbursement to GOE is expected to decrease \$3.1 million. Other relatively minor decreases include \$118 thousand in National Call to Service and \$99 thousand in National Exams. Slightly offsetting these decreases, Reporting Fees will increase nearly \$1 million. State Approving Agencies will remain constant.

Education Program Highlights

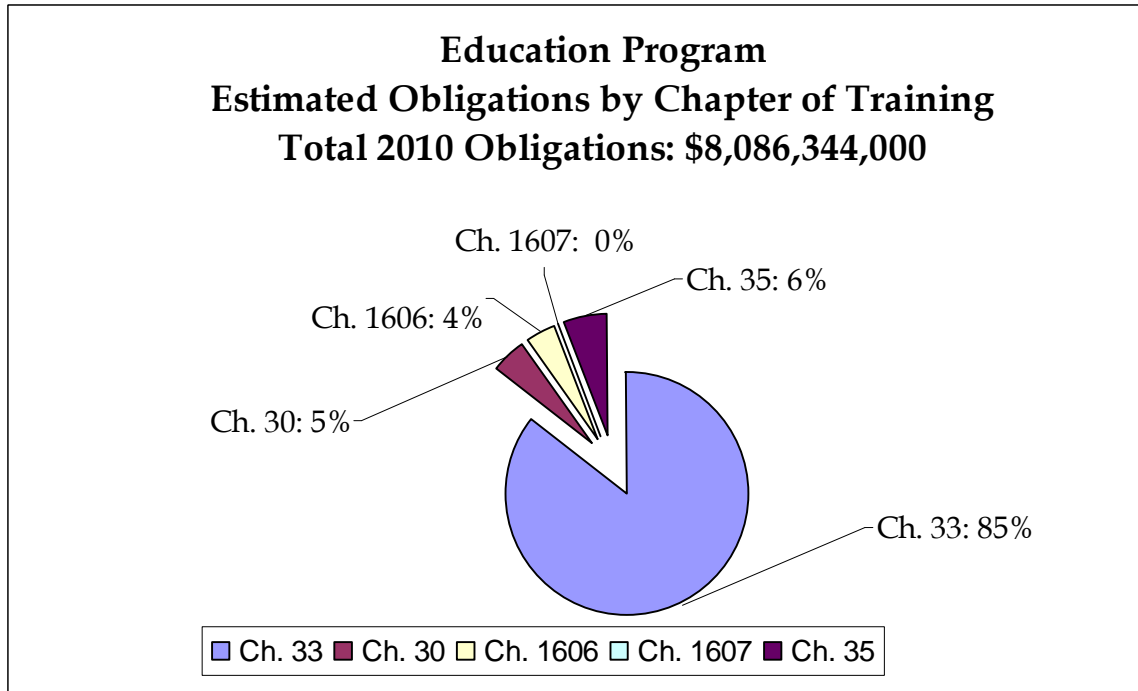
In 2008, education benefit obligations of over \$3.0 billion provided benefits to 540,941 trainees (excluding Tuition Assistance payments). Education obligations will nearly triple from 2008 to 2010, reaching over \$8.5 billion. The anticipated total number of trainees increases in 2009 primarily due to the introduction of chapter 33 and rises to 703,925 by 2010. During 2010, the majority of chapter 30 trainees and all chapter 1607 participants will transfer into chapter 33 to receive a greater monetary benefit. Chapter 1606 will not be impacted by chapter 33 and will continue to experience historical trends. The chart below shows the anticipated trend in cumulative trainees for each education program.



The average cost per trainee is greatest for chapter 33, reaching \$16,164 in 2010. Chapter 30 and chapter 1607 average costs per trainee (\$8,060 and \$3,549, respectively) are far less than chapter 33, causing the majority of trainees to transfer programs. Chapter 1606 and chapter 35 continue to increase at historical rates (\$2,516 and \$5,696, respectively). Average benefit payments for all programs can be affected by time in service, type of educational program or institution, change in dependents, and other eligibility criteria.

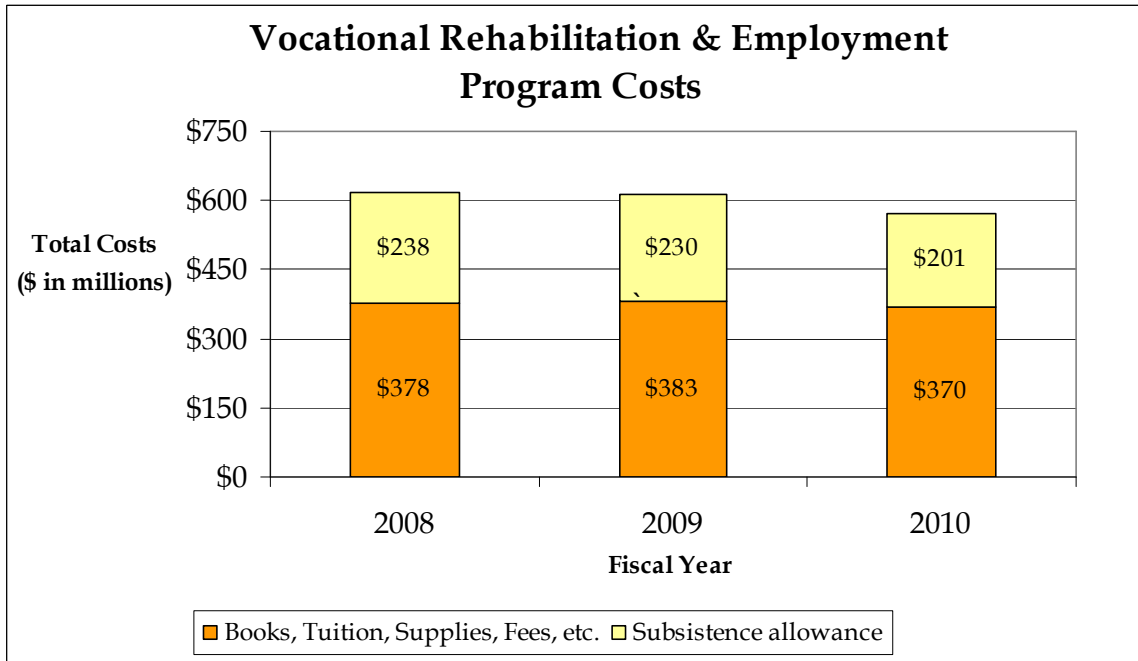
By 2010, chapter 33 will be the largest education program with 441,728 trainees, accounting for 85 percent of total training obligations. Chapter 30 has historically been the largest education program, but reduces to less than 50 thousand trainees and 5 percent of education funding by 2010. Chapter 1606 accounts for 4 percent of funding in 2010, and 1607 no longer requires funding after all trainees transfer

to chapter 33. Chapter 35 remains at a historical size but is reduced to 6 percent of education funding.

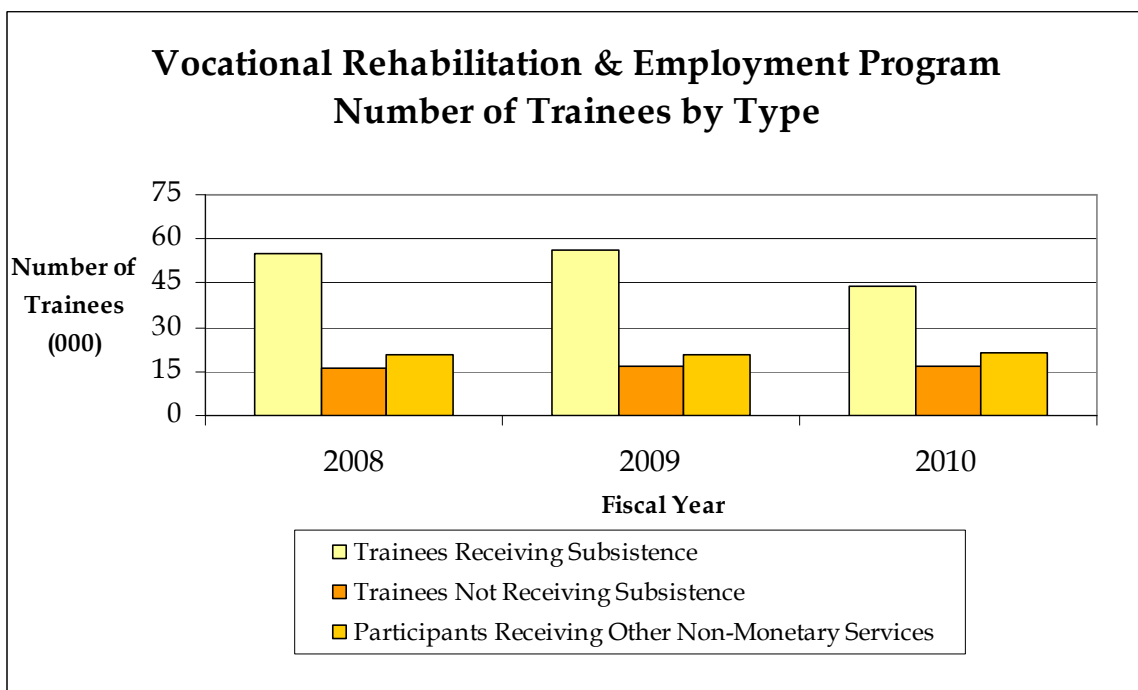


Vocational Rehabilitation & Employment Program Highlights

The number of cumulative participants in the program increased in 2008 and will continue to increase in 2009; however participation will decrease in 2010 due to trainees transferring to chapter 33. Consequently, program costs rose in 2008, and will fall in 2009 and 2010 as participants transfer out of the program. 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). Despite historical trends, the migration to chapter 33 will cause a decline in program use.



Although participation and average cost per participant have historically increased, the anticipated transfer to chapter 33 will decrease the total cost of the VR&E program in 2009 and 2010. Books, tuition, and supplies, coupled with subsistence allowance, accounted for 99 percent of program costs in 2008.



Trainees for VR&E are broken down into three categories: trainees receiving a monthly subsistence allowance, participants not receiving subsistence, and participants 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. This monthly subsistence allowance accounts for nearly 38 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 (obligations in thousands)

| | 2008 | | | 2009 | | | 2010 | | |
|---|----------|-----------------|-------------|----------|-----------------|-------------|----------|-----------------|---------------------|
| | Caseload | Average Benefit | Obligations | Caseload | Average Benefit | Obligations | Caseload | Average Benefit | Obligations |
| Total chapters 33, 30, 1606, 1607, 35, 31 | 612,193 | \$5,666 | \$3,468,427 | 977,290 | \$4,945 | \$4,832,219 | 764,141 | \$11,654 | \$8,905,426 |
| All-volunteer force educational assistance: | | | | | | | | | |
| Chapter 33 | 0 | \$0 | \$0 | 346,936 | \$6,167 | \$2,139,700 | 441,728 | \$16,164 | \$7,140,287 |
| Chapter 30 Total | 354,284 | \$5,984 | \$2,119,860 | 349,632 | \$3,803 | \$1,329,496 | 48,323 | \$8,060 | \$389,488 |
| Veterans | 331,199 | \$6,163 | \$2,041,177 | 325,508 | \$3,823 | \$1,244,437 | 48,323 | \$8,029 | \$387,973 |
| Servicepersons | 23,085 | 3,408 | 78,683 | 24,124 | 3,526 | 85,059 | 0 | N/A | 1,515 ^{1/} |
| Reservists (1606) | 62,403 | \$2,393 | \$149,344 | 90,980 | \$2,486 | \$226,206 | 128,305 | \$2,516 | \$322,835 |
| Reservists (1607) | 44,025 | 3,375 | 148,580 | 34,594 | 1,753 | 60,652 | 0 | 0 | 0 |
| Education and training: | | | | | | | | | |
| Dependents Total | 80,191 | \$5,421 | \$434,715 | 82,345 | \$5,631 | \$463,651 | 84,569 | \$5,696 | \$481,726 |
| Sons and Daughters Total | 67,992 | \$5,519 | \$375,246 | 69,517 | \$5,734 | \$398,632 | 71,078 | \$5,803 | \$412,477 |
| College | 65,490 | \$5,522 | \$361,637 | 67,015 | \$5,737 | \$384,491 | 68,576 | \$5,806 | \$398,167 |
| Below College Level | 2,369 | 5,522 | 13,083 | 2,369 | 5,738 | 13,593 | 2,369 | 5,807 | 13,756 |
| On-the-job training | 133 | 3,963 | 527 | 133 | 4,118 | 548 | 133 | 4,167 | 554 |
| Spouses and widow (ers) Total | 12,199 | \$4,875 | \$59,469 | 12,828 | \$5,069 | \$65,019 | 13,491 | \$5,133 | \$69,249 |
| College | 11,436 | \$4,945 | \$56,555 | 12,065 | \$5,138 | \$61,992 | 12,728 | \$5,200 | \$66,186 |
| Below College Level | 643 | 4,393 | 2,825 | 643 | 4,564 | 2,935 | 643 | 4,619 | 2,970 |
| Correspondence | 112 | 281 | 31 | 112 | 292 | 33 | 112 | 295 | 33 |
| On-the-job training | 8 | 7,127 | 57 | 8 | 7,405 | 59 | 8 | 7,494 | 60 |
| Chapter 31 | 71,290 | \$8,640 | \$615,927 | 72,803 | \$8,413 | \$612,513 | 61,216 | \$9,329 | \$571,090 |
| Tuition Assistance | 29,733 | \$787 | \$23,413 | 23,786 | \$818 | \$19,461 | 1,000 | \$828 | \$828 |
| Licensing and Certification Tests (non chapter 33) | 5,012 | \$394 | \$1,973 | 5,012 | \$409 | \$2,050 | 670 | \$414 | \$277 |
| Work-study | 14,805 | \$1,358 | \$20,109 | 14,835 | \$1,358 | \$20,149 | 12,658 | \$1,358 | \$17,192 |
| State Approving Agencies | | | \$17,336 | | | \$19,000 | | | \$19,000 |
| Reporting Fees | | | \$3,749 | | | \$3,836 | | | \$4,832 |

Note: total caseload is not a count of unique individuals. Trainees switching chapters are counted in each chapter they trained in during the fiscal year. Total average benefit is skewed based on double counting.

1/ Although no servicepersons are expected to train in chapter 30 in 2010, \$1.5 million is expected to be spent on chapter 30 kickers paid to servicepersons training in chapter 33.



Vocational Rehabilitation Loan Program

Appropriation Language

For the cost of direct loans, [\$61,000] \$29,000, as authorized by chapter 31 of title 38, United States Code: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended; *Provided further*, that these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed [\$3,180,000] \$2,298,000.

In addition, for administrative expenses necessary to carry out the direct loan program, [\$320,000] \$328,000, which may be paid to the appropriation for "General Operating Expenses".

| Summary of Net 2010 Estimates | | | | |
|--------------------------------------|------------------|--------------|---------------------|------------------------|
| (dollars in thousands) | | | | |
| | Budget Authority | Outlays | Financing Authority | Financing Disbursement |
| Program Account | \$357 | \$357 | \$0 | \$0 |
| Direct Loan Financing Account | \$0 | \$0 | -\$368 | -\$368 |
| Total | \$357 | \$357 | -\$368 | -\$368 |

Summary of Budget Request

An appropriation of \$357,000 is being requested to provide subsidy payments of \$29,000 to the Vocational Rehabilitation Direct Loan Financing Account and to reimburse \$328,000 to the General Operating Expenses appropriation for administrative expenses.

Program Description

Currently, loans of up to \$1,041, 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 have also assisted Veterans moving from shelters to permanent housing.

These loans help protect VA's investment in the Veteran, which averages approximately \$8,640 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) | | | | | |
| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Obligations | | | | | |
| Direct loan subsidy | \$44 | \$61 | \$61 | \$29 | -\$32 |
| Upward Reestimate | 55 | 0 | 772 | \$0 | -772 |
| Interest on Reestimates | 28 | 0 | 40 | \$0 | -40 |
| Administrative expenses | 311 | 320 | 320 | 328 | +8 |
| Total obligations | \$438 | \$381 | \$1,193 | \$357 | -\$835 |
| Unobligated Balance: | | | | | |
| Start of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| End of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| Budget authority (net) | \$438 | \$381 | \$1,193 | \$357 | -\$835 |
| Obligated Balance: | | | | | |
| Start of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| End of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| Outlays (net) | \$438 | \$381 | \$1,193 | \$357 | -\$835 |
| Workload: | | | | | |
| Number of loans established | 2,609 | 4,021 | 3,485 | 2,509 | -976 |
| Average loan amount | \$784 | \$791 | \$907 | \$916 | +\$9 |
| Total Loan Amount | \$2,046 | \$3,180 | \$3,161 | \$2,298 | -\$863 |
| Loan subsidy rate | 2.16% | 1.93% | 1.93% | 1.27% | -0.66% |
| Average employment: | | | | | |
| Veterans Benefits Administration | 3 | 5 | 3 | 3 | 0 |

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

Detail of Budget Request

The subsidy rate decreases from 1.93 percent in 2009 to 1.27 percent in 2010. Approximately 2,509 loans may be made in 2010, with an average loan amount of \$916, resulting in a \$2,298,000 direct loan level and \$29,000 in direct loan subsidy. For administrative expenses to provide issuance and accounting of all loans disbursed, an average employment level of 3 FTE and \$328,000 is requested during 2010.

Changes from Original 2009 Budget Estimate

Administrative expenses of \$320,000 reflect recent congressional action on the 2009 request. The number of projected direct loans has decreased by 1,233 from the original estimate of 4,021. The amount of projected loan disbursements has decreased by \$19,000. These costs were revised in order to reflect an accurate cost

of this program. There were no changes in the loan subsidy rate and the subsidy obligation.

| Analysis of Increases and Decreases - Outlays | | |
|--|--------------------------|------------------|
| (dollars in thousands) | | |
| | 2009 Current Estimate | 2010 Estimate |
| Prior year outlays (net) | \$438 | \$1,193 |
| Increases (+) and Decreases (-) | | |
| Loan Subsidy | +\$17 | -\$32 |
| Upward Reestimates | +\$729 | -\$812 |
| Administrative expense | +\$9 | +\$8 |
| Change in obligated balance/other | +\$0 | \$0 |
| Net Change | +\$755 | -\$835 |
| Estimated Outlays (net) | \$1,193 | \$357 |

Outlays are projected to increase \$755,000 in 2009, primarily due to increases in subsidy, upward reestimates, and administrative expense. The subsidy rate (1.93% vs. 2.16%) is expected to decrease; however, the amount of loans disbursed (\$3,161,000 vs. \$2,046,000) is expected to increase. Administrative expense is expected to increase by \$9,000 over the 2008 amount of \$311,000.

In 2010, outlays will decrease \$835,000, primarily due to lower subsidy upward reestimates. The 2010 upward reestimates will not be calculated until the end of 2009 and will be shown in the 2011 Congressional Budget submission. Also affecting the decrease in outlays is a decrease in subsidy of \$32,000, due to a lower subsidy rate (1.27% vs. 1.93%) on a lower amount of loans disbursed (\$2,298,000 vs. \$3,161,000). The decrease in upward reestimates is offset by an increase in administrative expense of \$8,000 over the 2009 amount of \$320,000.

Direct Loan Financing Account - Off-Budget

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

| Financial Summary (dollars in thousands) | | | | | |
|--|----------------|--------------------|---------------------|------------------|------------------------------|
| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Obligations: | | | | | |
| Direct loans | \$2,046 | \$3,180 | \$3,161 | \$2,298 | -\$863 |
| Downward Reestimates | 701 | 0 | 124 | 0 | -124 |
| Interest on Treasury borrowings | 241 | 36 | 0 | 0 | +0 |
| Total obligations | \$2,988 | \$3,216 | \$3,284 | \$2,298 | -\$986 |
| Unobligated Balance: | | | | | |
| Start of year | \$165 | \$0 | \$771 | \$0 | -\$771 |
| End of year | \$771 | \$0 | \$0 | \$0 | +\$0 |
| Obligated Balance: | | | | | |
| Start of year | \$3 | \$3 | \$3 | \$3 | +\$0 |
| End of year | \$3 | \$3 | \$3 | \$3 | +\$0 |
| Offsetting Collections: | | | | | |
| Loan Repayments | \$2,207 | \$3,238 | \$2,724 | \$2,623 | -\$101 |
| Interest on Uninvested Funds | 116 | 0 | 0 | 13 | +13 |
| Payments from Program Account | 44 | 61 | 61 | 29 | -32 |
| Upward Reestimate | 82 | 0 | 812 | 0 | -812 |
| Total offsetting collections | \$2,450 | \$3,300 | \$3,597 | \$2,665 | -\$932 |
| Financing: | | | | | |
| Financing authority, net | \$3,971 | -\$83 | -\$313 | -\$368 | -\$54 |
| Financing disbursements, net | \$537 | -\$83 | -\$313 | -\$368 | -\$54 |

Summary of Off-Budget Financing Account

Approximately \$2,298,000 in direct loans will be made in 2010, a decrease of \$863,000 from the 2009 level. The decrease is due to lower number of loans expected to be established (2,509 vs. 3,485). The lower loan origination projection reflects shift in benefits from Chapter 31 to Chapter 33 due to the new G.I. bill.

Offsetting collections in 2010 are estimated to be \$2,665,000, a decrease of \$932,000 from the 2009 level. The decrease is due primarily to a \$101,000 decrease in loan repayments, a \$812,000 decrease in upward reestimates, and a \$32,000 decrease in subsidy payments from the Vocational Rehabilitation Program Account. The 2010

reestimates will not be calculated until the end of 2009 and shown in the 2011 Congressional Budget submission.

In 2010, offsetting collections of \$2,665,000 exceed obligations of \$2,298,000, requiring net financing authority of negative \$368,000.

| Analysis of Increases and Decreases - Outlays | | |
|--|--------------------------|------------------|
| (dollars in thousands) | | |
| | 2009 Current Estimate | 2010 Estimate |
| Prior year Financing Disbursement (net) | \$537 | -\$313 |
| Increases (+) and Decreases (-) | | |
| Obligations: | | |
| Direct loans | +\$1,115 | -\$863 |
| Downward Reestimates | -578 | -124 |
| Interest on Treasury borrowing | -241 | +0 |
| Offsetting collections | | |
| Loan Repayments | -\$517 | +\$101 |
| Interest on Uninvested Funds | +116 | -13 |
| Payments from Program Account | -17 | +32 |
| Upward Reestimate | -729 | +812 |
| Change in obligated balance/other | +0 | +0 |
| Net Change | -\$851 | -\$54 |
| Estimated Financing Disbursement (net) | -\$313 | -\$368 |

In 2009, net financing disbursement will decrease by \$851,000. This is due primarily to decreases in subsidy downward reestimates (\$124,000 vs. \$701,000) and Treasury interest expense (\$0 vs. \$241,000) and increases in loan repayments (\$2,724,000 vs. \$2,207,000) and subsidy upward reestimates (\$812,000 vs. \$82,000). These changes are partially offset by an increase in loan disbursements (\$3,161,000 vs. \$2,046,000) and a decrease in Treasury interest income (\$0 vs. \$116,000).

In 2010, net financing disbursement will decrease by \$54,000. This is due primarily to a decrease in loan disbursements (\$2,298,000 vs. \$3,161,000). This change is partially offset by decreases in loan repayments and subsidy downward and upward reestimates. The 2010 reestimates will be calculated at the end of 2009 and shown in the 2011 Congressional Budget submission.



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.

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) | | | | | |
| | | 2009 | | | |
| | 2008 Actual | Budget Estimate | Current Estimate | 2010 Estimate | Increase (+) Decrease (-) |
| Obligations: | | | | | |
| Training | \$746 | \$846 | \$791 | \$776 | -\$15 |
| Section 901 Training | 491 | 540 | 491 | 481 | -10 |
| Disenrollments | 795 | 787 | 808 | 740 | -68 |
| Total Obligations | \$2,032 | \$2,173 | \$2,090 | \$1,997 | -\$93 |
| Budget Authority (trust fund, indefinite) | \$820 | \$1,427 | \$996 | \$1,240 | \$244 |
| Outlays | | | | | |
| Outlays | \$2,030 | \$2,219 | \$2,130 | \$2,035 | -\$95 |
| Unobligated balance, start of year | \$67,341 | \$65,983 | \$66,128 | \$65,034 | -\$1,094 |
| Unobligated balance, end of year | \$66,128 | \$65,238 | \$65,034 | \$64,278 | -\$756 |
| Workload | | | | | |
| Trainee | 560 | 495 | 554 | 543 | -11 |
| Section 901 Trainees | 42 | 42 | 42 | 41 | -1 |
| Participants, end of year | 194,694 | 193,089 | 193,576 | 192,519 | -1,057 |
| Disenrollments | 591 | 600 | 600 | 550 | -50 |

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 this 2010 portion of the cost for VEAP will be over \$1.2 million for 584 trainees.

Changes From the Original 2009 Estimate

In revising the 2009 budget estimate, obligations decreased by \$83 thousand from the 2009 original estimate. This is primarily due to decreased estimates in training obligations for both chapter 32 and section 901. Although the number of chapter 32 trainees increased by 59, the increase is more than offset by decreased average payment projections (\$1,428 vs. \$1,709) resulting in net decreased obligations of \$55 thousand. While the projected number of section 901 trainees remained the same, a decrease in average payments (\$11,687 vs. \$12,857) results in a decrease of \$49 thousand in obligations. The number of anticipated disenrollments has remained the same however, the average amount of disenrollment payments increased \$34 resulting in an increase of \$21 thousand in obligations. Budget authority has decreased \$431 thousand from the original estimate.

| Post-Vietnam Era Veterans' Education Program | | |
|---|--------------------------|--------------------------|
| Analysis of Increases and Decreases | | |
| (dollars in thousands) | | |
| | 2009 Estimate | 2010 Estimate |
| Prior year obligations | \$2,032 | \$2,090 |
| Training | +45 | -15 |
| Training under Section 901 | 0 | -10 |
| Disenrollments | +13 | -68 |
| Net Change | +\$58 | -\$93 |
| Estimated Obligations | \$2,090 | \$1,997 |

Analysis of Increases and Decreases

In 2010, obligations are projected to be nearly \$2.0 million, a decrease of \$93 thousand from the 2009 level of almost \$2.1 million. Training obligations are projected to decline by \$15 thousand due to fewer trainees (543 vs. 554), and average payments are expected to remain constant. One fewer Section 901 trainee will result in a decrease in obligations of \$10 thousand. Disenrollment obligations are projected to decline as a result of fewer participants disenrolling (550 vs. 600).

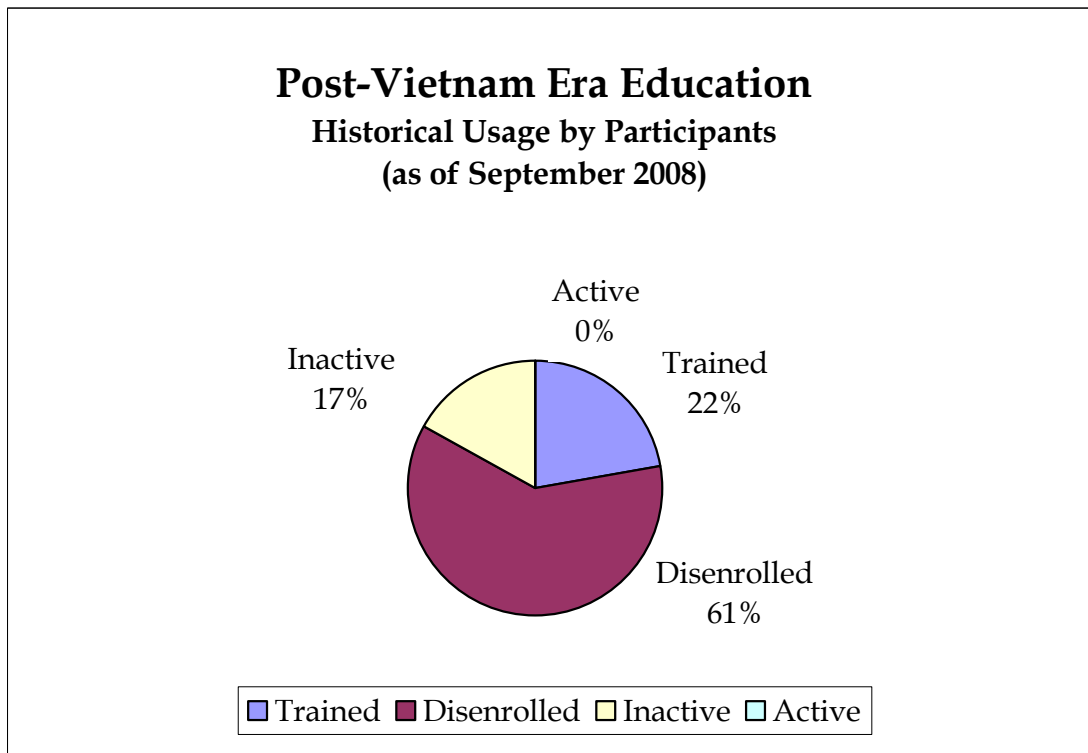
| Post-Vietnam Era Veterans' Education Program | | | | | |
|---|----------------|--------------------|---------------------|------------------|------------------------------|
| Summary of Workloads & Obligations | | | | | |
| (dollars in thousands) | | | | | |
| | 2009 | | | | |
| | 2008 Actual | Budget Estimate | Current Estimate | 2010 Estimate | Increase (+) Decrease (-) |
| Participants, End of Year | 194,694 | 193,089 | 193,576 | 192,519 | -1,057 |
| Trainees | 560 | 495 | 554 | 543 | -11 |
| Average Per Trainee (whole dollars) | 1,333 | 1,709 | 1,428 | 1,428 | 0 |
| Obligations for Training | 746 | 846 | 791 | 776 | -15 |
| Section 901 Trainees | 42 | 42 | 42 | 41 | -1 |
| Average Per Trainee (whole dollars) | \$11,687 | \$12,857 | \$11,687 | \$11,687 | 0 |
| Obligations for Section 901 | \$491 | \$540 | \$491 | \$481 | -\$10 |
| Disenrollments | 591 | 600 | 600 | 550 | -50 |
| Average Refund (whole dollars) | \$1,346 | \$1,312 | \$1,346 | \$1,346 | 0 |
| Obligations for Disenrollments | \$795 | \$787 | \$808 | \$740 | -\$68 |
| Sources of budget authority: | | | | | |
| Contributions of Servicepersons | \$150 | \$223 | \$146 | \$141 | -\$5 |
| Transfers from DoD: | | | | | |
| Matching Payments for Training | 0 | \$334 | \$100 | \$314 | \$214 |
| Bonus "Kickers" | 219 | 331 | 300 | 304 | 4 |
| Section 901 Training | 450 | 540 | 450 | 481 | 31 |
| Section 903 Training | 0 | 0 | 0 | 0 | 0 |
| Total Budget Authority | \$820 | \$1,428 | \$996 | \$1,240 | \$244 |

The number of participants 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 2008, 560 participants trained under this program and obligations totaled \$746 thousand. In addition, 42 individuals trained under section 901 of PL 96-342 with obligations totaling \$491 thousand. During 2008, 591 participants disenrolled from this program and received \$795 thousand in refunds.

Through the end of 2008, a total of 1,154,010 individuals have contributed to the VEAP program. Of these contributors, 257,279 have received some educational assistance; 702,037 have disenrolled and received a refund without receiving educational assistance; 194,678 are in an inactive status, never having received educational assistance or disenrolled, and 16 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 2010, within the resources available, not to exceed \$500,000 in gross obligations for direct loans are authorized for specially adapted housing loans.

In addition, for administrative expenses to carry out the direct and guaranteed loan programs, \$165,082,000. 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 support and compliance" may be expended.

| Total Housing Summary of Appropriation Highlights (dollars in thousands) | | | | | |
|---|------------------|--------------------|---------------------|------------------|------------------------------|
| Housing Program and Liquidating Accounts | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Obligations: | | | | | |
| Liquidating Account | \$13,689 | \$14,319 | \$11,399 | \$9,546 | -\$1,853 |
| Program Account | \$963,775 | \$165,359 | \$508,127 | \$188,635 | -\$319,412 |
| Total Obligations | \$977,464 | \$179,678 | \$519,526 | \$198,181 | -\$321,345 |
| Budget Authority: | | | | | |
| Mandatory, Program Account | \$809,213 | \$1,979 | \$350,917 | 23,553 | -\$327,364 |
| Mandatory, Liquidating Account | -20,242 | -15,750 | -13,993 | -12,605 | +\$1,388 |
| Discretionary Program Account | 154,562 | 157,210 | 157,210 | 165,082 | +\$7,872 |
| Total Budget Authority (net) | \$943,533 | \$143,439 | \$494,134 | \$176,031 | -\$318,103 |
| Outlays: | | | | | |
| Liquidating Account | -\$24,632 | -\$15,750 | -\$11,435 | -\$12,605 | -\$1,170 |
| Program Account | \$963,775 | \$160,129 | \$508,127 | \$188,635 | -\$319,492 |
| Total Outlays (net) | \$939,144 | \$144,378 | \$496,692 | \$176,031 | -\$320,661 |

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

Summary of Budget Request

The 2010 appropriation request includes funding for the mandatory and discretionary requirements of the Housing and Guaranteed Transitional programs. The mandatory request of \$23.6 million for the Housing program account includes estimated funding for subsidy payments (costs to the government) for the Loan Sales 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 \$165.1 million includes the funding requirements for general operating expenses associated with General Counsel, Information Technology, and Veterans Benefits Administration.

Guaranteed loan sales securities subsidies reflect the portion of the expected default payments by the government that the government does not expect to be offset by collections, in net present value terms. In 2010, based on the estimated number of guaranteed loans sold (12,388) and the average loan amount (\$78,566), loan sales totaling \$973.3 million are estimated to be sold. The subsidy estimate of \$23.6 million is based on a subsidy rate of 2.42 percent and is calculated in a similar manner as direct loans, using the same discount rate.

The Guaranteed Transitional Housing budget for fiscal year 2010 requires no funding for guaranteed transitional housing loan obligations. Future subsidy requirements for the Guaranteed Transitional Housing program will be funded from the unobligated balance of the initial \$43.4 million in subsidy appropriation.

Credit Reform

The "Federal Credit Reform Act of 1990 (FCRA)," 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. This account also holds the unobligated balance of the original appropriation for subsidy associated with the Guaranteed Transitional Housing Loans for Homeless Veterans Program. The Administrative costs for this program, 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.

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. In 2007, the DLFA began executing 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.

Guaranteed Transitional Housing Loan Financing Account:

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.

Program Description

The principal objective of the loan guaranty program is to help eligible Veterans, active duty personnel, surviving spouses, and selected reservists purchase and retain homes in recognition of their service to the Nation. The program operates by substituting the Federal Government's guaranty for a down payment that might otherwise be required when a borrower purchases a home.

Under 38 U.S.C. § 3703 and Public Law 110-389 § 501, the guaranty amount from January 1, 2009 through December 31, 2011 for a borrower with full entitlement is as follows:

- 50 percent for loans of \$45,000 or less;
- \$22,500 for loans greater than \$45,000, but no more than \$56,250;
- The lesser of \$36,000 or 40 percent of the loan amount for loans greater than \$56,250, but not more than \$144,000;
- 25 percent for loans in excess of \$144,000 up to \$417,000 or;
- The lesser of 25 percent of the loan amount or the maximum guaranty amount for loans greater than \$417,000. The maximum guaranty amount varies depending on the location of the property.
 - (1) For all locations in the United States other than Alaska, Guam, Hawaii, and the U.S. Virgin Islands, the maximum guaranty amount is the greater of 25 percent of (a) \$417,000 or (b) 125 percent of the area median price for a single-family residence, but in no case will the guaranty exceed \$273,656.25.
 - (2) In Alaska, Guam, Hawaii, and the U.S. Virgin Islands, the maximum guaranty amount is the greater of 25 percent of (a) \$625,500 or (b) 125 percent of the area median price for a single-family residence, but in no case will the guaranty exceed \$410,484.38.
 - (3) The maximum guaranty amounts set forth above will be adjusted annually. The next adjustment will affect loans closed on or after January 1, 2010.

Avoiding foreclosure is critical to VA and Veterans. VA's goal is to help Veterans retain their homes and to reduce the likelihood of foreclosure. VA and loan servicers take aggressive intervention actions when loans are more than 60 days in default. Benefits of assisting borrowers in default include the Veteran retaining his or her home and minimizing the damage to their credit rating, as well as a cost savings to the government.

VA charges various upfront 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 \$33,000.

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.

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.

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

| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
|---|------------------|--------------------|---------------------|------------------|------------------------------|
| | | Budget Estimate | Current Estimate | | |
| Liquidating: | | | | | |
| Program Obligations | \$13,689 | \$14,319 | \$11,399 | \$9,546 | -\$1,853 |
| Unobligated Balance: | | | | | |
| Start of year | \$7,983 | \$0 | \$4,189 | \$0 | -\$4,189 |
| End of year | \$4,189 | \$0 | \$0 | \$0 | \$0 |
| Transfer to General Fund | -\$28,225 | -\$15,750 | -\$18,182 | -\$12,605 | +\$5,577 |
| Offsetting Collections | \$39,651 | \$30,069 | \$25,392 | \$22,151 | -\$3,242 |
| Budget Authority (net) | -\$20,242 | -\$15,750 | -\$13,993 | -\$12,605 | +\$1,388 |
| Outlays (net) | -\$24,632 | -\$15,750 | -\$11,435 | -\$12,605 | -\$1,170 |
| Housing Program: | | | | | |
| Loan Subsidy Obligations: | | | | | |
| Veterans Housing Guaranteed | \$0 | \$0 | \$0 | \$0 | \$0 |
| Veterans Housing Loan Sales | 4,122 | 0 | 21,750 | 23,553 | +\$1,803 |
| Veterans Housing Direct Acquired | 4,402 | 1,979 | 2,453 | 0 | -\$2,453 |
| Veterans Housing Direct Vendee | 0 | 0 | 0 | 0 | \$0 |
| Veterans Transitional Housing Loans | 0 | 6,170 | 0 | 0 | \$0 |
| Upward Reestimates, including interest: | | | | | |
| Veterans Housing Guaranteed | 662,774 | 0 | 282,127 | 0 | -\$282,127 |
| Veterans Housing Loan Sales | 115,616 | 0 | 11,009 | 0 | -\$11,009 |
| Veterans Housing Direct Acquired | 20,990 | 0 | 33,578 | 0 | -\$33,578 |
| Veterans Housing Direct Vendee | 1,309 | 0 | 0 | 0 | \$0 |
| Administrative Expenses: | | | | | |
| Veterans Benefits Administration | 114,216 | 116,903 | 116,903 | 124,313 | +\$7,410 |
| General Counsel | 4,989 | 5,140 | 5,140 | 5,284 | +\$144 |
| Information Technology | 35,357 | 35,167 | 35,167 | 35,485 | +\$318 |
| Obligations | \$963,775 | \$165,359 | \$508,127 | \$188,635 | -\$319,492 |
| Unobligated Balance: | | | | | |
| Unobligated Balance Expiring | \$0 | \$0 | \$0 | \$0 | \$0 |
| Start of year | \$43,387 | \$43,387 | \$43,387 | \$43,387 | \$0 |
| End of year | \$43,387 | \$37,217 | \$43,387 | \$43,387 | \$0 |
| Budget Authority (net) | \$963,775 | \$159,189 | \$508,127 | \$188,635 | -\$319,492 |
| Obligated Balance: | | | | | |
| Start of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| End of year | \$0 | \$5,231 | \$0 | \$0 | \$0 |
| Outlays (net) | \$963,775 | \$160,129 | \$508,127 | \$188,635 | -\$319,492 |
| Total Obligations | \$977,464 | \$179,678 | \$519,526 | \$198,181 | -\$321,345 |
| Budget Authority: | | | | | |
| Appropriation, mandatory | \$809,213 | \$1,979 | \$350,917 | \$23,553 | -\$327,364 |
| Appropriation, discretionary | \$154,562 | \$157,210 | \$157,210 | \$165,082 | +\$7,872 |
| Liquidating Account | -\$20,242 | -\$15,750 | -\$13,993 | -\$12,605 | +\$1,388 |
| Total Budget Authority (net) | \$943,533 | \$143,439 | \$494,134 | \$176,031 | -\$318,103 |
| Total Outlays (net) | \$939,144 | \$144,378 | \$496,692 | \$176,031 | -\$320,661 |

Detail of Budget Request

The Liquidating Account does not require an appropriation to fund account obligations because sufficient resources are available from the anticipated \$22.2 million in offsetting collections (borrower's principal and interest payments, sale of homes, etc.). Obligations for 2010 are estimated at \$9.6 million which, when netted with collections, results in a negative budget authority of \$12.6 million. The Liquidating Account includes activity for all loans disbursed prior to fiscal year 1992. These loans do not fall under the requirements of FCRA and subsidy is not calculated for the Liquidating Account.

Budget authority of \$188.6 million is requested for the Housing Program Account for 2010 to provide funding for administrative expenses of \$165.1 million and subsidy payments of \$23.6 million to the Guaranteed Loan Sales Financing Account. A subsidy appropriation is not required for the Veterans Housing Guaranteed Loan, Direct Acquired and Vendee Loan, and Guaranteed Transitional Housing programs for 2010. The Veterans Housing Guaranteed Loan and Direct Acquired and Vendee Loan programs have negative subsidy rates in 2010. Any Guaranteed Transitional Housing program subsidy would be funded from unobligated balance carry forward.

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 2010. 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 2009 Budget Estimate

Current 2009 Housing Program Account budget authority of \$508.1 million is an increase of almost \$349 million from the original 2009 budget estimate. This is primarily the result of an increase of almost \$327 million in subsidy upward reestimates for the Guaranteed, Loan Sales Securities, and Direct Acquired Loan housing programs and an increase of \$21.8 million in subsidy for a projected loan sale. These increases in budget authority are offset by a decrease of \$6.2 million in subsidy for Guaranteed Transitional Housing loans.

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

| | 2009 Current Estimate | 2010 Estimate |
|---|--------------------------|-------------------|
| Prior Year Outlays | \$939,144 | \$496,692 |
| Liquidating: | | |
| Liquidating Obligations | -\$2,290 | -\$1,853 |
| Liquidating Collections | +14,258 | +3,242 |
| Liquidating Change in Obligated Balance | +2,758 | -2,558 |
| Change in Uncollected Customer Payments | -1,530 | 0 |
| Housing Program: | | |
| Loan Sales Loan Subsidy | +17,628 | +1,803 |
| Direct Acquired Loan Subsidy | -1,949 | -2,453 |
| Transitional Housing Loan Subsidy | 0 | 0 |
| Upward reestimate, with interest: | | |
| Guaranteed Loans | -380,647 | -282,127 |
| Loan Sales Securities | -104,607 | -11,009 |
| Direct Acquired Loans | +12,587 | -33,578 |
| Direct Vendee Loans | -1,309 | 0 |
| Change in Obligated Balances/other | 0 | 0 |
| Administrative Expenses | +2,648 | +7,872 |
| Net Change | -\$442,452 | -\$320,661 |
| Estimated Outlays (net) | \$496,692 | \$176,031 |

Outlays for mandatory programs in 2009 are projected to decrease by \$442.5 million from the 2008 level. This is primarily due to a decrease of \$486.6 million in upward reestimates for the Guaranteed Loan, Loan Sale Securities, and Direct Vendee Loan programs. Additionally, there is a decrease of \$1.9 million in the Direct Acquired Loan program subsidy. These decreases are offset by increases of \$13.2 million in Liquidating Account net outlays, \$17.6 million in Loan Sale Securities program subsidy, \$12.6 million in Direct Acquired Loan program upward reestimates, and \$2.6 million in Administrative Expenses.

Outlays for mandatory programs in 2010 are currently projected to decrease by \$320.7 million from 2009. This is primarily due to a decrease of \$326.7 million in upward reestimates for the Guaranteed Loans, Loan Sales Securities, and Direct Acquired Loans programs. The 2010 upward reestimates will not be calculated until the end of 2009 and will be shown in the 2011 Congressional Budget submission. Also, the 2010 outlay is reduced by a decrease of \$1.2 million in Liquidating Account outlays (net). These decreases in outlays are offset by an increase of \$7.9 million in Administrative Expenses.

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

| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
|---|----------------|--------------------|---------------------|------------------|------------------------------|
| | | Budget Estimate | Current Estimate | | |
| Guaranteed Loans: | | | | | |
| Obligations | \$1,901,464 | \$2,226,587 | \$2,730,813 | \$2,118,953 | -\$611,859 |
| Collections | \$2,184,126 | \$2,437,483 | \$2,657,783 | \$2,439,468 | -\$218,315 |
| Financing Authority (net) | \$0 | \$236,389 | \$0 | \$0 | \$0 |
| Financing Disbursements (net) | -\$260,158 | -\$209,285 | \$91,650 | -\$321,798 | -\$413,448 |
| Loan Sales Securities: | | | | | |
| Obligations | \$252,311 | \$31,674 | \$1,114,378 | \$983,389 | -\$130,990 |
| Collections | \$335,432 | \$32,632 | \$1,047,474 | \$1,017,300 | -\$30,175 |
| Financing Authority (net) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Financing Disbursements (net) | -\$78,631 | \$8,897 | \$66,904 | -\$33,911 | -\$100,815 |
| Direct Loans: | | | | | |
| Obligations | \$896,049 | \$516,569 | \$1,301,667 | \$1,358,314 | +\$56,647 |
| Collections | \$404,991 | \$154,646 | \$1,156,896 | \$1,152,664 | -\$4,232 |
| Financing Authority (net) | \$1,278,783 | \$361,924 | \$89,729 | \$205,650 | +\$115,920 |
| Financing Disbursements (net) | \$554,524 | \$383,812 | \$146,021 | \$205,446 | +\$59,426 |
| Transitional Housing Loans: | | | | | |
| Obligations | \$359 | \$6,221 | \$716 | \$257 | -\$458 |
| Collections | \$572 | \$1,286 | \$335 | \$275 | -\$60 |
| Financing Authority (net) | -\$22 | \$6,211 | \$0 | -\$12 | -\$12 |
| Financing Disbursements (net) | -\$216 | -\$339 | \$381 | -\$18 | -\$399 |
| Housing Financing Accounts Totals: | | | | | |
| Obligations | \$3,050,182 | \$2,781,052 | \$5,147,574 | \$4,460,913 | -\$686,661 |
| Collections | \$2,925,121 | \$2,626,046 | \$4,862,488 | \$4,609,707 | -\$252,782 |
| Financing Authority (net) | \$1,278,762 | \$604,523 | \$89,729 | \$205,638 | +\$115,909 |
| Financing Disbursements (net) | \$215,519 | \$183,086 | \$304,957 | -\$150,280 | -\$455,237 |

Summary of Non-budgetary Financing Accounts

The Veterans Housing Guaranteed Loan program has a negative subsidy rate in 2010 and will not require any subsidy to guarantee 220,000 Veterans Housing loans, totaling \$46.3 billion. Public Law 110-389, the Veterans' Benefits Improvement Act of 2008, included some changes to the Loan Guaranty Program. The Act extends the authority to guarantee adjustable rate mortgages (ARMs) and hybrid adjustable rate mortgages (HARMs) through September 30, 2012. The

Act also increases the maximum guaranty for cash-out refinance loans to the same as purchase loans. In addition, cash-out refinance loans can now be made up to 100 percent of the appraised value of the home. Lastly, the Act extends the increase to the maximum guaranty from January 1, 2009 through December 31, 2011.

The \$23.6 million (on-budget) in Loan Sales subsidy for 2010 is to finance 12,388 loan commitments totaling \$973.3 million. The Veterans Housing Direct Vendee and Acquired Loan Programs have negative subsidy rates in 2010 and will not require any subsidy to finance 7,835 and 491 loans (respectively), totaling \$1.0 billion and \$80.3 million (respectively).

| Analysis of Financing Account Increases and Decreases Non-Budgetary Disbursements (dollars in thousands) | | |
|---|----------------------------------|--------------------------|
| Financing | 2009 Current Estimate | 2010 Estimate |
| Prior Year Net Disbursements | \$215,519 | \$304,957 |
| Veterans Housing Financing Accounts: | | |
| Guaranteed Loans: | | |
| Obligations | +\$829,349 | -\$611,859 |
| Offsetting collections | -473,656 | +218,315 |
| Change in obligated balances | +35,659 | -19,904 |
| Change in Uncollected Customer Payments | -39,544 | 0 |
| Loan Sales Securities: | | |
| Obligations | +862,067 | -130,990 |
| Offsetting collections | -712,042 | +30,175 |
| Change in obligated balances | \$0 | 0 |
| Change in Uncollected Customer Payments | -4,490 | 0 |
| Direct Loans: | | |
| Obligations | +405,618 | +56,647 |
| Offsetting collections | -751,906 | +4,232 |
| Change in obligated balances | -40,045 | -1,454 |
| Change in Uncollected Customer Payments | -22,171 | 0 |
| Transitional Housing Loans: | | |
| Obligations | +357 | -458 |
| Offsetting collections | +237 | +60 |
| Change in obligated balances | +3 | -1 |
| Change in Uncollected Customer Payments | +0 | 0 |
| Net Change | \$89,437 | -\$455,237 |
| Estimated Net Disbursements | \$304,957 | -\$150,280 |

In 2009, total financing net disbursements (outlays) are projected to increase \$89.4 million, mostly due to increases in both the Guaranteed Loan and Loan Sales

Securities outlays. Net disbursements for the Guaranteed Loan Financing Account (GLFA) are estimated to increase \$351.8 million, primarily due to increases in obligations that exceed increases in offsetting collections. Net disbursements for Loan Sales Securities are estimated to increase by \$145.5 million, primarily due to increases in obligations that exceed increases in offsetting collections. The increase in outlays is offset by a decrease of \$408.5 million in net disbursements for Direct Loans, primarily due to increases in offsetting collections that exceed increases in obligations.

In 2010, total financing net disbursements (outlays) are projected to decrease \$455.2 million. Net disbursements for the GLFA are currently projected to decrease \$413.4 million in 2010, primarily due to decreases in obligations of \$611.9 million that exceed decreases in offsetting collections of \$218.3 million. Also, net disbursements for the Loan Sales Securities are projected to decrease \$100.8 million, primarily due to decreases in obligations of \$131.0 million that exceed decreases in offsetting collections of \$30.2 million. The decrease in outlays is offset by an increase in net disbursements for Direct Loans of \$59.4 million in 2010, primarily due to an increase in obligations and a decrease in offsetting collections. Most of the decrease in obligations and offsetting collections are due to decreases in reestimates, which will not be calculated until the end of 2009 and shown in the 2011 Congressional Budget submission.

Workload Summary

(dollars in thousands)

| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
|--|----------------|--------------------|---------------------|------------------|------------------------------|
| | | Budget Estimate | Current Estimate | | |
| Veterans Housing Benefit Program: | | | | | |
| Guaranteed Loans: | | | | | |
| Subsidy rate | -0.37% | -0.66% | -0.66% | -0.17% | +0.49% |
| Number of guaranteed loans | 178,945 | 180,000 | 220,000 | 220,000 | 0 |
| Amount of guaranteed loans | \$36,038,150 | \$35,816,558 | \$45,345,723 | \$46,260,027 | +\$914,304 |
| Average loan amount (full dollars) | \$201,392 | \$198,981 | \$206,117 | \$210,273 | +\$4,156 |
| Loan Sales Securities: | | | | | |
| Subsidy rate | 2.14% | 0.00% | 2.19% | 2.42% | 0.23% |
| Guaranteed loans sold: | | | | | |
| Number of loans sold | 2,532 | 0 | 12,767 | 12,388 | -379 |
| Amount of loans sold | \$192,616 | 0 | \$993,149 | \$973,273 | -\$19,877 |
| Average loan amount (full dollars) | \$76,072 | 0 | \$77,788 | \$78,566 | +\$778 |
| Gross proceeds from sale | \$197,681 | 0 | \$1,002,811 | \$982,741 | -\$20,070 |
| Direct Loans: | | | | | |
| Acquired Loans: | | | | | |
| Subsidy rate | 8.84% | 3.04% | 3.04% | -10.15% | -13.19% |
| Number of Loans | 386 | 464 | 500 | 491 | -10 |
| Total amount of loans | \$49,757 | \$65,099 | \$80,698 | \$80,300 | -\$397 |
| Average loan amount (full dollars) | \$128,904 | \$140,151 | \$161,350 | \$163,678 | +\$2,328 |
| Vendee Loans: | | | | | |
| Subsidy rate | -1.59% | -3.29% | -3.29% | -4.45% | -1.16% |
| Number of Loans | 626 | 2,230 | 7,660 | 7,835 | +174 |
| Total amount of loans | \$73,994 | \$256,649 | \$996,005 | \$1,029,955 | +\$33,950 |
| Average loan amount (full dollars) | \$118,248 | \$115,107 | \$130,019 | \$131,461 | +\$1,442 |
| Transitional Housing: | | | | | |
| Subsidy rate | 0.00% | 99.18% | 99.18% | 0.00% | -99.18% |
| Number of guaranteed loans | 0 | 2 | 0 | 0 | 0 |
| Total amount of loans | \$0 | \$6,221 | \$0 | \$0 | \$0 |
| Average loan amount (full dollars) | \$0 | \$3,110,565 | \$0 | \$0 | \$0 |

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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: \$664,000.

| Summary of Net 2010 Estimates | | | | |
|--------------------------------------|------------------|--------------|---------------------|-------------------------|
| (dollars in thousands) | | | | |
| | Budget Authority | Outlays | Financing Authority | Financing Disbursements |
| Program Account | \$664 | \$664 | \$0 | \$0 |
| Direct Loan Financing Account | 0 | 0 | \$10,711 | \$11,493 |
| Total | \$664 | \$664 | \$10,711 | \$11,493 |

Summary of Budget Request

An appropriation of \$664,000 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 2010 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 make direct loans to Veterans who are members of Federally-recognized tribes to purchase, construct, or improve homes located on Federal trust lands, or to refinance an loan previously made under this program to lower the interest rate. These homes must be occupied as the Veteran's residence. The principal amount of a loan under this authority ranges from \$417,000 to \$1,094,625, depending on median area home prices. 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", extended 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)

| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
|---------------------------------------|----------------|--------------------|---------------------|------------------|------------------------------|
| | | Budget Estimate | Current Estimate | | |
| Obligations | | | | | |
| Loan modification subsidy | \$78 | \$0 | \$0 | \$0 | \$0 |
| Upward reestimate, including interest | 5,233 | 0 | 1,229 | 0 | -1,229 |
| Administrative expenses: | | | | | |
| Veterans Benefits Administration | 608 | 626 | 626 | 644 | +18 |
| General Counsel | 20 | 20 | 20 | 20 | 0 |
| Total administrative expenses | 628 | 646 | 646 | 664 | +18 |
| Total obligations | \$5,939 | \$646 | \$1,875 | \$664 | -\$1,211 |
| Unobligated Balance: | | | | | |
| Start of year | -\$2,334 | -\$2,334 | -\$2,256 | -\$2,256 | \$0 |
| End of year | \$2,256 | \$2,334 | \$2,256 | \$2,256 | \$0 |
| Budget authority (net) | \$5,861 | \$646 | \$1,875 | \$664 | -\$1,211 |
| Obligated Balance: | | | | | |
| Start of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| End of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| Outlays (net) | \$5,939 | \$646 | \$1,875 | \$664 | -\$1,211 |
| Financing: | | | | | |
| Appropriation, discretionary | \$628 | \$646 | \$646 | \$664 | +18 |
| Mandatory Indefinite | \$5,311 | \$0 | \$1,229 | \$0 | -\$1,229 |
| Workload: | | | | | |
| Number of direct loans established | 36 | 60 | 86 | 60 | -26 |
| Average direct loan amount (dollars) | \$171,357 | \$211,270 | \$174,784 | \$176,532 | +\$1,748 |
| Amount of direct loans established | \$6,169 | \$12,676 | \$15,087 | \$10,592 | -\$4,495 |
| NA direct loan subsidy rate | -14.48% | -10.07% | -10.07% | -32.78% | -22.71% |

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 experienced 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 2010.

To provide for origination, servicing, management, investment and common overhead expenses, \$664,000 is required for the Program Account. This amount will provide VBA seven FTE at a cost of \$644,000 payroll and nonpayroll expenses. The Office of the General Counsel will be reimbursed \$20,000 to support one FTE.

| Native American Direct Loan Program Account | | |
|--|----------------------------------|--------------------------|
| Analysis of Increases and Decreases - Outlays | | |
| (dollars in thousands) | | |
| | 2009 Current Estimate | 2010 Estimate |
| Prior year outlays (net) | \$5,939 | \$1,875 |
| Increases (+) and Decreases (-) | | |
| Loan Modification Subsidy | -\$78 | \$0 |
| Upward reestimate, including interest | -4,003 | -1,229 |
| Administrative expenses | +18 | +18 |
| Change in obligated balance/other | 0 | 0 |
| Net Change | -\$4,063 | -\$1,211 |
| Estimated Outlays (net) | \$1,875 | \$664 |

In 2009, outlays will total almost \$1.9 million, a decrease of \$4.0 million from the 2008 level. This is due to a decrease of \$4.0 million in the direct loan upward reestimate from \$5.2 million to \$1.2 million.

In 2010, outlays will total almost \$0.7 million, a decrease of \$1.2 million from the 2009 level. The decrease is a result of the 2009 upward reestimates. The 2010 upward reestimates will not be calculated until the end of 2009 and will be shown in the 2011 Congressional Budget submission.

Direct Loan Financing Account - Off-Budget

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

| Native American Direct Loan Financing Account - Off-Budget Financial Summary | | | | | |
|---|-----------------|--------------------|---------------------|------------------|------------------------------|
| (dollars in thousands) | | | | | |
| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Obligations: | | | | | |
| Direct loans | \$5,652 | \$12,676 | \$15,087 | \$10,592 | -\$4,495 |
| Negative subsidy | 893 | 1,276 | 1,519 | 3,472 | +1,953 |
| Interest on Treasury borrowings | 3,132 | 2,709 | 2,232 | 2,658 | +426 |
| Property expenses | -17 | 2 | 2 | 4 | +2 |
| Other Expenses | 0 | 3 | 0 | 0 | 0 |
| Treasury Receipt account: | | | | | |
| Downward Reestimate | 1,278 | 0 | 413 | 0 | -413 |
| Int. on Downward Reestimate | 558 | 0 | 204 | 0 | -204 |
| Total obligations | \$11,496 | \$16,667 | \$19,457 | \$16,726 | -\$2,731 |
| Unobligated Balance: | | | | | |
| Start of year | \$9,867 | \$0 | \$865 | \$0 | -\$865 |
| End of year | \$865 | \$0 | \$0 | \$0 | \$0 |
| Obligated Balance: | | | | | |
| Start of year | \$3,238 | \$1,649 | \$1,536 | \$6,212 | +\$4,676 |
| End of year | \$1,536 | \$1,671 | \$6,212 | \$5,429 | -\$782 |
| Offsetting Collections: | | | | | |
| Payments from Program account | \$5,233 | \$0 | \$1,229 | \$0 | -\$1,229 |
| Loan Modification Subsidy | 78 | 0 | 0 | 0 | 0 |
| Interest on Uninvested funds | 1,494 | 0 | 0 | 0 | 0 |
| Loan repayments | 1,736 | 3,212 | 2,098 | 2,732 | +634 |
| Interest received on loans | 1,949 | 2,623 | 2,665 | 3,198 | +533 |
| Fees | 65 | 94 | 73 | 69 | -4 |
| Other | 13 | 17 | 15 | 17 | 1 |
| Total offsetting collections | \$10,568 | \$5,946 | \$6,080 | \$6,016 | -\$65 |
| Financing: | | | | | |
| Financing authority, net | \$10,496 | \$10,721 | \$13,377 | \$10,711 | -\$2,666 |
| Financing disbursements, net | \$3,201 | \$10,699 | \$8,701 | \$11,493 | +\$2,792 |

Summary of Off-Budget Financing Account

Obligations are estimated at \$16.7 million for 2010 and are expected to support 60 direct loans to Native American Veterans with a value of almost \$10.6 million. Obligations also reflect interest on Treasury borrowing of \$2.7 million and negative subsidy of \$3.5 million. Interest on Treasury borrowing is computed based on average financing authority net of offsetting collections, using current interest rate assumptions on Treasury securities.

Total offsetting collections in 2010 are estimated at \$6.0 million, including \$2.7 million in repayments and prepayments of principal, \$3.2 million from borrower's interest payments, \$69,000 from fees on loans, and \$17,000 from other collections. Collections are less than \$0.1 million lower in 2010 than in 2009 because of upward reestimates. The 2010 upward reestimates will not be calculated until the end of 2009 and shown in the 2011 Congressional Budget submission.

Changes from Original 2009 Budget Estimate

The current obligation estimate for 2009 is almost \$2.8 million higher than the original estimate primarily due to an increase in direct loan obligation of over \$2.4 million. There is also an increase in downward reestimates of over \$0.6 million. These increases are slightly offset by a decrease in estimated interest payments to Treasury for borrowings of \$0.5 million.

| Native American Direct Loan Financing Account – Off-Budget Analysis of Increases and Decreases – Outlays (dollars in thousands) | | |
|---|-----------------------------|------------------|
| | 2009 Current Estimate | 2010 Estimate |
| Prior year outlays (net) | \$3,201 | \$8,701 |
| Increases (+) and Decreases (-) | | |
| Obligations: | | |
| Direct loans | +\$9,435 | -\$4,495 |
| Negative Subsidy | +626 | +1,953 |
| Interest on Treasury borrowing | -900 | +426 |
| Property Expenses | +19 | +2 |
| Other Expenses | 0 | 0 |
| Payments to Treasury Receipt account: | | |
| Downward Reestimate | -865 | -413 |
| Int. on Downward Reestimate | -354 | -204 |
| Offsetting collections: | | |
| Payments from Program account | +4,003 | +1,229 |
| Loan Modification Subsidy | +78 | 0 |
| Interest on Uninvested funds | +1,494 | 0 |
| Loan repayments | -361 | -634 |
| Interest received on loans | -716 | -533 |
| Fees | -8 | +4 |
| Other | -3 | -1 |
| Change in obligated balances/other | -6,379 | +5,458 |
| Change in Uncollected Customer Payments | -571 | 0 |
| Net Change | +\$5,499 | \$2,792 |
| Estimated Outlays (net) | \$8,701 | \$11,493 |

In 2009, outlays are estimated at \$8.7 million, an increase of \$5.5 million from 2008. The overall outlay increase is due to increases in obligations and obligated balances and decreases in offsetting collections from the program account and interest income from Treasury. Obligations increase by \$8.0 million primarily as the result of an increase of \$9.4 million in direct loans and an increase of \$0.6 million in negative subsidy costs. The obligation increases are offset by a \$0.9 million decrease in interest on Treasury borrowing and a \$1.2 million decrease in downward reestimates. The change in obligated balances decreases outlays by \$6.4 million. Contributing to the increase in outlays due to higher obligations are decreases in offsetting collections of \$4.0 million in payments from the program account and \$1.5 million in interest income from Treasury.

In 2010, outlays are estimated at almost \$11.5 million, an increase of \$2.8 million from 2009. The increase is primarily the result of a \$2.0 million increase in negative subsidy payments, a \$1.2 million decrease in offsetting collections from the program account, and a \$5.5 million change in obligated balances. Offsetting this increase is a \$4.5 million decrease in direct loan obligations and a \$0.6 million decrease in downward reestimates shown in 2010. The 2010 reestimates will not be calculated until the end of 2009 and shown in the 2011 Congressional Budget submission.

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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, \$49,288,000 to remain available until expended.

Insurance
Summary of Appropriation Highlights
(dollars in thousands)

| | 2009 | | | | |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------------|
| | 2008 Actual | Budget Estimate | Current Estimate | 2010 Request | Increase (+) Decrease(-) |
| Lives Insured:¹ | | | | | |
| Veterans (Administered Programs) | 1,179,103 | 1,089,655 | 1,093,662 | 1,009,371 | -84,291 |
| Veterans (VGLI) | 431,281 | 455,300 | 441,700 | 449,100 | +7,400 |
| Servicemembers (SGLI) | 2,356,500 | 2,342,000 | 2,351,000 | 2,345,000 | -6,000 |
| Spouses and Children (FSGLI) | 3,104,000 | 3,044,000 | 3,074,000 | 3,071,000 | -3,000 |
| Total Lives Insured | 7,070,884 | 6,930,955 | 6,960,362 | 6,874,471 | -85,891 |
| Face Amount In Force | \$ 1,087,523,303 | \$ 1,084,861,900 | \$ 1,088,625,410 | \$ 1,089,229,050 | \$ 603,640 |
| Obligations: | | | | | |
| Death Claims | \$ 1,120,543 | \$ 1,085,115 | \$ 1,154,096 | \$ 1,148,772 | \$ -5,324 |
| Dividends | 353,642 | 338,120 | 332,150 | 288,110 | -44,040 |
| Premiums Paid to OSGLI | 808,648 | 832,360 | 799,840 | 797,760 | -2,080 |
| Transfers to Insurance Funds | 531,152 | 34,902 | 410,421 | 40,592 | -369,829 |
| Payments for Administrative Expenses | 35,755 | 38,910 | 44,842 | 45,144 | +302 |
| Capital Investments | 78,047 | 83,830 | 76,410 | 75,960 | -450 |
| All Other Obligations | 184,176 | 186,303 | 180,630 | 179,120 | -1,510 |
| Total Obligations | \$ 3,111,964 | \$ 2,599,540 | \$ 2,998,389 | \$ 2,575,458 | \$ -422,931 |
| Funding: | | | | | |
| Offsetting Collections | | | | | |
| Premiums | \$ 98,054 | \$ 95,180 | \$ 97,830 | \$ 97,440 | \$ -390 |
| SGLI Premiums | 810,644 | 834,090 | 801,910 | 799,900 | -2,010 |
| Interest on U.S. Securities | 153,395 | 146,490 | 146,850 | 140,040 | -6,810 |
| Payments for S-DVI | 32,640 | 34,322 | 39,431 | 40,132 | +701 |
| Extra Hazard Payments | 456,865 | 0 | 243,000 | 0 | -243,000 |
| TSGLI Payments | 41,125 | 0 | 127,500 | 0 | -127,500 |
| All Other Collections | 297,060 | 280,160 | 277,898 | 255,840 | -22,058 |
| Total Collections | \$ 1,889,783 | \$ 1,390,242 | \$ 1,734,419 | \$ 1,333,352 | \$ -401,067 |
| Unobligated balance (SOY) | \$ -10,305,340 | \$ - 9,816,998 | \$ -9,816,891 | \$ -9,228,033 | +\$ 588,858 |
| Unobligated balance (EOY) | \$ 9,816,891 | \$ 9,275,320 | \$ 9,228,033 | \$ 8,601,475 | \$ -626,558 |
| Budget Authority, net: | | | | | |
| Insurance Benefit (VI&I) | \$ 41,250 | \$ 42,300 | \$ 42,300 | \$ 49,288 | \$ +6,988 |
| Transfer From C&P | | | 5,772 | | \$ -5,772 |
| Trust Funds | \$ 1,150,051 | \$ 1,121,470 | \$ 1,168,552 | \$ 1,139,530 | \$ -29,022 |
| Total: | | | | | |
| Budget Authority (net) | \$ 1,191,301 | \$ 1,163,770 | \$ 1,216,624 | \$ 1,188,818 | \$ -27,806 |
| Outlays (net) | \$ 1,222,933 | \$ 1,239,149 | \$ 1,296,451 | \$ 1,290,028 | \$ -6,423 |

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, and Veterans' Mortgage Life Insurance (VMLI) and supervises four additional programs for the benefit of servicemembers, 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 2010, the VI&I account will require an appropriation of \$49.3 million to finance its operation. This will enable VA to transfer \$40.1 million to the S-DVI program, \$8.7 million to the VMLI program, and \$460,000 to the NSLI program (detailed explanations for these transfers are included under Insurance - VI&I Appropriated Fund).

Changes from Original 2009 Budget Estimate

Total obligations in 2009 increase by \$398.8 million from the original 2009 estimate. The majority of this increase is a result of transfers to insurance funds, which increase by \$375.5 million; this increase is mainly due to an increase of \$243 million in extra hazard payments and \$127.5 million in transfers to fund the Servicemembers' Group Life Insurance Traumatic Injury Protection (TSGLI) program. 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. TSGLI payments are extra hazard payments that are transferred from DoD to fund the excess of TSGLI claims paid over TSGLI premiums received since the premium is intended to cover peacetime incidence of traumatic injuries.

Death claims increase by \$69 million from the original 2009 estimate. Death claims have been re-estimated based on actual prior year experience.

Premiums paid to the Office of Servicemembers Group Life Insurance (OSGLI) in 2009 decrease by \$32.5 million from the original 2009 estimate. This decrease is a result of a SGLI premium rate reduction from \$.07 per month to \$.065 per month per \$1,000 of coverage, effective July 1, 2008.

Offsetting collections in 2009 are projected to increase by \$344.2 million from the original 2009 estimate. The majority of this increase is the result of increases in extra hazard payments of \$243 million and TSGLI payments of \$127.5 million (discussed above). These increases are partially offset by a decrease in SGLI premiums resulting from the premium rate reduction. SGLI premiums, extra hazard payments, and TSGLI payments 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 and do not impact net outlays.

There will be a one-time transfer of \$5.8 million from Compensation and Pension (C&P) to VI&I as a result of Public Law 110-389. This law signed October 10, 2008, changed the method for the appropriated funding of the S-DVI administrative expenses. Historically, Insurance General Operating Expenses (GOE) Budget Authority funded administrative expenses for S-DVI. The law now requires the funding to come directly from the S-DVI fund. Since S-DVI is not a fully self-supporting fund, it will require appropriations through VI&I. Administrative expenses, payments to insurance funds, and payments for S-DVI will increase as a result of the law's enactment.

| Insurance | | |
|--|-------------------|------------------|
| Analysis of Increases and Decreases | | |
| (dollars in thousands) | | |
| | 2009 Estimate | 2010 Estimate |
| Prior Year Outlays | \$ 1,222,933 | \$ 1,296,451 |
| Increases (+) and Decreases(-) | | |
| Obligations: | | |
| Death Claims | +33,553 | -5,324 |
| Dividends | -21,492 | -44,040 |
| Premiums Paid to OSGLI | -8,808 | -2,080 |
| Transfers to Insurance Funds | -120,732 | -369,829 |
| Payments for Administrative Expenses | +9,087 | +302 |
| Capital Investments | -1,637 | -450 |
| All Other Obligations | -3,546 | -1,510 |
| Offsetting collections: | | |
| Premiums | +224 | +390 |
| SGLI Premiums | +8,734 | +2,010 |
| Interest on U.S. Securities | +6,545 | +6,810 |
| Payments for S-DVI | -6,791 | -701 |
| Extra Hazard Payments | +213,865 | +243,000 |
| TSGLI Payments | -86,375 | +127,500 |
| All Other Collections | +19,162 | +22,058 |
| Change in Obligated Balances | +31,730 | +15,441 |
| Net Change | \$ +73,518 | \$ -6,423 |
| Estimated Outlays (net) | \$ 1,296,451 | \$ 1,290,028 |

In 2009, outlays increase by \$73.5 million above the prior year. The increase in net outlays results from an increase in death claims, which is associated with a change in obligated balances and a decrease in NSLI premiums (included in all other collections). These increases are partially offset by decreases in dividends paid to policyholders. Death claims are projected to increase in line with the advancing age of policyholders. The decrease in NSLI premiums is a result of the decline in the number of NSLI policies in force. The decrease in dividends is attributed to a lower average rate of return on securities, resulting in decreased investment earnings, which results in lower dividend distributions.

In 2009, SGLI premiums and premiums paid to OSGLI decrease by \$9 million as a result of the SGLI premium rate reduction. There are major changes to extra

hazard payments and TSGLI payments received from DoD and transfers to insurance funds from VA to OSGLI. However, these obligations and collections offset each other and as a result, do not affect net outlays.

In 2010, outlays are projected to decrease by \$6.4 million. The major changes in obligations and collections that impact net outlays are decreases in dividends and NSLI premiums (included in all other collections). There are also major decreases in extra hazard payments (\$243 million) and TSGLI payments (\$127.5 million). However, as mentioned above, these decreases in collections are offset by a decrease in transfers to insurance funds, and as a result, do not affect net outlays.

| Summary of Insurance Programs 2010 (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 | 2,190 | 645,930 | 3,622 | 151,049 | 26,913 | 179,667 | 2,345,000 | 3,071,000 | 449,100 | 6,874,471 |
| Number of Policies Inforce | | | | | | | | | | |
| Term insurance | 2,190 | 174,530 | n/a | 11,800 | n/a | 71,700 | n/a | n/a | n/a | 260,220 |
| Permanent plans | n/a | 568,131 | 3,680 | 154,440 | 31,070 | 135,965 | n/a | n/a | n/a | 893,286 |
| Tot. policies inforce | 2,190 | 742,661 | 3,680 | 166,240 | 31,070 | 207,665 | 2,345,000 | 3,071,000 | 449,100 | 7,018,606 |
| Tot. value inforce⁽¹⁾ | \$ 162 | \$ 8,838 | \$ 11 | \$ 2,208 | \$ 309 | \$ 2,123 | \$ 885,386 | \$ 125,727 | \$ 64,465 | \$ 1,089,229 |
| Avg amt. per policy ⁽²⁾ | \$ 74,105 | \$ 11,900 | \$ 2,948 | \$ 13,282 | \$ 9,937 | \$ 10,225 | \$ 377,563 | \$ 40,940 | \$ 143,543 | |
| Avg age | 57.7 | 84.1 | 91.7 | 78.5 | 85.2 | 61.0 | 29.5 | 32.6 ⁽³⁾ | 48.5 | |
| Annual death rate per 1,000 | 64.7 | 96.4 | 168.4 | 39.9 | 104.1 | 37.5 | 1.1 | 0.72 ⁽⁴⁾ | 4.6 | |

- (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 insured Veterans and their beneficiaries. Also included under the VI&I appropriation is the VMLI program.

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

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), Family Servicemembers' Group Life Insurance (FSGLI), and Servicemembers' Group Life Insurance Traumatic Injury Protection (TSGLI).

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

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

The SGLI program is supervised by VA and administered, under a contractual agreement, by Prudential Insurance Company of America through OSGLI. VA collects premiums from members of 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 monthly SGLI premium rate decreased from \$.07 to \$.065 per \$1,000 of insurance coverage effective July 1, 2008.

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 Operation Iraqi Freedom or Operation Enduring Freedom. 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.

Beginning in 2007, the VA's Insurance Service undertook a comprehensive review of the TSGLI program to ascertain whether additional injuries/losses should be covered, whether the program was operating effectively, and whether other improvements could be made. The Year One Review resulted in 13 recommendations, including 11 for TSGLI benefit payments for new traumatic losses or losses whose standards have changed. One of the 11 recommendations is that the new benefits be paid retroactively to qualifying servicemembers or Veterans. The estimated retroactive benefit payout based on the recommendations is approximately \$52.7 million. The additional annual costs beginning in 2009 is approximately \$9.8 million. The regulation was published as an interim final rule on November 26, 2008.

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

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. ³

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.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.

| Highlights by Account (dollars in thousands) | | | | |
|--|------------------------|----------------------------------|-------------------------|--------------------------------------|
| | 2008 Actual | 2009 Current Estimate | 2010 Request | Increase (+) Decrease (-) |
| Obligations | | | | |
| USGLI | \$ 5,569 | \$ 5,390 | \$ 4,530 | \$ -860 |
| NSLI | 1,400,116 | 1,398,110 | 1,348,670 | -49,440 |
| SDVI | 92,055 | 105,762 | 108,060 | +2,298 |
| VRI | 54,309 | 52,660 | 50,070 | -2,590 |
| VSLI | 207,777 | 213,150 | 212,650 | -500 |
| SGLI | 1,308,634 | 1,172,410 | 799,900 | -372,510 |
| VI& I | 43,504 | 50,907 | 51,578 | +671 |
| Total obligations | \$ 3,111,964 | \$ 2,998,389 | \$ 2,575,458 | \$ -422,931 |
| Budget authority (gross) | | | | |
| USGLI | \$ 5,569 | \$ 5,390 | \$ 4,530 | \$ -860 |
| NSLI | 1,400,116 | 1,398,110 | 1,348,670 | -49,440 |
| SDVI | 85,615 | 97,591 | 101,702 | +4,111 |
| VRI | 31,716 | 28,000 | 25,000 | -3,000 |
| VSLI | 206,742 | 199,140 | 190,770 | -8,370 |
| SGLI | 1,308,651 | 1,172,430 | 799,920 | -372,510 |
| VI& I | 43,423 | 50,382 | 51,578 | +1,196 |
| Total budget authority (gross) | \$ 3,081,831 | \$ 2,951,043 | \$ 2,522,170 | \$ -428,873 |
| Outlays (gross) | | | | |
| USGLI | \$ 6,463 | \$ 6,993 | \$ 6,080 | \$ -913 |
| NSLI | 1,418,425 | 1,442,427 | 1,405,760 | -36,667 |
| SDVI | 89,021 | 105,651 | 107,920 | +2,269 |
| VRI | 55,300 | 54,636 | 52,480 | -2,156 |
| VSLI | 192,578 | 197,600 | 199,660 | +2,060 |
| SGLI | 1,308,634 | 1,172,398 | 799,902 | -372,496 |
| VI& I | 43,505 | 51,164 | 51,578 | +414 |
| Total outlays (gross) | \$ 3,113,928 | \$ 3,030,870 | \$ 2,623,380 | \$ -407,490 |
| Offsetting collections | | | | |
| USGLI | \$273 | \$ 210 | \$ 170 | \$ -40 |
| NSLI | 255,361 | 234,738 | 213,500 | -20,238 |
| SDVI | 85,615 | 97,591 | 101,702 | +4,111 |
| VRI | 31,716 | 28,000 | 25,000 | -3,000 |
| VSLI | 205,986 | 199,140 | 190,770 | -8,370 |
| SGLI | 1,308,659 | 1,172,430 | 799,920 | -372,510 |
| VI& I (VMLI) | 2,173 | 2,310 | 2,290 | -20 |
| Total offsetting collections | \$ 1,889,783 | \$ 1,734,419 | \$ 1,333,352 | \$ -401,067 |

Highlights by Account (cont.)

(dollars in thousands)

| | 2008 Actual | 2009 Current Estimate | 2010 Request | Increase (+) Decrease (-) |
|--------------------------------------|---------------------|--------------------------|---------------------|------------------------------|
| Budget authority (net) | | | | |
| USGLI | \$ 5,295 | \$ 5,180 | \$ 4,360 | \$ -820 |
| NSLI | 1,144,755 | 1,163,372 | 1,135,170 | -28,202 |
| SDVI | 0 | 0 | 0 | 0 |
| VRI | 0 | 0 | 0 | 0 |
| VSLI | 0 | 0 | 0 | 0 |
| SGLI | 0 | 0 | 0 | 0 |
| VI&I | 41,250 | 48,072 | 49,288 | +1,216 |
| Total budget authority (net) | \$ 1,191,301 | \$1,216,624 | \$ 1,188,818 | \$ -27,806 |
| Outlays (net) | | | | |
| USGLI | \$ 6,190 | \$ 6,783 | \$ 5,910 | \$ -873 |
| NSLI | 1,163,064 | 1,207,689 | 1,192,260 | -15,429 |
| SDVI | 3,407 | 8,061 | 6,218 | -1,843 |
| VRI | 23,121 | 26,636 | 27,480 | +844 |
| VSLI | -14,164 | -1,540 | 8,890 | +10,430 |
| SGLI | -17 | -32 | -18 | +14 |
| VI&I | 41,332 | 48,854 | 49,288 | +434 |
| Total outlays (net) | \$ 1,222,933 | \$1,296,451 | \$ 1,290,028 | \$ -6,423 |
| Number of lives insured | | | | |
| USGLI | 5,532 | 4,508 | 3,622 | -886 |
| NSLI | 801,860 | 722,911 | 645,930 | -76,981 |
| SDVI | 168,349 | 174,382 | 179,667 | +5,285 |
| VRI | 34,069 | 30,430 | 26,913 | -3,517 |
| VSLI | 166,984 | 159,181 | 151,049 | -8,132 |
| SGLI | 2,356,500 | 2,351,000 | 2,345,000 | -6,000 |
| FSGLI | 3,104,000 | 3,074,000 | 3,071,000 | -3,000 |
| VGLI | 431,281 | 441,700 | 449,100 | +7,400 |
| VI&I (VMLI) | 2,309 | 2,250 | 2,190 | -60 |
| Total number of lives insured | 7,070,884 | 6,960,362 | 6,874,471 | -85,891 |
| Dividends | | | | |
| USGLI | \$ 917 | \$ 780 | \$ 620 | \$ -160 |
| NSLI | 273,635 | 255,180 | 219,160 | -36,020 |
| VRI | 9,365 | 8,370 | 6,750 | -1,620 |
| VSLI | 69,725 | 67,820 | 61,580 | -6,240 |
| Total Dividends | \$ 353,642 | \$332,150 | \$288,110 | \$ -44,040 |

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Filipino Veterans Equity Compensation Fund

Program Description

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

The Veterans Benefits Administration must receive applications for this benefit no later than February 16, 2010, which is one year from the date the legislation was enacted. Claims must be made by the Veteran. No other parties are eligible to file a claim for this benefit. In the event an eligible Veteran dies after applying for the benefit, but before receiving the payment, the payment may be made to his surviving spouse. No other family members may receive this payment. Those eligible for the program include the following:

Eligibility

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

Payments

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

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

| Filipino Veterans Equity Compensation Funding (dollars in thousands) | | | |
|--|-------------|-------------|-------------|
| | 2008 | 2009 | 2010 |
| | | | |
| Obligations | \$0 | \$118,800 | \$69,300 |
| SOY | 0 | 0 | -79,200 |
| EOY | 0 | 79,200 | 9,900 |
| Budget Authority | 0 | 198,000 | 0 |
| Outlays | 0 | 118,800 | 69,300 |



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 therefore; 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, \$2,218,500,000: 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 \$1,825,000,000: Provided further, That of the funds made available under this heading, not to exceed \$111,000,000 shall be available for obligation until September 30, 2011: Provided further, That from the funds made available under this heading, the Veterans Benefits Administration may purchase (on a one-for-one replacement basis only) 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 non-medical benefits and support functions within the Department of Veterans Affairs. This encompasses two broad 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

provides Department-level policy guidance. The Assistant Secretaries and the three independent staff offices provide policy guidance, subject matter expertise, and management support to the Veterans Health Administration, VBA, National Cemetery Administration, and the Chief Information Officer.

| General Operating Expenses Appropriation Highlights (dollars in thousands) | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2008 | 2009 | | 2010 |
| | Actual | Budget | Enacted | Request |
| Appropriation | | | | |
| Veterans Benefits Administration | \$1,426,837 | \$1,371,753 | \$1,461,295 | \$1,825,000 |
| Annual | 1,198,294 | 1,371,753 | 1,466,095 | 1,825,000 |
| Emergency | 128,707 | --- | --- | --- |
| Supplemental | 100,000 | --- | --- | --- |
| BA Transfers 1/ | -164 | --- | -4,800 | --- |
| General Administration | \$324,921 | \$328,114 | \$335,772 | \$393,500 |
| Annual | 273,543 | 328,114 | 335,772 | 393,500 |
| Emergency | 4,456 | --- | --- | --- |
| BA Transfers 1/ | 46,922 | --- | --- | --- |
| Subtotal | \$1,751,758 | \$1,699,867 | \$1,797,067 | \$2,218,500 |
| Recovery Act | --- | --- | \$157,100 | --- |
| Total Appropriated | \$1,751,758 | \$1,699,867 | \$1,954,167 | \$2,218,500 |
| Start of Year Unobligated Balances 2/ | \$140,613 | \$62,307 | \$217,441 | \$124,946 |
| Balance Transfers 1/ | --- | --- | -\$35,000 | --- |
| Total Direct Budgetary Resources | \$1,892,371 | \$1,762,174 | \$2,136,608 | \$2,343,446 |
| GOE Average Employment | | | | |
| Veterans Benefits Administration | 14,965 | 15,570 | 17,375 | 18,700 |
| Recovery FTE (non-add) | --- | --- | 490 | 1503 |
| General Administration | 2,420 | 2,575 | 2,652 | 2,804 |
| Total Average (FTE) | 17,385 | 18,145 | 20,027 | 21,504 |
| 1/ 2008 reflects all approved BA transfers; 2009 reflects IT transfers to implement Chapter 33 | | | | |
| 2/ 2010 Start of Year Balance includes \$97.4 million in Recovery Funds | | | | |

Summary of Budget Request

The total General Operating Expenses (GOE) Appropriation request for 2010 is \$2,218,500,000 and 21,504 FTE. This includes \$1,825,000,000 for the Veterans Benefits Administration to administer entitlement programs such as service connected disability compensation, education benefits, and vocational rehabilitation services. A total of \$393,500,000 is requested to support the staff offices within the General Administration account, including the Office of the Secretary, six Assistant Secretaries, the Board of Veterans' Appeals, General Counsel, and the Office of Acquisition, Logistics and Construction. For additional details on the GOE funding request and associated performance metrics, please refer to the individual program chapters included in this volume.



Veterans Benefits Administration

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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 are 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 2010 OMB 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 disability claims workload from returning war Veterans, as well as from Veterans of earlier periods, has continuously increased since 2005. VBA annual claims receipts grew 13 percent from 2005 to 2008 – from 788,298 to 888,112, an increase of nearly 100,000. In 2009 and 2010, we anticipate claims receipts will increase to 923,704 and 972,027, respectively. In addition to these new claims, VBA will continue processing pending claims. It is projected that our pending workload will decrease throughout 2009, ending the year with 345,271 claims pending in our inventory. The 2010 funding levels are essential if VBA is to continue to reduce the pending claims inventory, achieve our timeliness and accuracy performance goals, and enhance the overall delivery of service and benefits to claimants.

Moreover, the complexity of the workload will continue to grow 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 complex. For example, the number of original claims for eight or more disabilities increased 41 percent from 43,655 in 2005 to 61,598 in 2008. Of the 231,313 original claims received in 2008, 27 percent claimed eight or more disabilities.

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 sufficiently sized 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. 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; 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. IT initiatives are funded in the VA IT appropriation.

The American Recovery and Reinvestment Act of 2009 will make one-time payments of \$250 to eligible Veterans and survivors to mitigate the effects of the current economy. These payments will be issued as early as June 2009. VA estimates \$700 million in payments will be made from the Compensation and Pensions account to eligible beneficiaries as part of this measure. The Recovery Act provides \$7.1 million in funding to the VBA General Operating Expenses account to administer the benefit payments, and VBA anticipates that a portion of these funds will be obligated in 2010. In addition, the Act provides \$150 million to hire 1,500 additional employees. All new Recovery Act employees will be on-board before 2010 and will contribute to increased productivity in 2010.

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 2010 pensions budget request supports 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 time for processing pension cases. Consolidation of original pension claims processing to the three PMCs began in August 2007 with training on processing original pension claims. Full transfer of original pension claims was completed in fiscal year 2008. This initiative relieves 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 2010 budget request reflects our commitment to their needs. These programs are meant to assist in the readjustment to civilian life, to 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. In 2008, VA provided educational assistance benefits to over 540,000 individuals, totaling over \$3.0 billion.

In 2010, Education Service will implement the provisions of Public Law 110-252, the Supplemental Appropriations Act of 2008. This law established a new education benefit program under chapter 33 of title 38 U.S.C., called the Post-9/11 GI Bill. Under the Post-9/11 GI Bill, certain individuals with a qualifying period of active duty service after September 10, 2001, will be eligible for educational assistance in the form of tuition and fees, a monthly housing allowance, and a books and supplies stipend. We expect the workload and FTE to significantly increase from previous years due to this legislation, which expands education benefits and allows certain individuals the opportunity to transfer their education benefits to their dependents. We will address the expected workload, while still maintaining claims processing timeliness, with an increase in direct FTE to 1,461.

Other recently enacted legislation broadens the scope of educational assistance available for members of the Selected Reserve. Reservists receiving education benefits under the Reserve Educational Assistance Program (REAP or chapter 1607) are now eligible to receive accelerated payments, use aggregated periods of service of three years or more to qualify for an increased payment, and participate in the \$600 contribution buy-up program. Individuals receiving Montgomery GI Bill—Selected Reserve benefits can now receive accelerated payments and are

qualified for a 14-year delimiting period if they are separated involuntarily from the Selected Reserve.

Education Service will 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 services and assistance necessary to enable Veterans with service-connected disabilities to become employable and obtain and maintain suitable employment or, to the maximum extent feasible, achieve independence in daily living.

In 2009, VBA will continue to provide VR&E services to Veterans and will rehabilitate an estimated 11,000 Veterans through placement in suitable employment or gains in independence in daily living. We anticipate that the number of individuals leaving military service will increase and we will continue to provide outreach to servicemembers in order to assist in their transition and entrance into one of VR&E's five tracks, leading toward achievement of rehabilitation goals.

VR&E continues to partner with federal, state, and private sector agencies and organizations. VR&E also continues to expand partnerships with Faith Based and Community Organizations. In conjunction with the VA Vocational Rehabilitation program, partners collaborate to facilitate Veterans' adjustment to the workplace, enhance self-awareness, and connect veterans to employers. Vital partnerships include: Department of Defense, Department of Labor's Veterans Employment and Training Service, Federal Aviation Administration, General Services Administration, Social Security Administration, Internal Revenue Service, Council of State Administrators of Vocational Rehabilitation, Rehabilitation Services Administration, Centers for Independent Living, Easter Seals, and small and large businesses and enterprises.

Coming Home To Work (CHTW) is VR&E's primary early intervention and outreach program for servicemembers and new veterans. CHTW was expanded in 2008 to station full-time counselors at 13 Military Treatment Facilities. In addition, a CHTW coordinator is assigned at every regional office. CHTW provides expedited entry into VR&E services to assist transitioning servicemembers and new veterans to develop skills needed to transition to

civilian employment, determine the suitability of potential careers, gain work experience, and obtain jobs. As a result of this expansion, VR&E applications increased by 13 percent during FY 2008.

The expansion of the Disability Transition Assistance Program will allow VR&E to provide increased and customized informational briefings regarding VR&E benefits to servicemembers, veterans, guard members and reservists who have, or suspect they have, a service-connected disability, an injury or illness that was aggravated by service, or are being separated or retiring due to a service-connected disability.

Housing

VA provides assistance to Veterans in purchasing homes in recognition of their service to the Nation. VA's partial guaranty on loans made by private lenders enables Veterans, service personnel, and members of the Reserves 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, which is usually financed in the mortgage loan. The fee is used to partially offset costs incurred due to default and foreclosure. In 2008, VA guaranteed approximately 180,000 loans totaling \$36.1 billion. In 2009 and 2010, yearly loan volumes are estimated to increase to 220,000.

Some Veterans, like other homeowners, experience financial difficulties that may cause them to default on their home loans. The earlier the default is addressed, the more options are available to help avoid foreclosure. In order to assist Veterans earlier in the default process, VA has delegated more loss mitigation authority to loan servicers. This authority enables servicers to help Veterans receive the most advantageous resolution option based on their circumstances. Additionally, servicers are required to report all data electronically, which results in a paperless process. Electronically reported data also allows VA to more effectively manage the portfolio of VA-guaranteed loans, resulting in better service to Veterans.

VA also administers the Specially Adapted Housing (SAH) Grant Program. The SAH program provides a barrier-free living environment that affords the Veteran or servicemember a level of independent living he or she may not normally enjoy. Veterans and servicemembers with specific service-connected disabilities entitling them to VA compensation are eligible for the SAH benefit. Eligible individuals may use the grant to construct an adapted home or to modify an existing one to meet their special needs. In 2008, VA awarded 1,018 SAH grants to eligible individuals. VA expects similar grant volumes in 2009 and 2010.

Insurance

The Insurance Program provides servicemembers and their families with universally available life insurance, as well as traumatic injury protection insurance for servicemembers. It also provides for the conversion to a renewable term insurance policy after a servicemember's separation from service. In addition, the program provides life insurance to Veterans who can no longer 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 servicemembers, 1.6 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.

In 2008, the Insurance Program obligated \$3.1 billion to servicemembers, Veterans, and their beneficiaries in the form of insurance death benefits, policy loans and cash surrender benefits, and traumatic injury protection payments. In 2010, the Insurance Program will obligate a projected \$2.6 billion to servicemembers, Veterans, and their beneficiaries while continuing to maintain its already high level of performance and client satisfaction and meet the anticipated rise in our clients' expectations.

Paperless electronic workflow will continue to be phased in to all areas of insurance processing. This will help us to continue to process disbursements more quickly than 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 our self-service web site.

Total VBA Summary
Discretionary Appropriation Highlights
(dollars in thousands)

| Discretionary | 2008 | 2009 | | 2010 Request | Increase(+) Decrease(-) |
|---|--------------------|--------------------|--------------------|--------------------|----------------------------|
| | | Budget | Enacted | | |
| | | Estimate | Budget | | |
| FTE | | | | | |
| Direct | 13,351 | 14,095 | 15,580 | 16,857 | 1,277 |
| Management Direction and Support | 1,614 | 1,475 | 1,795 | 1,843 | 48 |
| Total FTE | 14,965 | 15,570 | 17,375 | 18,700 | 1,325 |
| Obligations | | | | | |
| Personal Services | \$1,162,541 | \$1,240,015 | \$1,372,897 | \$1,531,159 | \$158,262 |
| Travel | \$24,085 | \$22,934 | \$32,215 | \$25,872 | -6,343 |
| Interagency Motor Pool | \$3,270 | \$3,293 | \$3,306 | \$3,365 | 59 |
| Transportation of Things | \$2,067 | \$2,853 | \$2,650 | \$2,148 | -503 |
| Rent, Communications & Utilities | \$144,930 | \$168,241 | \$163,684 | \$191,783 | 28,099 |
| Printing | \$3,894 | \$4,233 | \$4,335 | \$4,713 | 378 |
| Other Services | \$214,057 | \$235,016 | \$330,115 | \$336,481 | 6,366 |
| Supplies and Materials | \$14,533 | \$11,394 | \$20,560 | \$17,435 | -3,124 |
| Equipment | \$26,436 | \$7,702 | \$16,435 | \$12,065 | -4,370 |
| Insurance Claims | \$83 | \$105 | \$50 | \$117 | 68 |
| Total Administrative Obligations | \$1,595,897 | \$1,695,784 | \$1,946,246 | \$2,125,138 | \$178,892 |
| Reimbursements | -\$254,278 | -\$261,724 | -\$303,058 | -\$175,192 | \$127,865 |
| Unobligated SOY | -\$106,770 | -\$62,307 | -\$341,839 | -\$124,946 | \$216,893 |
| 2007 Emergency Supplemental (\$82M total) | -\$74,750 | \$0 | -\$63,716 | \$0 | \$63,716 |
| 2008 GI BILL Supplemental | \$0 | \$0 | -\$100,000 | \$0 | \$100,000 |
| 2008 Conference Mark | \$0 | -\$36,218 | \$0 | \$0 | \$0 |
| 2009 Recovery Act | \$0 | \$0 | -\$157,100 | -\$97,456 | \$59,644 |
| GOE Carry Over | -\$32,020 | -\$26,089 | -\$21,023 | -\$27,490 | -\$6,467 |
| Unobligated EOY | \$184,739 | \$0 | \$124,946 | \$0 | -\$124,946 |
| 2007 Emergency Supplemental (\$82M total) | \$63,716 | \$0 | \$0 | \$0 | \$0 |
| 2008 GI BILL Supplemental | \$100,000 | \$0 | \$0 | \$0 | \$0 |
| 2009 Recovery Act | \$0 | \$0 | \$97,456 | \$0 | -\$97,456 |
| GOE Carry Over | \$21,023 | \$0 | \$27,490 | \$0 | -\$27,490 |
| Transfers to IT Appropriation | \$0 | \$0 | \$35,000 | \$0 | -\$35,000 |
| Economic Stimulus | \$0 | \$0 | \$157,100 | \$0 | -\$157,100 |
| Adjustments | \$7,249 | \$0 | \$0 | \$0 | \$0 |
| Transfers to IT (Non Add) | \$0 | \$0 | \$4,800 | \$0 | -\$4,800 |
| Total Appropriation | \$1,426,836 | \$1,371,753 | \$1,618,395 | \$1,825,000 | \$206,604 |
| Outlays (net) | \$1,255,260 | \$1,333,755 | \$1,462,414 | \$1,819,285 | \$356,871 |

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

The following charts summarize VBA's 2010 discretionary budget request by program.

| Disability Compensation, Pensions & Burial Summary of Discretionary Appropriation Highlights (dollars in thousands) | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|----------------------------|
| Discretionary | 2008 | 2009 | | 2010 Request | Increase(+) Decrease(-) |
| | | Budget Estimate | Enacted Budget | | |
| FTE | | | | | |
| Direct Compensation | 9,108 | 9,886 | 10,800 | 11,949 | 1,149 |
| Direct Pensions | 1,068 | 1,011 | 1,033 | 1,045 | 12 |
| Direct Burial | 101 | 101 | 115 | 116 | 1 |
| Total Direct FTE | 10,277 | 10,998 | 11,948 | 13,110 | 1,162 |
| Management Direction and Support | 1,238 | 1,122 | 1,398 | 1,439 | 41 |
| Total FTE | 11,515 | 12,120 | 13,346 | 14,549 | 1,203 |
| Obligations | | | | | |
| Personal Services | \$883,834 | \$944,073 | \$1,046,902 | \$1,177,706 | \$130,804 |
| Travel | 17,064 | 16,207 | 24,808 | 18,331 | -6,477 |
| Interagency Motor Pool | 2,469 | 2,231 | 2,245 | 2,284 | 39 |
| Transportation of Things | 1,600 | 2,018 | 1,815 | 1,665 | -150 |
| Rent, Communications & Utilities | 110,097 | 127,106 | 118,328 | 143,796 | 25,468 |
| Printing | 2,665 | 2,398 | 2,275 | 2,314 | 39 |
| Other Services | 166,584 | 183,090 | 269,989 | 277,591 | 7,602 |
| Supplies and Materials | 10,685 | 6,553 | 14,845 | 12,162 | -2,682 |
| Equipment | 20,537 | 4,066 | 11,176 | 7,908 | -3,268 |
| Insurance Claims | 60 | 93 | 38 | 106 | 68 |
| Total Administrative Obligations | \$1,215,595 | \$1,287,834 | \$1,492,420 | \$1,643,862 | \$151,442 |
| Reimbursements | -\$111,226 | -\$111,991 | -\$148,056 | -\$12,263 | \$135,793 |
| Unobligated SOY | -\$106,770 | -\$62,307 | -\$241,839 | -\$97,456 | \$144,383 |
| 2007 Emergency Supplemental (\$82M total) | -\$74,750 | \$0 | -\$63,716 | \$0 | \$63,716 |
| 2008 Conference Mark | \$0 | -\$36,218 | \$0 | \$0 | \$0 |
| 2009 Recovery Act | \$0 | \$0 | -\$157,100 | -\$97,456 | \$59,644 |
| GOE Carry Over | -\$32,020 | -\$26,089 | -\$21,023 | \$0 | \$21,023 |
| Unobligated EOY | \$84,739 | \$0 | \$97,456 | \$0 | -\$97,456 |
| 2007 Emergency Supplemental (\$82M total) | \$63,716 | \$0 | \$0 | \$0 | \$0 |
| 2009 Recovery Act | \$0 | \$0 | \$97,456 | \$0 | -\$97,456 |
| GOE Carry Over | \$21,023 | \$0 | \$0 | \$0 | \$0 |
| Transfers | \$0 | \$0 | \$0 | \$0 | \$0 |
| Economic Stimulus Bill | \$0 | \$0 | \$157,100 | \$0 | -\$157,100 |
| Adjustments | \$7,249 | \$0 | \$0 | \$0 | \$0 |
| Transfers to IT (Non Add) | \$0 | \$0 | \$4,800 | \$0 | -\$4,800 |
| Total Appropriation | \$1,089,587 | \$1,113,536 | \$1,357,081 | \$1,534,143 | \$177,062 |
| Outlays (net) | \$1,026,731 | \$1,083,552 | \$1,211,101 | \$1,540,199 | \$329,098 |

Education
Summary of Discretionary Appropriation Highlights
(dollars in thousands)

| Discretionary | 2008 | 2009 | | 2010 Request | Increase(+) Decrease(-) |
|---|------------------|--------------------|-------------------|------------------|----------------------------|
| | | Budget Estimate | Enacted Budget | | |
| FTE | | | | | |
| Direct | 868 | 902 | 1,354 | 1,461 | 107 |
| Management Direction and Support | 99 | 89 | 112 | 115 | 3 |
| Total FTE | 967 | 991 | 1,466 | 1,576 | 110 |
| Obligations | | | | | |
| Personal Services | \$67,915 | \$76,269 | \$99,427 | \$115,578 | \$16,151 |
| Travel | 1,524 | 1,189 | 1,869 | 1,894 | 25 |
| Interagency Motor Pool | 196 | 211 | 211 | 215 | 4 |
| Transportation of Things | 154 | 188 | 188 | 159 | -29 |
| Rent, Communications & Utilities | 9,141 | 12,381 | 16,601 | 18,531 | 1,929 |
| Printing | 693 | 941 | 1,166 | 1,481 | 315 |
| Other Services | 4,323 | 5,427 | 13,627 | 8,257 | -5,370 |
| Supplies and Materials | 866 | 698 | 1,572 | 1,089 | -483 |
| Equipment | 1,311 | 679 | 2,303 | 1,174 | -1,129 |
| Insurance Claims | 3 | 2 | 2 | 0 | -2 |
| Total Administrative Obligations | \$86,127 | \$97,985 | \$136,966 | \$148,377 | \$11,412 |
| Reimbursements | -\$537 | -\$1,292 | -\$2,258 | -\$2,636 | -\$378 |
| Unobligated SOY | \$0 | \$0 | -\$100,000 | -\$27,490 | \$72,510 |
| 2008 GI BILL Supplemental | \$0 | \$0 | -\$100,000 | \$0 | \$100,000 |
| GOE Carry Over | \$0 | \$0 | \$0 | -\$27,490 | -\$27,490 |
| Unobligated EOY | \$100,000 | \$0 | \$27,490 | \$0 | -\$27,490 |
| 2008 GI BILL Supplemental | \$100,000 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$27,490 | \$0 | -\$27,490 |
| Transfers to IT Appropriation | \$0 | \$0 | \$35,000 | \$0 | -\$35,000 |
| Adjustments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Appropriation | \$185,590 | \$96,693 | \$97,198 | \$118,252 | \$21,054 |
| Outlays (net) | \$83,145 | \$93,440 | \$93,130 | \$111,906 | \$18,776 |

Housing
Summary of Discretionary Appropriation Highlights
(dollars in thousands)

| Discretionary | 2008 | 2009 | | 2010 Request | Increase(+) Decrease(-) |
|---|------------------|--------------------|-------------------|------------------|----------------------------|
| | | Budget Estimate | Enacted Budget | | |
| FTE | | | | | |
| Direct | 781 | 778 | 787 | 793 | 6 |
| Management Direction and Support | 99 | 110 | 96 | 98 | 2 |
| Total FTE | 880 | 888 | 883 | 891 | 8 |
| Obligations | | | | | |
| Personal Services | \$75,769 | \$81,170 | \$81,170 | \$83,986 | \$2,816 |
| Travel | 2,504 | 2,617 | 2,617 | 2,663 | 46 |
| Interagency Motor Pool | 313 | 538 | 538 | 548 | 10 |
| Transportation of Things | 131 | 377 | 377 | 136 | -240 |
| Rent, Communications & Utilities | 8,882 | 9,813 | 9,813 | 10,304 | 491 |
| Printing | 201 | 351 | 351 | 357 | 6 |
| Other Services | 23,430 | 19,674 | 19,674 | 23,920 | 4,246 |
| Supplies and Materials | 1,086 | 1,205 | 1,205 | 1,226 | 21 |
| Equipment | 2,506 | 1,777 | 1,777 | 1,809 | 32 |
| Insurance Claims | 3 | 7 | 7 | 7 | 0 |
| Total Administrative Obligations | \$114,826 | \$117,529 | \$117,529 | \$124,957 | \$7,427 |
| Reimbursements | -\$114,826 | -\$117,529 | -\$117,529 | -\$124,957 | -\$7,427 |
| Unobligated SOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Unobligated EOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Transfers | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjustments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Appropriation | \$0 | \$0 | \$0 | \$0 | \$0 |
| Outlays (net) | \$0 | \$0 | \$0 | \$0 | \$0 |

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

| Discretionary | 2008 | 2009 | | 2010 Request | Increase(+) Decrease(-) |
|---|------------------|--------------------|-------------------|------------------|----------------------------|
| | | Budget Estimate | Enacted Budget | | |
| FTE | | | | | |
| Direct | 1,111 | 1,073 | 1,153 | 1,155 | 2 |
| Management Direction and Support | 127 | 106 | 141 | 143 | 2 |
| Total FTE | 1,238 | 1,179 | 1,294 | 1,298 | 4 |
| Obligations | | | | | |
| Personal Services | \$110,077 | \$109,708 | \$116,698 | \$124,569 | \$7,872 |
| Travel | 2,862 | 2,779 | 2,779 | 2,826 | 47 |
| Interagency Motor Pool | 280 | 302 | 302 | 307 | 5 |
| Transportation of Things | 178 | 269 | 269 | 184 | -85 |
| Rent, Communications & Utilities | 11,989 | 14,191 | 14,191 | 14,901 | 711 |
| Printing | 291 | 500 | 500 | 509 | 9 |
| Other Services | 18,670 | 25,736 | 25,736 | 25,574 | -162 |
| Supplies and Materials | 1,495 | 2,602 | 2,602 | 2,648 | 46 |
| Equipment | 2,070 | 862 | 862 | 877 | 15 |
| Insurance Claims | 15 | 3 | 3 | 3 | 1 |
| Total Administrative Obligations | \$147,927 | \$156,952 | \$163,942 | \$172,399 | \$8,458 |
| Reimbursements | -\$311 | -\$320 | -\$320 | -\$328 | -\$9 |
| Unobligated SOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Unobligated EOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Transfers | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjustments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Appropriation | \$147,616 | \$156,632 | \$163,622 | \$172,071 | \$8,449 |
| Outlays (net) | \$141,407 | \$152,234 | \$157,189 | \$166,736 | \$9,547 |

Insurance
Summary of Discretionary Appropriation Highlights
(dollars in thousands)

| Discretionary | 2008 | 2009 | | 2010 Request | Increase(+) Decrease(-) |
|---|-----------------|-----------------|-----------------|-----------------|----------------------------|
| | | Budget Estimate | Enacted Budget | | |
| FTE | | | | | |
| Direct | 314 | 344 | 338 | 338 | 0 |
| Management Direction and Support | 51 | 48 | 48 | 48 | 0 |
| Total FTE | 365 | 392 | 386 | 386 | 0 |
| Obligations | | | | | |
| Personal Services | \$24,946 | \$28,795 | \$28,700 | \$29,320 | \$620 |
| Travel | 131 | 142 | 142 | 157 | 15 |
| Interagency Motor Pool | 12 | 11 | 11 | 11 | 0 |
| Transportation of Things | 3 | 1 | 1 | 3 | 2 |
| Rent, Communications & Utilities | 4,821 | 4,751 | 4,751 | 4,252 | -499 |
| Printing | 44 | 42 | 42 | 52 | 10 |
| Other Services | 1,050 | 1,090 | 1,090 | 1,141 | 51 |
| Supplies and Materials | 402 | 336 | 336 | 310 | -26 |
| Equipment | 13 | 316 | 316 | 297 | -19 |
| Insurance Claims | 1 | 0 | 0 | 0 | 0 |
| Total Administrative Obligations | \$31,422 | \$35,484 | \$35,389 | \$35,542 | \$153 |
| Reimbursements | -\$27,378 | -\$30,592 | -\$34,895 | -\$35,008 | -\$114 |
| Unobligated SOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Unobligated EOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Transfers | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjustments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Appropriation | \$4,044 | \$4,892 | \$494 | \$534 | \$40 |
| Outlays (net) | \$3,977 | \$4,529 | \$994 | \$444 | -\$550 |

The following is a brief summary of the resources and FTE planned for each initiative. A complete description of the VBA Paperless Delivery of Veterans Benefits Initiative can be found in each respective program chapter.

| 2010 Congressional Submission VBA Initiative Investments (000s) | | | | | | | | |
|--|---------------|-----------------|-----------------|----------|---------------|-----------------|-----------------|----------|
| | 2009 Estimate | | | | 2010 Estimate | | | |
| | Payroll | Non-pay | Total | FTE | Payroll | Non-pay | Total | FTE |
| C&P | | | | | | | | |
| Training Package | - | 4,691 | 4,691 | - | - | - | - | - |
| C&P Subtotal | \$0 | \$4,691 | \$4,691 | 0 | \$0 | \$0 | \$0 | 0 |
| VBA-Wide: | | | | | | | | |
| Training Package | - | 766 | 766 | - | - | - | - | - |
| Paperless Delivery of Veterans Benefits Initiative | - | 18,125 | 18,125 | - | - | 11,869 | 11,869 | - |
| VBA-Wide Subtotal | \$0 | \$18,891 | \$18,891 | 0 | \$0 | \$11,869 | \$11,869 | 0 |
| C&P Total | \$0 | \$23,582 | \$23,582 | 0 | \$0 | \$11,869 | \$11,869 | 0 |
| EDUCATION | | | | | | | | |
| Education Training Package | - | 78 | 78 | - | - | - | - | - |
| Education Subtotal | \$0 | \$78 | \$78 | 0 | \$0 | \$0 | \$0 | 0 |
| VBA-Wide: | | | | | | | | |
| Training Package | - | 73 | 73 | - | - | - | - | - |
| Paperless Delivery of Veterans Benefits Initiative | - | 2,865 | 2,865 | - | - | 1,868 | 1,868 | - |
| VBA-Wide Subtotal | \$0 | \$2,938 | \$2,938 | 0 | \$0 | \$1,868 | \$1,868 | 0 |
| Education Total | \$0 | \$3,016 | \$3,016 | 0 | \$0 | \$1,868 | \$1,868 | 0 |
| VOCATIONAL REHABILITATION & EMPLOYMENT | | | | | | | | |
| VR&E Training Package | - | 2,090 | 2,090 | - | - | - | - | - |
| VR&E Subtotal | \$0 | \$2,090 | \$2,090 | 0 | \$0 | \$0 | \$0 | 0 |
| VBA-Wide: | | | | | | | | |
| Training Package | - | 105 | 105 | - | - | - | - | - |
| Paperless Delivery of Veterans Benefits Initiative | - | 1,854 | 1,854 | - | - | 1,206 | 1,206 | - |
| VBA-Wide Subtotal | \$0 | \$1,959 | \$1,959 | 0 | \$0 | \$1,206 | \$1,206 | 0 |
| VR&E Total | \$0 | \$4,049 | \$4,049 | 0 | \$0 | \$1,206 | \$1,206 | 0 |
| HOUSING | | | | | | | | |
| Handbook & Manual Modernization | - | 549 | 549 | - | - | - | - | - |
| LGY Training Package | - | 852 | 852 | - | - | - | - | - |
| Housing Subtotal | \$0 | \$1,401 | \$1,401 | 0 | \$0 | \$0 | \$0 | 0 |
| VBA-Wide: | | | | | | | | |
| Training Package | 0 | 70 | 70 | 0 | - | - | - | - |
| Paperless Delivery of Veterans Benefits Initiative | - | 1,228 | 1,228 | - | - | 810 | 810 | - |
| VBA-Wide Subtotal | \$0 | \$1,298 | \$1,298 | 0 | \$0 | \$810 | \$810 | 0 |
| Housing Total | \$0 | \$2,699 | \$2,699 | 0 | \$0 | \$810 | \$810 | 0 |
| INSURANCE | \$0 | \$0 | \$0 | 0 | \$0 | \$0 | \$0 | 0 |
| VBA-Wide | | | | | | | | |
| Training Package | - | 1,014 | 1,014 | - | - | - | - | - |
| Paperless Delivery of Veterans Benefits Initiative | - | 24,072 | 24,072 | - | \$0 | \$15,753 | \$15,753 | 0 |
| VBA-Wide Subtotal | \$0 | \$25,086 | \$25,086 | 0 | \$0 | \$15,753 | \$15,753 | 0 |
| TOTAL OBLIGATIONS | \$0 | \$33,346 | \$33,346 | 0 | \$0 | \$15,753 | \$15,753 | 0 |



Disability Compensation, Pensions & Burial

Mission

The mission of the Compensation, Pension and Burial programs is to honor the service of Veterans through compensation for service-disabled Veterans and certain qualifying survivors, income-support payments for qualifying wartime Veterans and their survivors, and assistance with dignified burials of Veterans.

The compensation program provides 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 to surviving spouses, dependent children, and dependent parents in recognition of the economic loss caused by a Veteran's death during military service or, subsequent to discharge from military service, as a result of a service-connected disability.

The pensions program provides monthly payments 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 burial program provides assistance with the burial of Veterans whose post-service death was due to or hastened by a service-connected disability or who were considered permanently and totally disabled as a result of service-connected disabilities for a specified period of time immediately preceding death. The burial program provides a lesser burial and plot allowance to assist with the burial of Veterans not entitled to the service-connected burial benefit but who were receiving benefits from VA; were entitled to benefits from VA, but for the failure to waive military retired pay; or who died while hospitalized at VA or at VA expense. Certain qualifying Veterans are also entitled to reimbursement of certain transportation charges associated with their burial.

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. This budget will focus on transforming VBA into a 21st

century organization focused on the Nation's Veterans as its clients through people-centric, results-driven, and forward-looking initiatives.

Stakeholders

Stakeholders include any Veteran, dependent of a Veteran, survivor of a Veteran, interest groups, and partners such as the Veterans Health Administration, National Cemetery Administration, Board of Veterans' Appeals (BVA), Veterans service organizations (VSOs), Department of Defense (DoD), National Archives and Records Administration, Department of Labor, and Social Security Administration (SSA).

Disability Compensation, Pensions & Burial
Summary of Discretionary Appropriation Highlights
(dollars in thousands)

| Discretionary | 2008 | 2009 | | 2010 Request | Increase(+) Decrease(-) |
|---|--------------------|--------------------|--------------------|--------------------|----------------------------|
| | | Budget Estimate | Enacted Budget | | |
| FTE | | | | | |
| Direct Compensation | 9,108 | 9,886 | 10,800 | 11,949 | 1,149 |
| Direct Pensions | 1,068 | 1,011 | 1,033 | 1,045 | 12 |
| Direct Burial | 101 | 101 | 115 | 116 | 1 |
| Total Direct FTE | 10,277 | 10,998 | 11,948 | 13,110 | 1,162 |
| Management Direction and Support | 1,238 | 1,122 | 1,398 | 1,439 | 41 |
| Total FTE | 11,515 | 12,120 | 13,346 | 14,549 | 1,203 |
| Obligations | | | | | |
| Personal Services | \$883,834 | \$944,073 | \$1,046,902 | \$1,177,706 | \$130,804 |
| Travel | 17,064 | 16,207 | 24,808 | 18,331 | -6,477 |
| Interagency Motor Pool | 2,469 | 2,231 | 2,245 | 2,284 | 39 |
| Transportation of Things | 1,600 | 2,018 | 1,815 | 1,665 | -150 |
| Rent, Communications & Utilities | 110,097 | 127,106 | 118,328 | 143,796 | 25,468 |
| Printing | 2,665 | 2,398 | 2,275 | 2,314 | 39 |
| Other Services | 166,584 | 183,090 | 269,989 | 277,591 | 7,602 |
| Supplies and Materials | 10,685 | 6,553 | 14,845 | 12,162 | -2,682 |
| Equipment | 20,537 | 4,066 | 11,176 | 7,908 | -3,268 |
| Insurance Claims | 60 | 93 | 38 | 106 | 68 |
| Total Administrative Obligations | \$1,215,595 | \$1,287,834 | \$1,492,420 | \$1,643,862 | \$151,442 |
| Reimbursements | -\$111,226 | -\$111,991 | -\$148,056 | -\$12,263 | \$135,793 |
| Unobligated SOY | -\$106,770 | -\$62,307 | -\$241,839 | -\$97,456 | \$144,383 |
| 2007 Emergency Supplemental (\$82M total) | -\$74,750 | \$0 | -\$63,716 | \$0 | \$63,716 |
| 2008 Conference Mark | \$0 | -\$36,218 | \$0 | \$0 | \$0 |
| 2009 Recovery Act | \$0 | \$0 | -\$157,100 | -\$97,456 | \$59,644 |
| GOE Carry Over | -\$32,020 | -\$26,089 | -\$21,023 | \$0 | \$21,023 |
| Unobligated EOY | \$84,739 | \$0 | \$97,456 | \$0 | -\$97,456 |
| 2007 Emergency Supplemental (\$82M total) | \$63,716 | \$0 | \$0 | \$0 | \$0 |
| 2009 Recovery Act | \$0 | \$0 | \$97,456 | \$0 | -\$97,456 |
| GOE Carry Over | \$21,023 | \$0 | \$0 | \$0 | \$0 |
| Transfers | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2009 Recovery Act | \$0 | \$0 | \$157,100 | \$0 | -\$157,100 |
| Adjustments | \$7,249 | \$0 | \$0 | \$0 | \$0 |
| Transfers to IT (Non Add) | \$0 | \$0 | \$4,800 | \$0 | -\$4,800 |
| Total Appropriation | \$1,089,587 | \$1,113,536 | \$1,357,081 | \$1,534,143 | \$177,062 |
| Outlays (net) | \$1,026,731 | \$1,083,552 | \$1,211,101 | \$1,540,199 | \$329,098 |

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

Summary of Budget Request

Budget authority of \$1.5 billion is requested to fund the discretionary portion of the Disability Compensation, Pensions, and Burial programs. The request will fund the administrative expenses of 14,549 FTE,¹ the January 1, 2010 2.0 percent pay raise, associated level of fringe benefits, C&P's share of the Paperless Delivery of Veterans Benefits initiative, and inflationary expenses.

Changes from Original 2009 Budget Estimate

The \$204.6 million net increase in obligations reflects resources provided by the 2007 Emergency Supplemental Appropriation, the administrative portion of the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the 2009 Appropriations Act. Funds are used to hire approximately 2,600 additional claims processors and associated support staff (an increase of 1,226 FTE) and include costs for training, increased rent, communications and utilities, supplies, and equipment.

Recovery Act In 2009, the Veterans Benefits Administration will hire 1,500 additional employees (included in the 2,600 cited above) under the Recovery Act, which provides \$150 million for the hiring and training of temporary surge claims processors through 2010. New staff will consist of approximately 500 permanent employees (who will be retained beyond 2010 to replace losses that VBA experiences as a result of normal attrition) and 1,000 temporary employees hired under term appointments. All new Recovery Act employees will be on-board before 2010.

Although the additional employees will be hired in 2009, the impact of the new employees on claims output will be insignificant in 2009, as up-front training is required before they can contribute to claims production activities. These new employees will impact 2010 performance.

Changes from 2009 Current Estimate to 2010 Request

Obligations for personal services increase \$130.8 million in order to fund the additional staff hired in 2009 who will now be onboard for the full fiscal year, the 2.0 percent pay raise, and associated fringe benefit increases. Increased funds are required for rent, communications, and utilities to accommodate the additional FTE, regional office activation costs, and inflation. The increase to other services includes additional budget authority for contract medical exams (previously reimbursed from the C&P mandatory appropriation), the requirements of Veterans' Benefits Improvement Act of 2008 (Public Law 110-389), field operations support, and inflationary expenses. Offsetting decreases to other

¹ Includes approximately 1,500 FTE associated with the Recovery Act. While these FTE are funded almost entirely through Recovery appropriations, some administrative expenses will be paid by the 2010 request.

services are due to the 2010 reduced requirements as the Paperless Delivery of Veterans Benefits initiative progresses and due to funds carried over from the American Recovery and Reinvestment Act of 2009.

| Disability Compensation, Pensions & Burial Analysis of Discretionary Increases and Decreases (dollars in thousands) | | |
|--|--------------------------|--------------------------|
| | 2009 Estimate | 2010 Estimate |
| Prior Year Obligations | \$1,215,595 | \$1,492,420 |
| Prior Year FIE | 11,515 | 13,346 |
| Adjustments: | | |
| Program FIE | 1,831 | 1,203 |
| Personal Services | \$163,068 | \$130,804 |
| Travel | 7,744 | -6,477 |
| Interagency Motor Pool | -224 | 39 |
| Transportation of Things | 215 | -150 |
| Rent, Communications and Utilities | 8,230 | 25,468 |
| Printing and Reproduction | -390 | 39 |
| Other Services | 103,405 | 7,601 |
| Supplies and Materials | 4,160 | -2,682 |
| Equipment | -9,361 | -3,268 |
| Insurance Claims | -22 | 68 |
| Net Change | \$276,825 | \$151,441 |
| Estimated Obligations | \$1,492,420 | \$1,643,861 |
| Total FIE | 13,346 | 14,549 |

| Disability Compensation, Pensions & Burial Average Salary Analysis | |
|---|-----------------|
| 2008 Average Salary (260 days) | \$56,901 |
| Annualization of 3.5% 2008 raise (+0.9%) | 498 |
| Annualization of 3.9% 2009 raise (+2.9%) | 1,664 |
| Change in staff composition | -1,644 |
| One day adjustment | 221 |
| Regular benefits percentage | 25.9% |
| 2008 Average Cost | \$76,755 |
| 2009 Average Salary (261 days) | \$57,640 |
| Annualization of 3.9% 2009 raise (+1.0%) | 562 |
| Annualization of 2.0% 2010 raise (+1.5%) | 865 |
| Change in staff composition | 112 |
| Regular benefits percentage | 26.5% |
| 2009 Average Cost | \$78,442 |
| 2010 Average Salary (261 days) | \$59,179 |
| Regular benefits percentage | 26.9% |
| 2010 Average Cost | \$80,945 |

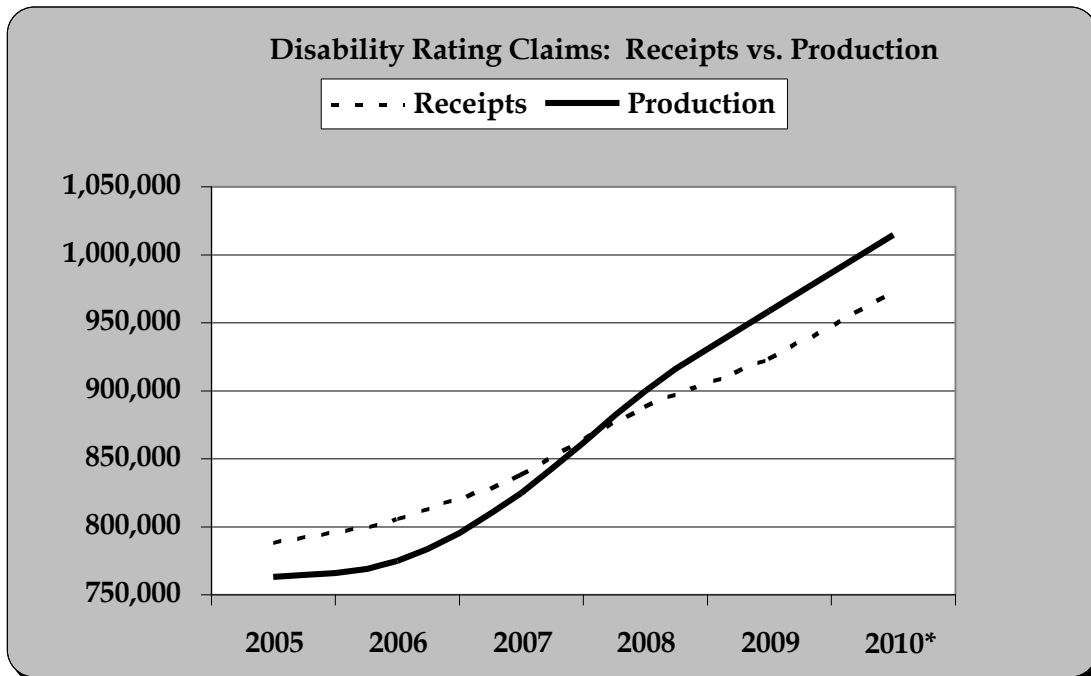
Program Highlights

VBA currently provides compensation and pension benefits and services to more than 3.8 million Veterans and beneficiaries. In addition, as will be detailed in this budget, VBA provides information and services to hundreds of thousands of active duty military personnel, servicemembers transitioning from military to civilian life, Veterans, and survivors.

The need for benefits and services continues at the heightened level that began in 2000. Disability claims from returning war Veterans as well as from Veterans of earlier periods increased from 788,298 in 2005 to 888,112 in 2008, an increase of 99,814 claims, or 13 percent. The 888,112 disability claims received in 2008 are nearly six percent higher than the 838,141 claims received in 2007. We anticipate disability claims receipts will increase to 923,704 in 2009 and 972,027 in 2010. Despite these increases, in 2008 VA reduced the inventory of pending claims, as the number of completed claims exceeded the number of received claims. This increased production is expected to continue in 2009 and 2010.

The table that follows reflects the number of rating claims received and completed over the past four years and projected for 2009 and 2010.

Chart 1



*Target reflects the effects of additional funding from the American Recovery and Reinvestment Act of 2009, P.L. 111-5.

The increasing claims volume has resulted in dramatic increases in the number of Veterans and survivors receiving benefits. In 2008, 304,000 new beneficiaries

were added to the compensation and pension rolls. New accessions exceeded terminated records due to death and other reasons by more than 100,000, causing the number of beneficiaries on the rolls to increase to 3.8 million. While the volume of incoming claims from returning Veterans of Operations Iraqi Freedom and Enduring Freedom (OIF/OEF) in Iraq and Afghanistan has been very high, VA has also seen increased claims receipts from Veterans of previous service periods.

The Department of Defense has identified 991,347 OIF/OEF Veterans, and others serving around the world during the same period, who have separated from service or returned to inactive duty in the Guard and Reserve through June 30, 2008. Through October 31, 2008, a total of 343,835 of these Veterans have applied for benefits. This means 35 percent of the 982,279 living Post-9/11 Veteran population known to VA has applied for disability benefits, with 90.5 percent of these applicants having received an initial decision from VA. Almost 295,000 of these returning war Veterans have been awarded service connection for at least one disability.

Workload

VBA assigns different work credits for various types of work performed to serve Veterans and survivors. That work is generally aggregated into the broad categories defined below with end products (EPs) listed in parenthesis. These definitions correspond with Charts 2 and 3 on the following pages.

- ✓ **Rating Claims** - Because of the significant resources required to decide disability claims requiring a rating decision, these claims provide a representative picture of the overall increasing workload demands being placed on the system (EPs 010, 020, 110, 120, 140, 180, 310, and 320)
- ✓ **Original Disability Determinations** (EPs 010, 110, 140, 180 and 190)
- ✓ **Non-original Disability Determinations** - Claims for increased evaluations, new disabilities, or reconsideration of previously denied conditions (EPs 020, 120, 320, 410, 420, and 450)
- ✓ **Account Maintenance Activities** - Dependency issues, income issues, eligibility determinations unassociated with disability, hospital adjustments, guardianship activities, etc. (EPs 050, 095, 130, 133, 135, 150, 155, 165, 290, 293, 500, 510, and 600)
- ✓ **Program Integrity Activities** - Matching programs with DoD, Social Security Administration, Internal Revenue Service, and other departments, future examinations, fugitive felon actions, individual unemployability reviews, etc. (EPs 154, 310, 314, 680, 682, 683, 684, 690, 692, 693, and 694)
- ✓ **Appeals Work** (EPs 070, 172, 173, 174, and 470)

✓ **Burials** (EP 160)

✓ **All Award Actions** - Total EPs that result in award actions

**Chart 2
Received Workload**

| Rating Claims | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Receipts | 788,298 | 806,382 | 838,141 | 888,112 | 923,704 | 972,027 |
| <i>Includes Compensation and Pension End Products: 010, 020, 110, 120, 140, 180, 310, 320</i> | | | | | | |
| Compensation | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Original Claims | 238,748 | 245,522 | 253,497 | 260,225 | 270,654 | 284,813 |
| Non-Original Claims | 446,773 | 444,316 | 459,942 | 496,576 | 516,477 | 543,496 |
| Account Maintenance | 377,947 | 366,656 | 395,994 | 424,512 | 441,492 | 464,450 |
| Program Integrity | 74,778 | 91,967 | 105,534 | 81,987 | 85,269 | 89,717 |
| Appeals | 149,531 | 145,727 | 145,791 | 151,242 | 157,292 | 165,471 |
| Pension | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Original Claims | 74,959 | 78,667 | 82,193 | 89,133 | 92,701 | 97,534 |
| Non-Original Claims | 51,655 | 50,004 | 51,914 | 49,950 | 51,952 | 54,670 |
| Account Maintenance | 336,385 | 314,789 | 329,214 | 349,225 | 363,194 | 382,080 |
| Program Integrity | 29,571 | 30,623 | 54,905 | 36,167 | 37,614 | 39,570 |
| Appeals | 16,615 | 16,192 | 16,199 | 16,805 | 17,477 | 18,386 |
| Burials | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| All Burial Claims | 151,561 | 143,598 | 142,916 | 146,134 | 151,979 | 159,882 |
| All Award Actions | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| ALL | 1,948,522 | 1,928,062 | 2,038,099 | 2,101,955 | 2,186,099 | 2,300,067 |

**Chart 3
Completed Workload**

| Rating Claims | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Production | 763,464 | 774,378 | 824,844 | 899,863 | 958,275 | 1,015,475 |
| <i>Includes Compensation and Pension End Products: 010, 020, 110, 120, 140, 180, 310, 320</i> | | | | | | |
| Compensation | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Original Claims | 225,294 | 238,249 | 250,232 | 266,768 | 284,108 | 298,029 |
| Non-Original Claims | 438,758 | 425,291 | 448,492 | 499,150 | 531,595 | 567,643* |
| Account Maintenance | 373,832 | 347,648 | 388,079 | 449,488 | 478,705 | 502,161 |
| Program Integrity | 72,688 | 96,470 | 108,588 | 83,585 | 89,018 | 93,379 |
| Appeals | 150,594 | 140,845 | 140,215 | 148,676 | 158,340 | 166,099 |
| Pension | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Original Claims | 70,227 | 74,853 | 78,057 | 98,897 | 105,325 | 110,486 |
| Non-Original Claims | 50,289 | 49,222 | 52,384 | 53,167 | 56,623 | 59,397 |
| Account Maintenance | 328,395 | 303,376 | 334,706 | 346,450 | 368,969 | 387,048 |
| Program Integrity | 27,685 | 27,481 | 35,868 | 47,807 | 50,914 | 53,409 |
| Appeals | 16,733 | 15,649 | 15,579 | 16,520 | 17,593 | 18,455 |
| Burials | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| All Burial Claims | 147,097 | 136,203 | 148,299 | 153,534 | 163,514 | 171,526 |
| All Award Actions | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| ALL | 1,901,592 | 1,855,287 | 2,000,499 | 2,164,041 | 2,304,704 | 2,427,634 |

*Target reflects the effects of additional funding from the American Recovery and Reinvestment Act of 2009, P.L. 111-5.

In addition to the workload outlined above, VA performs outreach and public contact functions. These include responses to e-mail inquiries, answering phone calls, and general correspondence, participation in stand downs, and transition assistance briefings, etc.

The following chart provides a summary of VBA disability determination workload and FTE projections, discussed in greater detail in the following

sections. The decline in output per FTE in 2008 and 2009 is reflective of the lower level of experience among staff due to the large number of new hires in those years, in addition to the impact of the retirement of experienced staff.

Chart 4
Workload and Resource Needs

| Projected Workload and FTE Requirements | 2007 | 2008 | 2009 Estimate | 2010 Estimate |
|--|-------------|-------------|----------------------|----------------------|
| C&P Direct Labor FTE | 8,353 | 10,277 | 11,948* | 13,110* |
| Receipts | 838,141 | 888,112 | 923,704 | 972,027 |
| Year-end Inventory | 391,593 | 379,842 | 345,271 | 301,823 |
| Output per FTE^v | 98.7 | 87.6 | 80.2* | 77.5* |
| Production | 824,844 | 899,863 | 958,275 | 1,015,475* |
| Average Days to Complete Compensation and Pension Rating Related Claims | 183 | 179 | 168 | 150* |

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

*Target reflects the effects of additional funding from the American Recovery and Reinvestment Act of 2009, P.L. 111-5.

Factors in Anticipated Increased Workload

The eight major factors that contribute to the increase in claims and other services in 2009 and 2010 include the following:

Operations Iraqi Freedom , Enduring Freedom, and Others Worldwide

Ongoing hostilities in Iraq and Afghanistan are expected to continue to increase the compensation workload. As of October 2008, nearly 1.8 million servicemembers have deployed in support of these operations including 1,276,635 active duty members and 491,645 National Guard and Reserve members. Of the 491,645 National Guard and Reserve personnel deployed, about 24 percent have been deployed more than once.

The Size of the Force

The most consistent predictor of future claims is the size of the active duty force. Whether deployed to foreign duty stations or maintaining security in the United States, the increase in the authorized size of the active force, as well as the mobilization of thousands of citizen soldiers, means the size of the force on active duty remains above peace-time levels, resulting in increased future claims.

Current Conflict Claim Rates

The claim rate for Gulf War Era (which includes the initial Southwest Asia Conflict as well as ongoing operations in Iraq and Afghanistan) Veterans is

significant. In 2008, there were over 900,000 Gulf War Era Veterans and more than 18,600 of their survivors receiving benefits, comprising the second largest population of beneficiaries after those of the Vietnam Era. The Gulf War Era covers all Veterans and activated Guard and Reserve personnel who have served since August 2, 1990. The claim rate from Post-9/11 Veterans, at 35 percent, significantly exceeds claim activity in the preceding two decades.

Special Outreach

In 2008 VA mailed letters to almost 28,000 in-country Vietnam Veterans who are receiving treatment for Diabetes in VA medical centers but who have not filed a claim for this herbicide presumptive disability.

The Current Economic Downturn

The current economic downturn is likely to increase claims for compensation and pension. New regulations have been proposed that would allow certain Priority Level 8 Veterans to be enrolled in the VA health care system if their household income does not exceed the current VA income thresholds by more than 10 percent. The proposed regulations should take effect in June 2009. We anticipate that many of these Veterans will file disability claims with the aim of reducing their required co-payments. Other Veterans who have lost insurance coverage as they have retired or been laid off are expected to file claims for both compensation and non-service connected pension, which could also potentially enable them to qualify for Veterans Health Administration enrollment categories with limited or no co-payments.

Current and Proposed Expansion of Concurrent Receipt

Currently there are almost 1.9 million military retirees, about half of whom receive benefits from VA. The 2008 expansion of Combat Related Special Compensation (CRSC) coverage to disability retirees (referred to as Chapter 61 retirees) increases the incentive for these retirees to claim compensation if they have not previously done so. In 2010 the President's legislative package includes a proposal to extend concurrent retirement and disability pay (CRDP) to Chapter 61 retirees. If successful, the President's proposal will encourage more retirees to apply for VA benefits.

Reopened Disability Claims

The number of Veterans receiving compensation has increased by more than 600,000 since 2000, from just over 2.3 million Veterans to nearly three million in 2008. VA anticipates that reopened claims for increased benefits will grow also as compensation recipients, many of whom suffer from chronic progressive disabilities such as diabetes, mental illness, and cardiovascular disabilities, age and their conditions worsen. During 2008, reopened disability compensation claims comprised nearly 55 percent of all disability claims. The average degree of

disability for Veterans on the rolls has increased steadily from 38.3 percent in 2005 to 40.4 percent in 2008, reflecting the aging population. Similar to the chronic condition issue, the aging process is likely to result in additional claims for increased benefits.

Reaching Clients

VA has increased outreach to active duty personnel, and we continue to expand our outreach efforts. These outreach efforts result in significantly higher claim rates. Original compensation claims increased nearly 10 percent from 2005 (210,504) to 2008 (231,313). 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 300,000 active duty servicemembers and returning Guard and Reserve members.

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

Chart 6
Total Military Briefings

| Fiscal Year | Briefings | Attendees |
|--------------------|------------------|------------------|
| 2003 | 5,840 | 210,025 |
| 2004 | 7,834 | 276,574 |
| 2005 | 8,184 | 326,664 |
| 2006 | 8,541 | 393,345 |
| 2007 | 8,154 | 296,855 |
| 2008 | 8,708 | 299,093 |

Outreach is conducted for servicemembers overseas. The Overseas Military Services Program (OMSP) was expanded in 2008 from 9 months to 12 months of coverage in Europe, Japan and Korea. Under the OMSP, VA conducts benefits briefings for active duty military personnel stationed overseas. Briefings are given at approximately 60 military installations overseas, with the Overseas Military Services Coordinators (OMSC) assigned to host sites in five countries: England, Germany, Italy, Korea, and Japan (including Okinawa). The OMSCs operate on an itinerant basis, moving from one military facility to another, providing briefings, interviewing active duty military personnel by telephone and in person, and assisting in the completion of applications for benefits.

The following chart describes the number of briefings provided and the number of attendees for the OMSP.

Chart 7
Overseas Military Briefings

| Fiscal Year | Briefings | Attendees |
|--------------------|------------------|------------------|
| 2003 | 472 | 12,943 |
| 2004 | 624 | 15,183 |
| 2005 | 686 | 17,156 |
| 2006 | 498 | 11,585 |
| 2007 | 590 | 12,318 |
| 2008 | 829 | 15,170 |

We also increased outreach to Veterans of other periods of service. Presently, nearly 3 million of the 23.4 million living Veterans and nearly 535,000 survivors are receiving compensation or pension benefits. We continue to expand our outreach activities to beneficiaries who may not be aware of the benefits to which they are entitled.

Separating military personnel also receive enhanced services through the Pre-Discharge Programs. These programs, which include Benefits Delivery at Discharge (BDD) and Quick Start are detailed in a subsequent section. The Pre-Discharge Programs are designed to begin the claims process prior to separation in order to deliver benefits as soon as possible after discharge.

In addition to outreach, the other major components of our public contact program are our telephone and personal interview activities. In 2008, public contact teams conducted over 6.1 million phone interviews and nearly 885,000 personal interviews in offices, hospitals, and other locations.

Increasing Number of Claimed Conditions

Although the increase in claims receipts is a major factor affecting resource needs, it 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 2005, 210,504 original disability compensation claims were received and 21 percent (43,655) of them contained eight or more issues. In 2008, nearly 27 percent, or 61,598 of the 231,313 original claims received, contained eight or more issues.

Appeals and Other Workload

The appellate workload presents serious challenges to VA in providing review decisions in a timely and efficient manner at the regional office and Board of Veterans' Appeals levels. In 2008, we received almost 109,000 notices of disagreement, and we processed more than 47,600 statements of the case and

supplemental statements of the case. 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.

In 2008, 101,566 appeals were resolved, and the average number of days pending was 645. As shown in the chart below, 71 percent (72,380) of the 2008 appeals were resolved prior to certification to the Board of Veterans' Appeals.

Chart 8

| Appeals Resolved In 2008 | Number of Cases | Percentage of Total Appeals Resolved |
|---|----------------------------|---|
| Prior to receipt of Appeal Form-9 | 21,818 | 21% |
| Failure to Respond to Statement of the Case | 38,758 | 38% |
| After Form 9 Received | 11,804 | 12% |
| BVA Decision | 25,578 | 25% |
| After BVA Remand | 3,608 | 4% |
| Total | 101,566 | 100% |

Neither our clients nor VA are satisfied with the length of time required to resolve appeals or the level of pending appeals. To address these concerns, VA initiated a 2-year pilot program effective February 2, 2009, to test the ability of VA and the Veteran or survivor to partner collaboratively to shorten the time to initial decision and if necessary appeal resolution. The pilot is being conducted in four states and consists of a commitment from VA to aggressively manage and process claims from participants while claimants agree to shortened evidence response times. VBA has continued and expanded its certification program for regional office decision makers to measure, ensure, and raise their skill level. Certification testing for Veterans service representatives (VSRs) and rating Veterans service representatives (RVSRs) is ongoing. Advanced RVSR and pension management center VSR testing is being initiated in 2009 while certification testing for decision review officers and service center managers is scheduled for 2010.

Account Maintenance (Non-rating) Award Actions

In 2008, VBA completed over 2.4 million award actions, of which nearly 900,000 were disability rating decisions. As previously indicated, the number of Veterans on our rolls has increased by more than 600,000 in recent years, and the total number of Veterans and survivors on our rolls is now nearly 3.8 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 award actions (for example, income issues, guardianship activities, and dependency issues) and in the resources required to process these actions.

Fiduciary Activities

Compensation and pension program resources also support VA's fiduciary program for beneficiaries who are incapable of managing their own funds. During 2008, VBA completed 79,167 field examinations and accounting audits. These include initial appointment field examinations and regular follow-ups, as well as other actions associated with administering the fiduciary program. Currently VBA's fiduciary program supervises more than 102,000 incompetent beneficiaries. On a monthly basis, the combined VA benefits for these beneficiaries exceed \$58 million, and the combined estates for these beneficiaries total more than \$3.1 billion. Field examiners traveled over 3.6 million miles to complete their duties during 2008. Like our other work, the workload of the fiduciary program continues to grow. Additionally, the Veterans Benefits Improvement Act of 2004 imposed new requirements including fiduciary qualification, onsite review, and misuse determination requirements for fiduciary activities.

VBA's Response to a Changing Environment

The staff dedicated to delivering compensation, pension, burial, outreach, and information services to Veterans and beneficiaries has grown steadily since 2007. It is anticipated that in 2010, Compensation and Pensions direct staffing will increase by 1,162 FTE over the 2009 level.

VBA continues to position itself to deliver benefits and meet client needs for services in a timely and compassionate manner through 21st century media that enable Veterans and survivors to proactively monitor and manage their own accounts. Significant efforts to achieve these results are discussed in the following paragraphs:

Joint DoD/VA Disability Evaluation System

Since March 2007, VA and DoD have closely partnered to examine, revise, and enhance the method used by the uniformed services to assess the capability of wounded, ill, and injured servicemembers to remain on active duty and, if unable to continue military service, to assess the level of disability for severance and retirement pay purposes. In November 2007 a pilot began in the National Capitol Region at Walter Reed Army Medical Center, Bethesda National Medical Center, and Malcolm Grow Air Force Medical Center for all military personnel entering the Disability Evaluation System (DES) after that date. In the new process, VA takes a claim from the servicemember when the member enters the DES process. Examinations are conducted for potentially unfitting conditions and other claimed conditions using VA-approved templates. These examinations are conducted by VA, DoD, or jointly based on resources available at the servicemember's location. Using the results of the examination and other information available to DoD, the service department determines whether the

member is unfit for further duty. If the member is unfit, the evidence is referred to VA to make a disability determination on both the unfitting and other claimed conditions. This disability determination is used by both departments. The pilot's outcome goals are to increase transparency in the process, increase servicemembers' confidence in the decisions being made, increase consistency across services, and, if separation or retirement is necessary, rapidly enroll the new Veteran in VA healthcare and eliminate the delay in receipt of compensation benefits from VBA. Based on the success of the pilot through August, authorization was given in 2009 to expand the pilot to 20 additional sites across the nation to thoroughly test the new processes that have been put in place. Further expansion in 2009 and potential full deployment of the revised program is being planned in 2010.

Catastrophic DES

VA and DoD have developed another option for the most profoundly disabled war-injured where the potential for continued military service is not in question. On a strictly voluntary basis the member and/or their family can elect rapid separation and transfer to VA, although care may continue to be provided in DoD facilities until stable. For many members severely injured and with limited military service, this option may provide greater benefits and services than remaining on active duty.

Pre-discharge Claims Processing

A pre-discharge claim for disability compensation can be accepted from any servicemember at any intake site prior to separation from active duty if the servicemember is within 180 days of discharge.

Benefits Delivery at Discharge (BDD)

Servicemembers must be within **60-180 days** of separation to participate in the BDD process. VA began accepting claims from servicemembers in 1995 as part of a pilot program with the United States Army. Full implementation began in 1998. As the number of BDD sites increased throughout the nation, the need arose for a national memorandum of agreement (MOA) between VA and DoD to establish the specific responsibilities of each agency in implementing the single cooperative examination process. The national MOA was signed on November 17, 2004, and created the cooperative separation process/examination.

In July 2008, VA again expanded the BDD program to accept BDD claims at all regional offices, demobilization sites, military installations, and VA health care facilities. This marks another milestone in this continuing expansion toward providing timely and quality service to separating servicemembers and National Guard and Reserve personnel.

Quick Start Claims

In July 2008, VA also established a policy for “quick start” claims. A quick start claim is any claim from a servicemember who has **less than 60 days** to date of discharge **or** does not meet the BDD criteria requiring availability for all examinations prior to discharge. Quick start claims are accepted by intake sites and forwarded to the regional office of jurisdiction on a daily basis. Quick start claims are planned for consolidation to two processing sites in San Diego and Winston-Salem during 2009.

Restructuring of Program Delivery and Improving Productivity

VBA continues to pursue opportunities to achieve additional efficiencies and improvements in our business processes and improve productivity.

VBA completed the consolidation of original pension claims processing to the three pension management centers (PMCs) in 2008. This initiative allowed both regional offices and PMCs to specialize. The following survivors benefit claims processing will be consolidated to the PMCs in 2009:

- Service connection for the cause of death
- Dependency and Indemnity Compensation (DIC)
- Burial benefits
- Accrued benefits

National Call Centers

VA began consolidating all client service calls to nine national call centers in November 2007. This consolidation allows regional office personnel to focus more resources on processing claims. The consolidation is 92% complete with consolidation of 51 of the 55 regional offices. It is scheduled for completion in summer 2009. Consolidation to national call centers also positions VA to deliver better and more timely training and information to call agents.

Inquiry Routing and Information System (IRIS)

Veterans can e-mail VBA with questions and concerns about their accounts and anticipate a response within five business days. In 2008 VBA received over 96,635 e-mail inquiries through IRIS. We project to process 146,915 inquiries in 2010.

Pilot Program on Expediting Fully Developed Claims

On October 10, 2008, the President signed the Veterans’ Benefits Improvement Act of 2008, Public Law 110-389. Section 221(a) of the Act directs VA to carry out a one-year pilot program to assess the feasibility and advisability of expeditiously processing fully developed compensation and pension claims within 90 days after

receipt of the claim. The pilot began at 10 regional offices in December 2008 and will continue for three years.

Pilot Program on Providing Checklists to Claimants

On October 10, 2008, the President signed the Veterans' Benefits Improvement Act of 2008, Public Law 110-389. Section 221(b) of the Act directs VA to create a pilot program to provide a checklist that includes the information or evidence the claimant must submit to support the claim. This pilot will assess whether providing such a checklist will result in more frequent and timelier submission of evidence. The pilot began at four regional offices in December 2008 and will last for one year for original claims and three years for reopened claims and claims for increased ratings.

Western Area Pilot Fiduciary Hub

A pilot Fiduciary Hub for the Western Area was established at the Salt Lake City RO to determine if a realignment of fiduciary processing and increased management oversight can lead to improved efficiency and effectiveness.

The transfer of station fiduciary activities began in late January 2008 and was completed in August 2008. The pilot is ongoing.

Technology Improvements

VBA continues to enhance the information technology tools supporting C&P processing, including Compensation and Pension Records Interchange (CAPRI) and the Veterans Service network (VETSNET) suite of applications.

- 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.
- VETSNET is VBA's replacement system for the Benefits Delivery Network (BDN) legacy award, payment, and accounting system. It is a modernized, stable platform, which enables enhanced client service and data-sharing opportunities. Information related to Veterans' claims is available electronically, allowing VA to respond to Veterans' questions when they call or visit a VA regional office. This electronic information platform also allows claims processing and client service workload to be shifted between

regional offices to ensure timely and effective service delivery. In many cases, data must only be entered one time and becomes available throughout the lifecycle of a Veteran's claims. Data can more easily be shared with DoD, enhancing opportunities for collaboration on the seamless transition of servicemember to Veteran status.

There are five VETSNET applications in use today by all Veterans service representatives and rating Veterans service representatives. Active payment records for Compensation, Pension, and Dependency & Indemnity Compensation (DIC) have been converted from BDN, with the final major conversions scheduled for completion in 2009. Continued investment is required to update and enhance the VETSNET suite of applications to support changes in legislation related to claims processing. Integration of the VETSNET suite with other technologies, such as those being developed through the Paperless Delivery of Veterans Benefits Initiative, will support improved claims processing and Veteran self-service capabilities. The five major applications are:

1. Share/Search and Participant Profile - records and updates basic information about Veterans and their dependents in the corporate and legacy databases.
2. Modern Award Processing - Development (MAP-D)- supports claims establishment, development of claims, and workflow tracking.
3. Rating Board Automation 2000 (RBA2000) - supports the rating and evaluation of disability claims.
4. Awards - prepares and calculates benefit awards.
5. Finance & Accounting System (FAS) - supports generation and audit of benefit payments.

Paperless Processing

This budget reflects VA's commitment to achieving the Secretary's goal of processing disability claims in a paperless environment within three years. Through the use of the Virtual VA suite of applications, 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 has been expanded to BDD sites. Efforts are now directed to enhancing paperless capacity through upgraded infrastructure, software and storage capacity.

The Paperless Delivery of Veterans Benefits Initiative is a *business transformation effort* to improve service to our Nation's Veterans by migrating from Compensation and Pension's paper-intensive claims process to a claims process supported by electronic data and services. Core elements of the initiative include:

- Development of VBA-wide services to enable common methods for electronically and securely exchanging data with Veterans, external agencies, and other systems
- Development of operating standards for doing business in an electronic fashion (e.g., receipt and transformation of paper to electronic data, routing of work, workload management, etc.)
- Integration and standardization of VBA business processes to provide consistent, easy-to-use, and reliable services to enhance the Veteran self-service experience

For Veterans, this means a seamless online interface to access compensation and pension information and a choice of methods to communicate with VA to provide evidence, seek information, and perform various elements of "self-service" throughout the benefit lifecycle. It will transform Veterans' inputs into an electronic format for electronic routing and processing and provide on-line access to Veteran-specific information regarding potential benefits provided by VBA as well as status of pending benefit claims. It will provide fair, accurate, and timely decisions on claims for benefits, efficiently communicated in language that is easily understood, and eliminate repeated requests to the Veteran for the same information.

As VBA implements the strategic vision for the overall Paperless Initiative, demonstrable progress is being made in utilizing imaging technology to support compensation and pension claims processing. Current activities include:

- Benefits Delivery at Discharge – BDD (60-180 days prior to discharge) – Currently processing at Winston-Salem & Salt Lake City Rating Activity Sites (RASs) – all new BDD claims are processed in the paperless environment as of August 2008
- Principal Guardianship Files (PGFs) for Fiduciary – Fiduciary Hub Pilot at Salt Lake City began June 9, 2008

- Disability Evaluation System (DES) Paperless Pilot – Began October 1, 2008, in the National Capitol Region – VHA review of “eFile” through Virtual VA is also being piloted
- Support for processing subsequent claims and appeals for Veterans with a prior claim processed in the Paperless environment

New Means of Communication

VBA is committed to meeting the Veterans of the 21st century in the manner in which they choose to interact with us. We continue to actively evaluate new means of communication through e-mail and other popular communication protocols. VBA has developed functional requirements and will move to replace the current outdated VONAPP on-line application with one that meets 21st century expectations.

Modernizing the Rating Schedule

In 2008, VBA issued revised regulations on Traumatic Brain Injury (TBI). These changes were driven by the Department of Defense and Department of Veterans Affairs experience with this injury in the current conflict and reflect the thinking of experts in the field of brain injury, as identified in TBI summits, discussions with DoD and clinicians and researchers, and comments from the public.

In 2009, VBA will work to revise the mental health portion of the rating schedule with particular emphasis on PTSD. The successful use of summits of experts in revising the TBI regulations means that we will utilize similar methods in the mental health area and future changes to body system regulations.

Significantly, in 2008 VA established and the Congress subsequently codified the Advisory Board on the Rating Schedule to aid the Secretary in the development and maintenance of the schedule.

The American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 will make one-time payments of \$250 to eligible Veterans and survivors to mitigate the effects of the current economy. These payments will be issued as early as June 2009. VA estimates \$700 million in payments will be made from the Compensation and Pensions account to eligible beneficiaries as part of this measure. The Recovery Act provides \$7.1 million in funding to the VBA General Operating Expenses account to administer the benefit payments. While this program will primarily be executed in 2009, some administrative costs and activities may continue into 2010.

In addition, the Veterans Benefits Administration will hire 1,500 additional employees under the Recovery Act. New staff will consist of approximately 500 permanent employees (who will be retained beyond 2010 to replace losses that VBA experiences as a result of normal attrition) and 1,000 temporary employees hired under term appointments. All new Recovery Act employees will be on-board before 2010 and will contribute to increased productivity in 2010. The temporary employees will conduct follow-up actions to expedite claims development and perform other administrative activities to free decision-makers to perform more complex tasks. The anticipated increase in production in 2010 is expected to be 10,000 cases. We also anticipate timeliness improvements: average days pending (ADP) to be 105 days compared to 107 days, and average days to complete (ADC) to be 150 days rather than 154 days. The revised targets for ADP and ADC are estimates based upon a pilot study conducted with the Texas Veterans Commission in cooperation with VA in which that organization did phone follow-up with claimants for evidence. The pilot suggested that aggressive phone follow-up has the potential to improve ADP and ADC.

Performance Measures

The following tables provide performance measurements and expectations based on receiving the funding requested:

| Table 1: Performance Summary Table | | | | | | | |
|--|------------------------|------|------|------|----------------------|-----------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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 and 1.4 | | | | | | | |
| 1.2 Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled Veterans. | | | | | | | |
| 1.4 Improve the standard of living and income status of eligible survivors of service-disabled Veterans through compensation, education, and insurance benefits. | | | | | | | |
| 1) National accuracy rate - compensation rating claims^{1/ & 2/} | 84% | 88% | 88% | 86% | 90% | 90% | 98% |
| 2) Rating-related actions - average days pending | 122 | 130 | 132 | 121 | 116 | 105* | 100 |
| 3) Average days to complete - DIC actions^{2/} | 124 | 136 | 132 | 121 | 115 | 110 | 90 |
| 4) National accuracy rate (compensation maintenance claims) ^{1/ & 2/} | 90% | 91% | 92% | 95% | 95% | 96% | 98% |
| 5) BDD Participation rate ^{2/} | 55 | 46 | 53 | 59 | TBD | TBD | TBD |
| 6) Overall satisfaction rate ^{3/} | 58% | N/A | N/A | N/A | TBD | TBD | 90% |
| 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. | | | | | | | |
| 7) Pension maintenance claims - average days to complete^{2/} | 68 | 92 | 104 | 119 | 85 | 82 | 60 |
| 8) National accuracy rate - pension maintenance claims^{1/ & 2/} | 86% | 88% | 91% | 93% | 94% | 95% | 98% |
| 9) National accuracy rate-pension entitlement claims ^{1/ & 2/} | 90% | 90% | 91% | 87% | 93% | 93% | 98% |
| 10) Rating related actions - average days pending | 83 | 90 | 89 | 87 | 76 | 67 | 65 |
| 11) Overall satisfaction rate ^{3/} | 65% | N/A | N/A | N/A | TBD | TBD | 90% |

^{1/}Projections are based on a 12-month cumulative average from the STAR database.

^{2/}Measure renamed

^{3/} No customer satisfaction survey results since 2005. We anticipate results for 2009 will be available in 2010.

*Target reflects the effects of additional funding from the American Recovery and Reinvestment Act of 2009, P.L. 111-5.

Table 1: Performance Summary Table

ALL MEASURES

| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
|--|------------------------|------|------|------|----------------------|-----------------------|-------------------|
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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 | | | | | | | |
| 1.2 Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled Veterans. | | | | | | | |
| 12) Compensation and Pension rating - related actions - average days to complete^{1/} | 167 | 177 | 183 | 179 | 168 | 150* | 125 |
| 13) Appeals Resolution Time (Number of Days) (Joint Measure with BVA) | 622 | 657 | 660 | 645 | 700 ^{2/} | 700 ^{2/} | 675 ^{2/} |
| 14) Productivity Index (%) | N/A | 90 | 88 | 79 | TBD | TBD | TBD |
| 15) National accuracy rate - (fiduciary work) (%) ³ | 85 | 83 | 84 | 81 | 88 | 90 | 98 |
| Strategic Goal 3 | | | | | | | |
| Honor and serve Veterans in life and memorialize them in death for their sacrifices on behalf of the Nation. | | | | | | | |
| Objective 3.4 | | | | | | | |
| Ensure that the burial needs of Veterans and eligible family members are met. | | | | | | | |
| 16) Average number of days to complete a claim for reimbursement of burial expenses | 57 | 72 | 91 | 84 | 80 | 75 | 21 |
| 17) National Accuracy Rate for burial claims processed (%) ^{4/} | 93 | 94 | 95 | 96 | 97 | 98 | 98 |

^{1/}Measure renamed

^{2/}2009, 2010, and strategic targets established by BVA.

^{3/}No customer satisfaction survey results since 2005. We anticipate results for 2009 will be available in 2010.

^{4/}Projections are based on a 12-month cumulative average from the STAR database.

*Target reflects the effects of additional funding from the American Recovery and Reinvestment Act of 2009, P.L. 111-5.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

1) National Accuracy Rate – compensation rating claims.

a) Means and Strategies:

- Process claims timely, accurately, and consistently.
- Service centers separated into a team concept with distinct functional areas for increased workload specialization, and more accurate, efficient and timely claims processing.
- Develop staff expertise for higher quality decisions.
- VETSNET online information platform allows claims processing and client service workload to be shifted between regional offices to ensure timely and accurate benefit delivery

b) Data Source(s):

- VBA's systems of record: Benefits Delivery Network (BDN) and VETSNET.
- Systematic Technical Accuracy Review (STAR) Data Base, which maintains claims processing accuracy.

c) Data Verification: C&P STAR quality reviews by individual reviewers are routinely validated by C&P managers as part of individual performance. Additionally, when a regional office disagrees with an error call, it is reviewed as part of a formal process requiring the concurrence of the service director.

d) Measure Validation: This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.

e) Cross-Cutting:

- VA/DoD is continuously developing a joint examination protocol to satisfy discharge examinations and meet the requirements for comprehensive VA examinations that will ultimately improve claims processing timeliness.
- Interface to Defense Personnel Records Imaging System to request and receive DoD records more quickly thereby improving timeliness of claims processing.

f) External Factors:

- Significant court decisions or legislative actions requiring readjudication of claims.
- Greater than expected staff retirements.

2) Rating – related actions – average days pending.

a) Means and Strategies:

- Process claims timely, accurately, and consistently.
- Service centers separated into a team concept with distinct functional areas for increased workload specialization, and more accurate, efficient and timely claims processing.
- Develop staff expertise for higher quality decisions.
- VETSNET online information platform allows claims processing and client service workload to be shifted between regional offices to ensure timely and accurate benefit delivery

b) Data Source(s): VBA's systems of record: Benefits Delivery Network (BDN) and VETSNET.

c) Data Verification: Data are analyzed weekly and results are recorded quarterly by VBA's Central Office based Compensation and Pension Service, which performs quality and consistency reviews on cases from the regional offices with the highest rates of questionable practices. When anomalies are identified, when necessary, VBA staff follows standardized, documented procedures for making necessary changes to previously entered data.

d) Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.

e) Cross-Cutting:

- VA/DoD is continuously developing a joint examination protocol to satisfy discharge examinations and meet the requirements for comprehensive VA examinations that will ultimately improve claims processing timeliness.
- Interface to Defense Personnel Records Imaging System to request and receive DoD records more quickly thereby improving timeliness of claims processing.

f) External Factors:

- Significant court decisions or legislative actions requiring readjudication of claims.
- Greater than expected staff retirements.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

3) Average days to complete - DIC actions.

a) Means and Strategies:

- Process claims timely, accurately, and consistently.
- Service centers separated into a team concept with distinct functional areas for increased workload specialization, and more accurate, efficient and timely claims processing.
- Develop staff expertise for higher quality decisions.
- VETSNET online information platform allows claims processing and client service workload to be shifted between regional offices to ensure timely and accurate benefit delivery

b) Data Source(s): VBA's systems of record: Benefits Delivery Network (BDN) and VETSNET.

c) Data Verification: Data are analyzed weekly and results are recorded quarterly by VBA's Central Office based Compensation and Pension Service, which performs quality and consistency reviews on cases from the regional offices with the highest rates of questionable practices. When anomalies are identified, when necessary, VBA staff follows standardized, documented procedures for making necessary changes to previously entered data.

d) Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.

e) Cross-Cutting:

- VA/DoD is continuously developing a joint examination protocol to satisfy discharge examinations and meet the requirements for comprehensive VA examinations that will ultimately improve claims processing timeliness.
- Interface to Defense Personnel Records Imaging System to request and receive DoD records more quickly thereby improving timeliness of claims processing.

f) External Factors:

- Significant court decisions or legislative actions requiring readjudication of claims.
- Greater than expected staff retirements.

7) Pension maintenance claims - average days to complete.

a) Means and Strategies:

- Process claims timely, accurately, and consistently.
- Service centers separated into a team concept with distinct functional areas for increased workload specialization, and more accurate, efficient and timely claims processing.
- Develop staff expertise for higher quality decisions.
- VETSNET online information platform allows claims processing and client service workload to be shifted between regional offices to ensure timely and accurate benefit delivery

b) Data Source(s): VBA's systems of record: Benefits Delivery Network (BDN) and VETSNET.

c) Data Verification: Data are analyzed weekly and results are recorded quarterly by VBA's Central Office based Compensation and Pension Service, which performs quality and consistency reviews on cases from the regional offices with the highest rates of questionable practices. When anomalies are identified, when necessary, VBA staff follows standardized, documented procedures for making necessary changes to previously entered data.

d) Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.

e) Cross-Cutting:

- VA/DoD is continuously developing a joint examination protocol to satisfy discharge examinations and meet the requirements for comprehensive VA examinations that will ultimately improve claims processing timeliness.
- Interface to Defense Personnel Records Imaging System to request and receive DoD records more quickly thereby improving timeliness of claims processing.

f) External Factors:

- Significant court decisions or legislative actions requiring readjudication of claims.
- Greater than expected staff retirements.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

(8) National accuracy rate – pension maintenance claims.

a) Means and Strategies:

- Process claims timely, accurately, and consistently.
- Service centers separated into a team concept with distinct functional areas for increased workload specialization, and more accurate, efficient and timely claims processing.
- Develop staff expertise for higher quality decisions.
- VETSNET online information platform allows claims processing and client service workload to be shifted between regional offices to ensure timely and accurate benefit delivery

b) Data Source(s):

- VBA's systems of record: Benefits Delivery Network (BDN) and VETSNET.
- Systematic Technical Accuracy Review (STAR) Data Base, which maintains claims processing accuracy.

c) Data Verification: C&P STAR quality reviews by individual reviewers are routinely validated by C&P managers as part of individual performance. Additionally, when a regional office disagrees with an error call, it is reviewed as part of a formal process requiring the concurrence of the service director.

d) Measure Validation: This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.

e) Cross-Cutting:

- VA/DoD is continuously developing a joint examination protocol to satisfy discharge examinations and meet the requirements for comprehensive VA examinations that will ultimately improve claims processing timeliness.
- Interface to Defense Personnel Records Imaging System to request and receive DoD records more quickly thereby improving timeliness of claims processing.

f) External Factors:

- Significant court decisions or legislative actions requiring readjudication of claims.
- Greater than expected staff retirements.

(12) Compensation and Pension Rating – related actions – average days to complete.

a) Means and Strategies:

- Process claims timely, accurately, and consistently.
- Service centers separated into a team concept with distinct functional areas for increased workload specialization, and more accurate, efficient and timely claims processing.
- Develop staff expertise for higher quality decisions.
- VETSNET online information platform allows claims processing and client service workload to be shifted between regional offices to ensure timely and accurate benefit delivery

b) Data Source(s): VBA's systems of record: Benefits Delivery Network (BDN) and VETSNET.

c) Data Verification: C&P STAR quality reviews by individual reviewers are routinely validated by C&P managers as part of individual performance. Additionally, when a regional office disagrees with an error call, it is reviewed as part of a formal process requiring the concurrence of the service director.

d) Measure Validation: This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.

e) Cross-Cutting:

- VA/DoD is continuously developing a joint examination protocol to satisfy discharge examinations and meet the requirements for comprehensive VA examinations that will ultimately improve claims processing timeliness.
- Interface to Defense Personnel Records Imaging System to request and receive DoD records more quickly thereby improving timeliness of claims processing.

f) External Factors:

- Significant court decisions or legislative actions requiring readjudication of claims.
- Greater than expected staff retirements.

Initiatives

The following chart provides initiative data based on receiving the funding requested.

| Compensation and Pensions Initiatives | | | | | | | | |
|--|---------------|-----------------|-----------------|----------|---------------|-----------------|-----------------|----------|
| (dollars in thousands) | | | | | | | | |
| | 2009 Estimate | | | | 2010 Estimate | | | |
| | Payroll | Non-pay | Total | FTE | Payroll | Non-pay | Total | FTE |
| Training Package | - | 4,691 | 4,691 | - | - | - | - | - |
| C&P Subtotal | \$0 | \$4,691 | \$4,691 | 0 | \$0 | \$0 | \$0 | 0 |
| VBA-Wide: | | | | | | | | |
| Training Package | - | 766 | 766 | - | - | - | - | - |
| Paperless Delivery of Veterans Benefits Initiative | - | 18,125 | 18,125 | - | - | 11,869 | 11,869 | - |
| VBA-Wide Subtotal | \$0 | \$18,891 | \$18,891 | 0 | \$0 | \$11,869 | \$11,869 | 0 |
| C&P Total | \$0 | \$23,582 | \$23,582 | 0 | \$0 | \$11,869 | \$11,869 | 0 |

VBA-Wide Initiatives

Specific crosscutting initiatives that can be linked to a specific business line have been integrated into the respective business line plans. 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 is the description of a VBA-wide initiative that impacts the Compensation, Pensions, and Burial programs:

Initiative: Paperless Delivery of Veterans Benefits

Total 2010 Initiative Cost: \$15,753,000

C&P Portion: \$11,869,000

Paperless Delivery of Veterans Benefits (Paperless Initiative) will move VBA to a business model less reliant on paper for claims processing. The initiative will build a common platform of shared services and scalable architecture, approved by the Office of Information & Technology (OI&T), that can be tailored to meet the claims processing and benefits delivery needs of all VBA business lines. The initiative will integrate VBA's core business applications and modernized payment system, Veterans Service Network (VETSNET), as well as existing and planned infrastructure. The initiative will expand current paperless claims processing activities in all VBA business lines into a world-class, Veteran-centric benefits delivery model. In 2009, VA contracted with a Lead Systems Integrator (LSI) to provide the systems design for the envisioned technology platform. The technology design will incorporate and /or build upon the current functionalities and technology of existing systems such as Virtual VA and The Image Management System (TIMS), ultimately integrating or reducing the number of disparate systems supporting benefits delivery. VBA is working closely with OI&T and the LSI to ensure all "to be" business requirements are documented and addressed by the system design. Initial technology capabilities are to be built and delivered in 2010. In parallel, VBA has engaged the services of an industry leader in business transformation and organizational change management. The business transformation contractor (BTC), on board in March 2009, will assist VBA in maximizing capabilities made available through the LSI's technology design.

In addition to optimizing business processes, the BTC will assist VBA in developing an organizational change, communications management and training approach to assure VBA employees and stakeholders are fully prepared for and engaged in the transformation effort.

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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 clients of the programs administered by Education Service include Veterans, servicemembers, reservists, dependents of certain 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 | 2008 | 2009 | | 2010 Estimate | Increase(+) Decrease(-) |
|---|------------------|--------------------|-------------------|------------------|----------------------------|
| | | Budget Estimate | Enacted Budget | | |
| FTE | | | | | |
| Direct | 868 | 902 | 1,354 | 1,461 | 107 |
| Management Direction and Support | 99 | 89 | 112 | 115 | 3 |
| Total FTE | 967 | 991 | 1,466 | 1,576 | 110 |
| Obligations | | | | | |
| Personal Services | \$67,915 | \$76,269 | \$99,427 | \$115,578 | \$16,151 |
| Travel | 1,524 | 1,189 | 1,869 | 1,894 | 25 |
| Interagency Motor Pool | 196 | 211 | 211 | 215 | 4 |
| Transportation of Things | 154 | 188 | 188 | 159 | -29 |
| Rent, Communications & Utilities | 9,141 | 12,381 | 16,601 | 18,531 | 1,929 |
| Printing | 693 | 941 | 1,166 | 1,481 | 315 |
| Other Services | 4,323 | 5,427 | 13,627 | 8,257 | -5,370 |
| Supplies and Materials | 866 | 698 | 1,572 | 1,089 | -483 |
| Equipment | 1,311 | 679 | 2,303 | 1,174 | -1,129 |
| Insurance Claims | 3 | 2 | 2 | 0 | -2 |
| Total Administrative Obligations | \$86,127 | \$97,985 | \$136,966 | \$148,377 | \$11,412 |
| Reimbursements | -\$537 | -\$1,292 | -\$2,258 | -\$2,636 | -\$378 |
| Unobligated SOY | \$0 | \$0 | -\$100,000 | -\$27,490 | \$72,510 |
| 2008 GI BILL Supplemental | \$0 | \$0 | -\$100,000 | \$0 | \$100,000 |
| GOE Carry Over | \$0 | \$0 | \$0 | -\$27,490 | -\$27,490 |
| Unobligated EOY | \$100,000 | \$0 | \$27,490 | \$0 | -\$27,490 |
| 2008 GI BILL Supplemental | \$100,000 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$27,490 | \$0 | -\$27,490 |
| Transfers to IT Appropriation | \$0 | \$0 | \$35,000 | \$0 | -\$35,000 |
| Adjustments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Appropriation | \$185,590 | \$96,693 | \$97,198 | \$118,252 | \$21,054 |
| Outlays (net) | \$83,145 | \$93,440 | \$93,130 | \$111,906 | \$18,776 |

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

Summary of Budget Request

Budget authority of \$118.3 million will fund 1,576 FTE, the January 1, 2010, 2.0 percent pay raise, the associated level of fringe benefits, inflationary expenses, and the Post-9/11 GI Bill requirements.

Changes from Original 2009 Budget Estimate

The current administrative obligations for 2009 are \$137 million, an increase of \$39 million from the original budget estimate. This increase is due to the implementation of the provisions of Public Law 110-252, the Supplemental Appropriations Act, 2008 (or the Post-9/11 GI Bill). The additional funds will support the increase of 475 Post-9/11 GI Bill FTE and their requisite rent, communications, and utilities; other services contracts; supplies and materials; and equipment.

Changes from 2009 Current Estimate to 2010 Estimate

In 2010, obligations are expected to increase \$11.4 million. This increase supports the implementation of the Post-9/11 GI Bill, a 2.0 percent pay raise, and associated increases to fringe benefits. Other Services decreases in 2010 because of the expiration of a Post 9/11 GI Bill program management contract from the previous year. Equipment and supplies obligations decrease as a result of one-time purchases for new employees in 2009. All other non pay changes reflect inflationary trends.

Education
Analysis of Discretionary Increases and Decreases
(dollars in thousands)

| | 2009 Estimate | 2010 Estimate |
|----------------------------------|------------------|------------------|
| Prior Year Obligations | \$86,127 | \$136,966 |
| Prior Year FTE | 967 | 1,466 |
| Adjustments: | | |
| FTE | 499 | 110 |
| Personal Services | \$31,512 | \$16,151 |
| Travel | 345 | 25 |
| Interagency Motor Pool | 15 | 4 |
| Transportation of Things | 34 | -29 |
| Rent, Communications & Utilities | 7,460 | 1,929 |
| Printing | 473 | 315 |
| Other Services | 9,303 | -5,370 |
| Supplies and Materials | 706 | -483 |
| Equipment | 992 | -1,129 |
| Insurance Claims | -1 | -2 |
| Net Change | \$50,839 | \$11,412 |
| Estimated Obligations | \$136,966 | \$148,377 |
| Total FTE | 1,466 | 1,576 |

Education Average Salary Analysis

| | |
|--|-----------------|
| 2008 Average Salary (260 days) | \$52,287 |
| Annualization of 3.5% 2008 raise (+0.9%) | \$458 |
| Annualization of 3.9% 2009 raise (+2.9%) | \$1,529 |
| Change in staff composition | -\$4,261 |
| One day adjustment | \$386 |
| Regular benefits percentage | 25.6% |
| 2008 Average Cost | \$70,232 |
| 2009 Average Salary (261 days) | \$50,399 |
| Annualization of 3.9% 2009 raise (+1.0%) | \$491 |
| Annualization of 2.0% 2010 raise (+1.5%) | \$756 |
| Change in staff composition | \$2,415 |
| Regular benefits percentage | 25.7% |
| 2009 Average Cost | \$67,822 |
| 2010 Average Salary (261 days) | \$54,062 |
| Regular benefits percentage | 26.3% |
| 2010 Average Cost | \$73,336 |

Program Highlights

In addition to benefit rate increases, which have significantly raised education benefit payments, recently enacted legislation significantly expands eligibility for spouses and children of servicemembers to receive transferred benefits and broadens the scope of educational assistance available for members of the Ready Reserve. The most noteworthy provisions are summarized below:

- (1) From 2002 to 2008, the MGIB benefit rate has risen from \$800 per month for a full-time student to \$1,321 per month. The number of students has increased from almost 323,000 in 2002 to approximately 354,000 in 2008, a 10 percent increase.
- (2) Public Law 110-252 established a new education benefit program under chapter 33 of title 38 U.S.C. called the Post-9/11 GI Bill. Under the Post-9/11 GI Bill individuals with a qualifying period of active duty will be eligible to receive a tuition voucher paid to the school that covers up to the highest in-state public school tuition. The percentage of the maximum benefit payable to an individual is based on the aggregate amount of active duty served after September 10, 2001. Certain individuals will also be

eligible to receive a monthly housing stipend and a stipend for books and supplies. Payments for chapter 33 are effective August 1, 2009.

- (3) Public Law 110-252 also revised the transfer of entitlement criteria for individuals eligible under chapter 30 and authorized transfer of entitlement for those eligible under chapters 1606, 1607, and 33.
- (4) Finally, Public Law 110-252 eliminated the 14-year period of eligibility under chapter 1606 for individuals in the Selected Reserve and increased the monthly rates under chapter 30, effective August 1, 2008.
- (5) Public Law 110-181 revised benefits provided to reservists receiving educational assistance. Reservists receiving benefits under the Reserve Educational Assistance Program (REAP or chapter 1607) are now eligible to receive accelerated payments, use aggregated periods of service of three years or more to qualify for the 80 percent payment rate, retain eligibility during breaks in Selected Reserve service when the member remains in the Ready Reserve, participate in the \$600 contribution buy-up program, and are authorized to have a 10-year delimiting period once the member is separated from the Selected Reserve after completing their service under other than dishonorable conditions. The MGIB Selected Reserve (MGIB-SR) program has also been revised under this law. Individuals receiving MGIB-SR benefits can now receive accelerated payments and are qualified for a 14-year delimiting period if they are separated involuntarily from the Selected Reserve.

Impact of the Post-9/11 GI Bill

The provisions of Public Law 110-252, the Supplemental Appropriations Act, 2008, expanded education benefits and made it necessary to establish new payment and claims processing approaches. Workload and FTE are expected to increase significantly from previous fiscal years.

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.

| | 2007 | 2008 | 2009 Estimate | 2010 Estimate |
|---|--------|--------|---------------|---------------|
| Direct Labor FTE (cum) | 790 | 868 | 1,354 | 1,461 |
| Increase in Claims (over previous year) | 12.2% | 6.5% | 15.6% | 7.8% |
| Total Claims | 1,533K | 1,633K | 1,887K | 2,035K |
| Avg Days to Process Orig Claims | 32 | 19 | 24 | 24 |
| Avg Days to Process Suppl Claims | 13 | 9 | 10 | 10 |

2009 Workload

The projected 2009 increase of 15.6 percent follows an increase of 410,221 education claims between 2002 and 2008, from 1,222,422 to 1,632,643, a cumulative 34 percent increase. These increases in the number of claims result largely from increases to benefit rates as well as the increase in claims from the Post-9/11 GI Bill.

To handle the additional claims work, direct FTE rose 18 percent between 2002 and 2008 (from 737 to 868). Productivity improvements are expected as new staff become more experienced, thus enabling them to complete claims more quickly and accurately. In 2009, increased workload and performance goals will be accomplished by 1,354 direct FTE.

2010 Workload

In 2010, we expect a 7.8 percent increase in workload over 2009 due to the Post-9/11 GI Bill. We anticipate the increase in FTE to 1,461 will enable the Department to address the expected increase in workload while still maintaining claims processing timeliness.

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

| Table 1: Performance Summary Table | | | | | | | |
|---|-------------------------------|------|------|------|-----------------------|-----------------------|-------------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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 service members to achieve educational and career goals by providing timely and accurate decisions on education claims and continuing payments at appropriate levels. | | | | | | | |
| 1) Average days to complete original claims | 33 | 40 | 32 | 19 | 24 | 24 | 10 |
| 2) Average days to complete supplemental claims | 19 | 20 | 13 | 9 | 10 | 10 | 7 |
| 3) Montgomery GI Bill Usage Rate (%) Veterans who have passed their 10-year eligibility period | 71 | 70 | 70 | 70 | 71 | 71 | 80 |
| 4) Percent of Montgomery GI Bill participants who successfully completed an education or training program ^{1/} | N/A | N/A | N/A | N/A | TBD | TBD | TBD ^{2/} |

^{1/}Measure under development

^{2/}A Strategic Target will be defined by December 31, 2009.

Table 1: Performance Summary Table
ALL MEASURES

| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
|---|------------------------|------|------|------|---------------------------------|----------------------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) 2009 | Budget Year (Request) 2010 | |
| 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 service members to achieve educational and career goals by providing timely and accurate decisions on education claims and continuing payments at appropriate levels. | | | | | | | |
| 5) 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 | N/A | TBD | TBD | TBD ^{1/} |
| 6) Customer satisfaction-Percentage of beneficiaries very satisfied or somewhat satisfied with the way VA handled their education claim (%) ^{3/} | N/A | N/A | N/A | N/A | 89 | N/A | 95 |
| 7) Telephone activities-Blocked call rate (%) | 38 | 43 | 32 | 4 | 10 | 10 | 10 |
| 8) Telephone activities-Abandoned call rate (%) | 17 | 20 | 14 | 5 | 5 | 5 | 5 |
| 9) Payment accuracy rate (%) | 96 | 94 | 95 | 96 | 96 | 94 | 97 |

^{1/}A Strategic Target will be defined by December 31, 2009.

^{2/}Measure under development. Annual targets will be developed and published in the FY 2011 budget.

^{3/}No customer satisfaction survey since 2004; Survey will be conducted in 2010 for 2009 data.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

1) and 2) Average days to complete original and supplemental education claims

a) Means and Strategies:

- With the enhancement of the new GI Bill, additional FTE will be needed to process the increase in claims. The new GI Bill will provide educational assistance in the form of tuition and fees, a monthly housing allowance, and a books and supplies stipend. Payments for the new GI Bill will be effective August 1, 2009. The increase in FTE will address the increasing number of claims received, while simultaneously maintaining claims processing timeliness and payment accuracy.
- The Post-9/11 GI Bill contains eligibility rules and benefit determinations that will work well with rules-based technology that requires minimal human intervention. The long-term strategy to implement the Post-9/11 GI Bill will rely on support from the Space and Naval Warfare Systems Command, to develop an end-to-end solution that utilizes rules-based industry-standard technologies, for the delivery of education benefits by December 2010.

b) Data Source(s):

- Education claims processing timeliness is measured by using data captured automatically through the Benefits Delivery Network.
- Information is reported through VBA's data warehouse using the Distribution of Operational Resources System.

c) Data Verification:

- Confirmed through ongoing quality assurance reviews performed by Education Service staff.
- Samples of cases are reviewed yearly from each Regional Processing Office (RPO) and are selected randomly from a database of quarterly end products. The results are valid at the 95 percent confidence level.

d) Measure Validation:

- Timeliness is directly related to the volume of work received, the resources available to handle the incoming work, and the efficiency with which the work can be completed.

e) Cross-Cutting:

- Education Service can more quickly complete education claims when schools certifying officials submit enrollment data electronically to VA.
- To improve claim processing times, VA can increase use of VA Online Certification of Enrollment (VA ONCE) for school certifying officials (e.g., college officials) and conduct weeklong, online training courses for new school certifying officials.
- In 2008 there were 16,860 school certifying officials utilizing VA ONCE. In the same year we received 1,293,175 electronic documents through VA ONCE, which represented an increase of 70,000 from the previous year.

f) External Factors:

- The legislative expansion of educational benefit programs may have an impact on these goals by increasing the volume of claims submitted to VA.

g) Other Supporting Information: None

Initiatives

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

| Initiatives (dollars in thousands) | | | | | | | | |
|--|------------------|----------------|----------------|----------|------------------|----------------|----------------|----------|
| | 2009 Estimate | | | | 2010 Estimate | | | |
| | Payroll | Non-pay | Total | FTE | Payroll | Non-pay | Total | FTE |
| Stakeholder Training | - | - | - | - | - | - | - | - |
| Education Training Package | - | 78 | 78 | - | - | - | - | - |
| Education Subtotal | \$0 | \$78 | \$78 | 0 | \$0 | \$0 | \$0 | 0 |
| VBA-Wide: | | | | | | | | |
| Training Package | - | 73 | 73 | - | - | - | - | - |
| Paperless Delivery of Veterans Benefits Initiative | - | 2,865 | 2,865 | - | - | 1,868 | 1,868 | - |
| VBA-Wide Subtotal | \$0 | \$2,938 | \$2,938 | 0 | \$0 | \$1,868 | \$1,868 | 0 |
| Education Total | \$0 | \$3,016 | \$3,016 | 0 | \$0 | \$1,868 | \$1,868 | 0 |

VBA-Wide Initiatives

Specific crosscutting initiatives that can be linked to a specific business line have been integrated into the respective business line plans. 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 is the description of a VBA-wide initiative that impacts the Education program:

Initiative: Paperless Delivery of Veterans Benefits

Total 2010 Initiative Cost: \$15,753,000

Education

Portion:

\$1,868,000

Paperless Delivery of Veterans Benefits (Paperless Initiative) will move VBA to a business model less reliant on paper for claims processing. The initiative will build a common platform of shared services and scalable architecture, approved by the Office of Information & Technology (OI&T), that can be tailored to meet the claims processing and benefits delivery needs of all VBA business lines. The initiative will integrate VBA's core business applications and modernized payment system, Veterans Service Network (VETSNET), as well as existing and planned infrastructure. The initiative will expand current paperless claims processing activities in all VBA business lines into a world-class, Veteran-centric benefits delivery model. In 2009, VA contracted with a Lead Systems Integrator (LSI) to provide the systems design for the envisioned technology platform. The technology design will incorporate and /or build upon the current functionalities and technology of existing systems such as Virtual VA and The Image

Management System (TIMS), ultimately integrating or reducing the number of disparate systems supporting benefits delivery. VBA is working closely with OI&T and the LSI to ensure all “to be” business requirements are documented and addressed by the system design. Initial technology capabilities are to be built and delivered in 2010. In parallel, VBA has engaged the services of an industry leader in business transformation and organizational change management. The business transformation contractor (BTC), on board in March 2009, will assist VBA in maximizing capabilities made available through the LSI’s technology design. In addition to optimizing business processes, the BTC will assist VBA in developing an organizational change, communications management and training approach to assure VBA employees and stakeholders are fully prepared for and engaged in the transformation effort.



Housing

Mission

The Housing program will help eligible Veterans, active duty personnel, surviving spouses, and members of the Reserves and National Guard purchase and retain homes in recognition of their service to the Nation. 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, members of the Reserves and National Guard and their families are the primary clients 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 | 2008 | 2009 | | 2010 Estimate | Increase(+) Decrease(-) |
|---|------------------|--------------------|-------------------|------------------|----------------------------|
| | | Budget Estimate | Enacted Budget | | |
| FTE | | | | | |
| Direct | 781 | 778 | 787 | 793 | 6 |
| Management Direction and Support | 99 | 110 | 96 | 98 | 2 |
| Total FTE | 880 | 888 | 883 | 891 | 8 |
| Obligations | | | | | |
| Personal Services | \$75,769 | \$81,170 | \$81,170 | \$83,986 | \$2,816 |
| Travel | 2,504 | 2,617 | 2,617 | 2,663 | 46 |
| Interagency Motor Pool | 313 | 538 | 538 | 548 | 10 |
| Transportation of Things | 131 | 377 | 377 | 136 | -240 |
| Rent, Communications & Utilities | 8,882 | 9,813 | 9,813 | 10,304 | 491 |
| Printing | 201 | 351 | 351 | 357 | 6 |
| Other Services | 23,430 | 19,674 | 19,674 | 23,920 | 4,246 |
| Supplies and Materials | 1,086 | 1,205 | 1,205 | 1,226 | 21 |
| Equipment | 2,506 | 1,777 | 1,777 | 1,809 | 32 |
| Insurance Claims | 3 | 7 | 7 | 7 | 0 |
| Total Administrative Obligations | \$114,826 | \$117,529 | \$117,529 | \$124,957 | \$7,427 |
| Reimbursements | -\$114,826 | -\$117,529 | -\$117,529 | -\$124,957 | -\$7,427 |
| Unobligated SOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Unobligated EOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Transfers | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjustments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Appropriation | \$0 | \$0 | \$0 | \$0 | \$0 |
| Outlays (net) | \$0 | \$0 | \$0 | \$0 | \$0 |

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

Summary of Budget Request

Reimbursement authority of \$125 million is requested from credit accounts to fund the discretionary portion of the Housing program in 2010. Administrative funding includes \$124,313 thousand for the Veterans Housing Program and \$644 thousand for the Native American Housing Program. The funding will support 891 VBA FTE for the Veterans and Native American Housing programs.

Changes from Original 2009 Estimate

There are no funding changes from the original 2009 estimate.

Changes from 2009 Current Estimate to 2010 Estimate

In 2010, obligations are projected to increase \$7.4 million. The \$2.8 million increase in personal services is due to the additional FTE for the increased Specially Adapted Housing (SAH) workload, the 2.0 percent pay raise, and associated increases to fringe benefits. Other services increases are due to additional enhancements for the VA Loan Electronic Reporting Interface (VALERI) and the anticipated increase in loan volume and for Property Management Servicer Provider fees due to expected increases in VA housing inventory, along with longer inventory holding times. All other non-pay changes reflect inflationary trends.

| Housing | | |
|--|------------------|------------------|
| Analysis of Discretionary Increases and Decreases | | |
| (dollars in thousands) | | |
| | 2009 Estimate | 2010 Estimate |
| Prior Year Obligations | \$114,826 | \$117,529 |
| Prior Year FTE | 880 | 883 |
| Adjustments: | | |
| FTE | 3 | 8 |
| Personal Services | \$5,401 | \$2,816 |
| Travel | 113 | 46 |
| Interagency Motor Pool | 225 | 10 |
| Transportation of Things | 245 | -240 |
| Rent, Communications & Utilities | 930 | 491 |
| Printing | 150 | 6 |
| Other Services | -3,756 | 4,246 |
| Supplies and Materials | 119 | 21 |
| Equipment | -728 | 32 |
| Insurance Claims | 4 | 0 |
| Net Change | \$2,704 | \$7,427 |
| Estimated Obligations | \$117,529 | \$124,957 |
| Total FTE | 883 | 891 |

Housing Average Salary Analysis

| | |
|--|-----------------|
| 2008 Average Salary (260 days) | \$66,020 |
| Annualization of 3.5% 2008 raise (+0.9%) | \$578 |
| Annualization of 3.9% 2009 raise (+2.9%) | \$1,931 |
| Change in staff composition | -\$1,135 |
| One day adjustment | \$520 |
| Regular benefits percentage | 23.3% |
| 2008 Average Cost | \$86,101 |
| 2009 Average Salary (261 days) | \$67,914 |
| Annualization of 3.9% 2009 raise (+1.0%) | \$662 |
| Annualization of 2.0% 2010 raise (+1.5%) | \$1,019 |
| Change in staff composition | -\$548 |
| Regular benefits percentage | 26.1% |
| 2009 Average Cost | \$91,926 |
| 2010 Average Salary (261 days) | \$69,047 |
| Regular benefits percentage | 26.7% |
| 2010 Average Cost | \$94,260 |

Workload and Resource Needs

2009 Workload

Total loans guaranteed in 2008 were 180,000 and are estimated to increase to 220,000 in 2009. The past lax credit underwriting standards used in the mortgage markets led to substantial losses in the secondary mortgage market, which has resulted in a significant tightening of available credit. This will make the VA-guaranteed loan program more attractive to Veterans considering purchasing a home. This tightened credit environment will also increase confidence and usage of the guaranteed loan program by the real estate and mortgage lending industry, upon which VA relies to deliver the home loan benefit to Veterans.

Since VA operates in the broader mortgage marketplace, the program is collaterally affected by the subprime turmoil that affected the market. This turmoil has led to declining housing prices and values. VA expects that successful servicing efforts, which offer assistance to many Veterans with delinquent VA-guaranteed home loans, will be hampered by this situation. Most notably, the deflation in house prices reduces the effectiveness of foreclosure-avoidance tools that are available. VA expects the net result will be more foreclosures.

2010 Workload

VA estimates that the workload in 2010 will be approximately 220,000 loans guaranteed. Defaults and foreclosures will continue to increase consistent with the deflation in house values, which reduces the effectiveness of default resolution options that were previously available.

The program emphasis is on developing and implementing information technology solutions to provide more timely service to our clients 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:

| Table 1: Performance Summary Table | | | | | | | |
|--|------------------------|------|------|------------------|------------------------------|-------------------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) 2009 | Budget Year (Request) 2010 | |
| 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. | | | | | | | |
| 1) Default Resolution rate % | N/A | N/A | N/A | N/A | 56.5 | 56.5 | 57.0 |
| 2) Statistical quality index % | 98.0 | 99.0 | 99.2 | 99.6 | 98.0 | 98.0 | 98.5 |
| 3) Veterans' satisfaction level % ^{1/} | N/A | 93.1 | 91.7 | Avail. Dec. 2009 | 95.0 | 95.5 | 97.0 |
| 4) Rate of homeownership for Veterans compared to that of the general population % | N/A | N/A | N/A | 115.2 | 109.0 | 109.0 | 110.0 |

^{1/} No Housing survey was completed for 2005.

^{2/} New measure added to 2010 budget and strategic plan.

Table 1: Performance Summary Table

ALL MEASURES

| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
|---|------------------------|------|------|------------------|----------------------|-----------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 5) Default Resolution Efficiency Ratio ^{2/} | N/A | N/A | N/A | N/A | Baseline | TBD | TBD |
| 6) Lender Satisfaction (Percent of lenders who indicate that they are satisfied with the VA Loan Guaranty Program) ^{2/} | N/A | 93.2 | 92.0 | Avail. Dec. 2009 | 94.0 | 94.5 | 95.0 |
| 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 1.1 | | | | | | | |
| Maximize the physical, mental, and social functioning of Veterans with disabilities and be a leader in providing specialized health care services. | | | | | | | |
| 7) Specially Adapted Housing Independence [Percent of Specially Adapted Housing (SAH) grant recipients who indicate that grant-funded housing adaptations increased their independence] | N/A | 93.2 | 91.3 | Avail. Dec. 2009 | 95.0 | 95.5 | 97.0 |

^{1/} No Housing survey was completed for 2005.

^{2/} New measure added to 2010 budget and strategic plan.

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

1) Default Resolution Rate - Percent of defaulted VA-guaranteed loans that are successfully resolved via a loss mitigation option

a) Means and Strategies:

- Implement new business processes and procedures related to the Veterans Affairs Loan Electronic Reporting Interface (VALERI) system (a purchased service) in order to help Veterans with delinquent VA-guaranteed loans
- Provide financial incentives and greater flexibility to primary servicers of VA-guaranteed loans to prevent foreclosures

b) Data Source(s):

- VALERI system

c) Data Verification:

- VA loan administration staff reviews results data (e.g., loan files) for conformance with VALERI's business rules. Failure to conform to VALERI's business rules affects the accuracy of the data. Loan administration staff work to identify instances of failure in order to continually improve accuracy of performance results.

•

d) Measure Validation:

- One of Loan Guaranty's objectives is to assist Veterans in retaining home ownership
- Default Resolution Rate measures VA's and servicers' joint efforts in helping Veterans with delinquent VA-guaranteed loans, receive the most advantageous resolution option
- Monitoring delinquent loan servicing means more Veterans will receive timely assistance in helping to prevent foreclosures and retaining their homes

e) Cross-Cutting:

- There are no cross-cutting activities that affect this goal

f) External Factors:

- The volume of new VA-guaranteed loans is closely related to changes in interest rates
- Levels of defaults, foreclosures, and property acquisitions are affected by the performance of the economy

g) Other Supporting Information: None

Initiatives

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

| Initiatives (dollars in thousands) | | | | | | | | |
|--|---------------|----------------|----------------|----------|---------------|--------------|--------------|----------|
| | 2009 Estimate | | | | 2010 Estimate | | | |
| | Payroll | Non-pay | Total | FTE | Payroll | Non-pay | Total | FTE |
| Handbook & Manuel Modernization | - | \$549 | \$549 | - | - | - | - | - |
| Housing Training Package | - | 852 | 852 | - | - | - | - | - |
| Housing Subtotal | \$0 | \$1,401 | \$1,401 | 0 | \$0 | \$0 | \$0 | 0 |
| VBA-Wide: | | | | | | | | |
| Training Package | - | \$70 | \$70 | - | - | - | - | - |
| Paperless Delivery of Veterans Benefits | - | 1,228 | 1,228 | - | - | 810 | 810 | - |
| VBA-Wide Subtotal | \$0 | \$1,298 | \$1,298 | 0 | \$0 | \$0 | \$0 | 0 |
| Housing Total | \$0 | \$2,699 | \$2,699 | 0 | \$0 | \$810 | \$810 | 0 |

VBA-Wide Initiatives

Specific crosscutting initiatives that can be linked to a specific business line have been integrated into the respective business line plans. 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 is the description of a VBA-wide initiative that impacts the Housing program:

Initiative: Paperless Delivery of Veterans Benefits

Total 2010 Initiative Cost: \$15,753,000

Housing Portion: \$810,000

Paperless Delivery of Veterans Benefits (Paperless Initiative) will move VBA to a business model less reliant on paper for claims processing. The initiative will build a common platform of shared services and scalable architecture, approved by the Office of Information & Technology (OI&T), that can be tailored to meet the claims processing and benefits delivery needs of all VBA business lines. The initiative will integrate VBA's core business applications and modernized payment system, Veterans Service Network (VETSNET), as well as existing and planned infrastructure. The initiative will expand current paperless claims processing activities in all VBA business lines into a world-class, veteran-centric benefits delivery model. In 2009, VA contracted with a Lead Systems Integrator

(LSI) to provide the systems design for the envisioned technology platform. The technology design will incorporate and /or build upon the current functionalities and technology of existing systems such as Virtual VA and The Image Management System (TIMS), ultimately integrating or reducing the number of disparate systems supporting benefits delivery. VBA is working closely with OI&T and the LSI to ensure all “to be” business requirements are documented and addressed by the system design. Initial technology capabilities are to be built and delivered in 2010. In parallel, VBA has engaged the services of an industry leader in business transformation and organizational change management. The business transformation contractor (BTC), on board in March 2009, will assist VBA in maximizing capabilities made available through the LSI’s technology design. In addition to optimizing business processes, the BTC will assist VBA in developing an organizational change, communications management and training approach to assure VBA employees and stakeholders are fully prepared for and engaged in the transformation effort.

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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 VR&E 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 & Employment Summary of Discretionary Appropriation Highlights (dollars in thousands) | | | | | |
|--|------------------|--------------------|-------------------|------------------|----------------------------|
| Discretionary | 2008 | 2009 | | 2010 Estimate | Increase(+) Decrease(-) |
| | | Budget Estimate | Enacted Budget | | |
| FTE | | | | | |
| Direct | 1,111 | 1,073 | 1,153 | 1,155 | 2 |
| Management Direction and Support | 127 | 106 | 141 | 143 | 2 |
| Total FTE | 1,238 | 1,179 | 1,294 | 1,298 | 4 |
| Obligations | | | | | |
| Personal Services | \$110,077 | \$109,708 | \$116,698 | \$124,569 | \$7,872 |
| Travel | 2,862 | 2,779 | 2,779 | 2,826 | 47 |
| Interagency Motor Pool | 280 | 302 | 302 | 307 | 5 |
| Transportation of Things | 178 | 269 | 269 | 184 | -85 |
| Rent, Communications & Utilities | 11,989 | 14,191 | 14,191 | 14,901 | 711 |
| Printing | 291 | 500 | 500 | 509 | 9 |
| Other Services | 18,670 | 25,736 | 25,736 | 25,574 | -162 |
| Supplies and Materials | 1,495 | 2,602 | 2,602 | 2,648 | 46 |
| Equipment | 2,070 | 862 | 862 | 877 | 15 |
| Insurance Claims | 15 | 3 | 3 | 3 | 1 |
| Total Administrative Obligations | \$147,927 | \$156,952 | \$163,942 | \$172,399 | \$8,458 |
| Reimbursements | -\$311 | -\$320 | -\$320 | -\$328 | -\$9 |
| Unobligated SOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Unobligated EOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Transfers | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjustments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Appropriation | \$147,616 | \$156,632 | \$163,622 | \$172,071 | \$8,449 |
| Outlays (net) | \$141,407 | \$152,234 | \$157,189 | \$166,736 | \$9,547 |

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

Summary of Budget Request

Budget authority of \$172.1 million is requested to fund the discretionary portion of the Vocational Rehabilitation and Employment program in 2010. The funding will support 1,298 FTE, the January 1, 2010, 2.0 percent pay raise, the associated level of fringe benefits costs, and inflationary expenses.

Changes from Original 2009 Budget Estimate

The current administrative obligations for 2009 are \$163.9 million, an increase of \$7 million from the original budget estimate. The increase to personal services is for the additional 115 FTE hired in 2009 and the associated level of fringe benefits costs.

Changes from 2009 Current Estimate to 2010 Estimate

In 2010, obligations are expected to increase \$8.5 million. Personal services reflects a \$7.9 million increase as a result of the additional FTE hired, the 2.0 percent pay raise, the associated level of fringe benefits costs, and inflationary expenses. Other increases to non-pay categories reflect inflationary trends. Decreases to transportation of things and other services more accurately reflect current actual expenditures.

| Vocational Rehabilitation & Employment | | |
|--|------------------|------------------|
| Analysis of Discretionary Increases and Decreases | | |
| (dollars in thousands) | | |
| | 2009 Estimate | 2010 Estimate |
| Prior Year Obligations | \$147,927 | \$163,942 |
| Prior Year FTE | 1,238 | 1,294 |
| Adjustments: | | |
| FTE | 56 | 4 |
| Personal Services | \$6,621 | \$7,872 |
| Travel | -83 | 47 |
| Interagency Motor Pool | 22 | 5 |
| Transportation of Things | 91 | -85 |
| Rent, Communications & Utilities | 2,201 | 711 |
| Printing | 209 | 9 |
| Other Services | 7,066 | -162 |
| Supplies and Materials | 1,107 | 46 |
| Equipment | -1,208 | 15 |
| Insurance Claims | -12 | 1 |
| Net Change | \$16,015 | \$8,458 |
| Estimated Obligations | \$163,942 | \$172,399 |
| Total FTE | 1,294 | 1,298 |

Vocational Rehabilitation & Employment Average Salary Analysis

| | |
|--|-----------------|
| 2008 Average Salary (260 days) | \$67,410 |
| Annualization of 3.5% 2008 raise (+0.9%) | \$590 |
| Annualization of 3.9% 2009 raise (+2.9%) | \$1,972 |
| Change in staff composition | -\$4,103 |
| One day adjustment | \$509 |
| Regular benefits percentage | 24.2% |
| 2008 Average Cost | \$88,915 |
| 2009 Average Salary (261 days) | \$66,377 |
| Annualization of 3.9% 2009 raise (+1.0%) | \$647 |
| Annualization of 2.0% 2010 raise (+1.5%) | \$996 |
| Change in staff composition | \$2,141 |
| Regular benefits percentage | 26.4% |
| 2009 Average Cost | \$90,184 |
| 2010 Average Salary (261 days) | \$70,161 |
| Regular benefits percentage | 26.9% |
| 2010 Average Cost | \$95,970 |

Workload and Resource Needs

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

| VR&E | 2007 | 2008 | 2009 Estimate | 2010 Estimate |
|--|--------|--------|------------------|------------------|
| Direct Labor FTE | 1,020 | 1,111 | 1,153 | 1,155 |
| Total Workload | 87,485 | 91,735 | 93,799 | 95,675 |
| Increase in Workload (over previous year) | -2.5% | 4.9% | 2.2% | 2.0% |
| Rehabilitation Rate | 73% | 76% | 76% | 76% |

Anticipated workload increases, shown above, are expected as a result of the following :

- The VBA-wide effort to increase outreach activities to separating servicemembers and Veterans. As part of this effort, VR&E is working to enhance and increase outreach through the Disability Transition Assistance Program (DTAP). The goal of DTAP is to assist potentially eligible

servicemembers to enter the VR&E program. Additionally, with greater participation by members of National Guard and Reserve forces in recent conflicts, VR&E is providing additional outreach to ensure this important audience is aware of VR&E benefits.

- Specialized outreach is being provided to Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) Veterans to assist them in entering vocational rehabilitation programs. Through VR&E's Coming Home to Work (CHTW) program, targeted outreach is also being provided to seriously injured OEF/OIF servicemembers in order to accelerate their rehabilitation and assist them in transitioning to civilian life.
- As a result of shifts in the economy, more Veterans are expected to seek out vocational rehabilitation services for retraining and job placement assistance.
- Projections for 2009 will be equal to or exceed 2008; however, VR&E adjusted its projections for 2010 to account for the possible decrease in participation due to the implementation of the Post 9-11 GI Bill.

The requested staffing levels are critical for meeting the needs of new OEF/OIF Veterans and continuing assistance to Veterans at all stages of life in achieving and sustaining suitable employment.

Program Highlights

VR&E continues to partner with federal, state, and private sector agencies and organizations. In conjunction with the VA Vocational Rehabilitation program, partners collaborate to facilitate adjustment to the workplace, enhance self-awareness, and connect Veterans to employers. Vital partnerships include Department of Defense, Department of Labor's Veterans Employment and Training Service, Federal Aviation Administration, General Services Administration, Social Security Administration, Internal Revenue Service, Council of State Administrators of Vocational Rehabilitation, Rehabilitation Services Administration, Centers for Independent Living, Easter Seals, and small and large businesses and enterprises.

Coming Home to Work is VR&E's primary early intervention and outreach program for servicemembers and new Veterans. CHTW provides expedited entry into VR&E services to assist transitioning servicemembers and new Veterans to develop skills needed to transition to civilian employment, determine the suitability of a potential career, gain work experience, and obtain jobs. CHTW was expanded in 2008 to station full-time counselors at 13 Military Treatment Facilities. In addition, a CHTW coordinator is located in every regional office. In part as a result of this expansion to the Coming Home to Work program, VR&E applications increased by 13 percent during 2008.

The expansion of VR&E's participation in the DTAP program will allow VR&E to provide increased and customized informational briefings regarding VR&E benefits to servicemembers, Veterans, Guard members and reservists who have, or suspect they have, a service-connected disability, an injury or illness that was aggravated by service, or are being separated or retiring due to a service-connected disability.

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

| Table 1: Performance Summary Table | | | | | | | |
|--|------------------------|------|------|------------------|----------------------|-----------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 1) Rehabilitation Rate (General) %^{1/5} | 63 | 73 | 73 | 76 | 76 | 76 | 80 |
| 2) Serious Employment Handicap (SEH) Rehabilitation Rate % | N/A | 73 | 73 | 76 ^{5/} | 76 | 76 | 80 |
| 3) Employment Rehabilitation Rate % ^{2/} | N/A | N/A | N/A | N/A | Baseline | 75% | 80% |
| 4) Independent Living Rehabilitation Rate % ^{2/ & 3/} | N/A | N/A | N/A | N/A | Baseline | 92% | 85% |
| 5) Speed of Entitlement Decisions in Average Days ^{3/} | 62 | 54 | 54 | 48 | 47 | 45 | 40 |
| 6) Accuracy of Decisions (Services) % | 87 | 82 | 77 | 82 | 80 | 81 | 96 |
| 7) Veterans' Satisfaction with the Vocational Rehabilitation and Employment Program % ^{4/} | N/A | N/A | N/A | TBD | TBD | N/A | 92 |
| 8) Accuracy of Vocational Rehabilitation Program Completion Decisions % | 97 | 95 | 93 | 96 ^{5/} | 95 | 95 | 99 |

^{1/}In 2006, the calculation of the Rehabilitation Rate was modified.

^{2/}This is a new measure. VR&E will establish baseline date in 2009.

^{3/}VR&E anticipates fluctuation in performance measures while in the process of implementing Task Force recommendations.

^{4/} No customer satisfaction survey completed since 2004. A survey will be conducted in 2009 for 2008 Veteran population, respectively.

^{5/} Measure description changed

| Table 1: Performance Summary Table | | | | | | | |
|--|------------------------|------|------|------|----------------------|-----------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 9) Average Cost of Rehabilitating Participants Using Constant 2009 Dollars ^{3/} | N/A | N/A | N/A | N/A | Baseline | TBD | TBD |
| <i>Common Measures^{1/}</i> | | | | | | | |
| 10) Percent of Participants Employed First Quarter after Program Exit | N/A | N/A | N/A | N/A | TBD | TBD | 80 |
| 11) Percent of Participants Still Employed Three Quarters after Program Exit | N/A | N/A | N/A | N/A | TBD | TBD | 85 |
| 12) Percent Change in Earnings from Pre-application to Post Program Employment | N/A | N/A | N/A | N/A | TBD | TBD | TBD |

^{1/}These are "common" measures that are used by other agencies that manage vocational rehabilitation programs. Targets shown above are estimates and may change.

^{3/} Measures description changed

Table 2: Performance Measure Supporting Information
KEY MEASURES ONLY

1) Rehabilitation Rate

a) Means and Strategies:

- Focus on Veteran placement, marketing skills, job development, reasonable accommodations, rehabilitation technology, and community reentry
- Collaborate with key partners including Department of Labor VETS, Rehabilitation Services Administration, and employers to create employment opportunities for Veterans
- Continue to enhance job seeking tools, including websites and skills training to better equip Veterans to enter suitable careers

b) Data Source(s): Corporate WINRS

c) Data Verification: Accuracy of these data is validated by semi-annual case reviews.

d) Measure Validation:

- The rehabilitation rate is the key indicator of the program's success in meeting its goal.
- The rehabilitation rate illustrates the percentage of Veterans successfully reentering the workforce following completion of their VR&E program.

e) Cross-Cutting Activities:

- VR&E service has entered into 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 Material Command, Federal Aviation Administration, Integrated Biometric Technology, and Naval Air Systems Command. These MOUs focus on joint efforts to provide career opportunities to Veterans.

f) External Factors:

- None.

g) Other Supporting Information:

The rehabilitation rate is calculated as follows:

- (a) the number of disabled Veterans who successfully complete VA's vocational rehabilitation program and acquire and maintain suitable employment* and Veterans with disabilities for which employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (b) the total number leaving the program - both those rehabilitated plus discontinued cases with a plan developed in one of three case statuses (Independent Living, Rehabilitation to Employability, or Employment Services) minus those individuals who benefited from but left the program and have been classified under one of three "maximum rehabilitation gain" categories: (1) the Veteran accepted an employment position incompatible with disability limitations, (2) the Veteran is employable but has informed VA that he or she is not interested in seeking employment, or (3) the Veteran is not employed and not employable for medical or psychological reasons.

*Suitable employment is employment held by the Veteran for a minimum of 60-days and deemed compatible to the Veteran's interests, aptitudes, and abilities.

The results calculation for 2008 is shown below:

Base Data

| | |
|--------------------------------------|--------|
| Total number of rehabilitations: | 11,066 |
| Discontinued: | 5,103 |
| Maximum Rehabilitation Gains (MRGs): | 1,550 |
| Discontinued (Excluding MRGs): | 3,553 |

Results Calculation

$11,066 / (11,066 + 5,103 - 1,550) = 75.7\%$ rehab rate.

Rehabilitation totals are provided below for the past 6 years^{1/}:

| Year | Employment | Independent Living | Total |
|------|------------|--------------------|--------|
| 2004 | 8,444 | 2,685 | 11,129 |
| 2005 | 9,320 | 2,693 | 12,013 |
| 2006 | 9,277 | 2,840 | 12,117 |
| 2007 | 8,468 | 2,540 | 11,008 |
| 2008 | 8,831 | 2,235 | 11,066 |

^{1/}While the totals shown on this chart are unchanged from those published in the Department's FY 2008 Performance and Accountability Report, the employment and independent living totals have been adjusted in accordance with revised business rules. In the past, VR&E used the date the Veteran entered suitable employment to calculate the employment totals. It was determined that this was not the most accurate way to determine this statistic and the new methodology uses the sequence of the case statuses.

Initiatives

The following chart outlines resources requested in support of VR&E initiatives:

| Initiatives (dollars in thousands) | | | | | | | | |
|--|---------------|----------------|----------------|----------|---------------|----------------|----------------|----------|
| | 2009 Estimate | | | | 2010 Estimate | | | |
| | Payroll | Non-pay | Total | FTE | Payroll | Non-pay | Total | FTE |
| VR&E Training Package | - | 2,090 | 2,090 | - | - | - | - | - |
| VR&E Subtotal | \$0 | \$2,090 | \$2,090 | 0 | \$0 | \$0 | \$0 | 0 |
| VBA-Wide: | | | | | | | | |
| Training Package | - | 105 | 105 | - | - | - | - | - |
| Paperless Delivery of Veterans Benefits | - | 1,854 | 1,854 | - | - | 1,206 | 1,206 | - |
| VBA-Wide Subtotal | \$0 | \$1,959 | \$1,959 | 0 | \$0 | \$1,206 | \$1,206 | 0 |
| VR&E Total | \$0 | \$4,049 | \$4,049 | 0 | \$0 | \$1,206 | \$1,206 | 0 |

VBA-Wide Initiatives

Specific crosscutting initiatives that can be linked to a specific business line have been integrated into the respective business line plans. 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 is a description of a VBA-wide initiative that impacts the Vocational Rehabilitation and Employment program:

Initiative: Paperless Delivery of Veterans Benefits

Total 2010 Initiative Cost: \$15,753,000

VR&E Portion: \$1,206,000

Paperless Delivery of Veterans Benefits (Paperless Initiative) will move VBA to a business model less reliant on paper for claims processing. The initiative will build a common platform of shared services and scalable architecture, approved by the Office of Information & Technology (OI&T), that can be tailored to meet the claims processing and benefits delivery needs of all VBA business lines. The initiative will integrate VBA's core business applications and modernized payment system, Veterans Service Network (VETSNET), as well as existing and planned infrastructure. The initiative will expand current paperless claims processing activities in all VBA business lines into a world-class, Veteran-centric benefits delivery model. In 2009, VA contracted with a Lead Systems Integrator (LSI) to provide the systems design for the envisioned technology platform. The technology design will incorporate and/or build upon the current functionalities and technology of existing systems such as Virtual VA and The Image Management System (TIMS), ultimately integrating or reducing the number of disparate systems supporting benefits delivery. VBA is working closely with

OI&T and the LSI to ensure all “to be” business requirements are documented and addressed by the system design. Initial technology capabilities are to be built and delivered in 2010. In parallel, VBA has engaged the services of an industry leader in business transformation and organizational change management. The business transformation contractor (BTC), on board in March 2009, will assist VBA in maximizing capabilities made available through the LSI’s technology design. In addition to optimizing business processes, the BTC will assist VBA in developing an organizational change, communications management and training approach to assure VBA employees and stakeholders are fully prepared for and engaged in the transformation effort.



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 servicemember'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, servicemembers and Veterans 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 Insurance Company of America (the parent company of the Office of Servicemembers' Group Life Insurance (OSGLI)), the 43 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) | | | | | |
| | | 2009 | | | |
| Discretionary | 2008 | Budget Estimate | Enacted Budget | 2010 Request | Increase(+) Decrease(-) |
| FTE | | | | | |
| Direct | 314 | 344 | 338 | 338 | 0 |
| Management Direction and Support | 51 | 48 | 48 | 48 | 0 |
| Total FTE | 365 | 392 | 386 | 386 | 0 |
| Obligations | | | | | |
| Personal Services | \$24,946 | \$28,795 | \$28,700 | \$29,320 | \$620 |
| Travel | 131 | 142 | 142 | 157 | 15 |
| Interagency Motor Pool | 12 | 11 | 11 | 11 | 0 |
| Transportation of Things | 3 | 1 | 1 | 3 | 2 |
| Rent, Communications & Utilities | 4,821 | 4,751 | 4,751 | 4,252 | -499 |
| Printing | 44 | 42 | 42 | 52 | 10 |
| Other Services | 1,050 | 1,090 | 1,090 | 1,141 | 51 |
| Supplies and Materials | 402 | 336 | 336 | 310 | -26 |
| Equipment | 13 | 316 | 316 | 297 | -19 |
| Insurance Claims | 1 | 0 | 0 | 0 | 0 |
| Total Administrative Obligations | \$31,422 | \$35,484 | \$35,389 | \$35,542 | \$153 |
| Reimbursements | -\$27,378 | -\$30,592 | -\$34,895 | -\$35,008 | -\$114 |
| Unobligated SOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Unobligated EOY | \$0 | \$0 | \$0 | \$0 | \$0 |
| GOE Carry Over | \$0 | \$0 | \$0 | \$0 | \$0 |
| Transfers | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjustments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Appropriation | \$4,044 | \$4,892 | \$494 | \$534 | \$40 |
| Outlays (net) | \$3,977 | \$4,529 | \$994 | \$444 | -\$550 |

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

Summary of Budget Request

Budget authority of \$534 thousand is requested to fund the discretionary portion of the Veterans' Mortgage Life Insurance (VMLI) Program. Combined budget authority and offsetting collections of \$35 million will fund total obligations of \$35.5 million. The combined request will provide sufficient funding for the administrative expenses of 386 FTE; the January 1, 2010, 2.0 percent projected pay raise; the associated level of fringe benefits; and inflationary expenses.

In 2010, the Insurance Program will continue to maintain our already high level of performance and client satisfaction, and meet the anticipated rise in our clients' expectations. Paperless electronic workflow will continue to be phased in to all

areas of insurance processing. 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.

Changes from Original 2009 Budget Estimate

The current 2009 estimate for personal services decreased by \$95 thousand from the original budget estimate. This decrease is attributed to a decrease in 6 direct FTE, which offset the increase in the annual pay raise from 2.9% to 3.9%.

Public Law 110-389, signed October 10, 2008, changed the method for the appropriated funding of the Service-Disabled Veterans' Insurance (S-DVI) administrative expenses. Historically, General Operating Expenses budget authority funded administrative expenses for VMLI and S-DVI. The law now requires the S-DVI administrative expenses to be funded through premiums. As a result, the current 2009 estimate for Budget Authority has decreased by \$4.4 million and reimbursements have increased by the same amount.

Changes from 2009 Current Estimate to 2010 Estimate

In 2010, obligations are expected to increase by \$153 thousand. This increase is primarily a result of a \$620 thousand increase in personal services, which is due to the projected 2.0 percent pay raise. The increase is partially offset by a decrease of \$499 thousand in rent, communications, and utilities, mainly due to lower standard level usage charges.

| Insurance | | |
|--|------------------|------------------|
| Analysis of Discretionary Increases and Decreases | | |
| (dollars in thousands) | | |
| | 2009 Estimate | 2010 Estimate |
| Prior Year Obligations | \$31,422 | \$35,389 |
| Prior Year FTE | 365 | 386 |
| Adjustments: | | |
| FTE | 21 | 0 |
| Personal Services | \$3,754 | \$620 |
| Travel | 11 | 15 |
| Interagency Motor Pool | -1 | 0 |
| Transportation of Things | -2 | 2 |
| Rent, Communication & Utilities | -69 | -499 |
| Printing | -1 | 10 |
| Other Services | 40 | 51 |
| Supplies and Material | -66 | -26 |
| Equipment | 304 | -19 |
| Insurance Claims | -1 | 0 |
| Net Change | \$3,968 | \$153 |
| Estimated Obligations | \$35,389 | \$35,542 |
| Total FTE | 386 | 386 |

| Insurance | |
|--|-----------------|
| Average Salary Analysis | |
| 2008 Average Salary (260 days) | \$53,431 |
| Annualization of 3.5% 2008 raise (+0.9%) | \$468 |
| Annualization of 3.9% 2009 raise (+2.9%) | \$1,563 |
| Change in staff composition | \$883 |
| One day adjustment | \$435 |
| Regular benefits percentage | 21.8% |
| 2008 Average Cost | \$68,344 |
| 2009 Average Salary (261 days) | \$56,779 |
| Annualization of 3.9% 2009 raise (+1.0%) | \$554 |
| Annualization of 2.0% 2010 raise (+1.5%) | \$852 |
| Change in staff composition | \$130 |
| Regular benefits percentage | 23.6% |
| 2009 Average Cost | \$74,351 |
| 2010 Average Salary (261 days) | \$58,315 |
| Regular benefits percentage | 23.2% |
| 2010 Average Cost | \$75,957 |

Program Highlights

In 2010, as in 2008, the Insurance Program will disburse a projected \$2.9 billion to service members, Veterans, and their beneficiaries in the form of insurance death benefits, policy loans and cash surrender benefits, and traumatic injury protection payments. The Insurance Program will continue to maintain its already high level of performance and client satisfaction and meet the anticipated rise in our clients' expectations.

Insurance will be able to maintain its high level of client satisfaction due to efficiencies resulting from our paperless electronic workflow system combined with reductions in overall insurance workload. Client satisfaction will remain high as we continue to provide world-class service through our toll-free telephone service by maintaining blockage at or below one percent and the average speed of answer at or below 20 seconds. In addition, we will continue to use other means of communication, including e-mail, the Interactive Voice Response system, and the Insurance self-service Web site.

We will also continue our special outreach efforts to inform Veterans of their insurance options with a special emphasis on severely disabled Veterans. The personal contact, usually by telephone, has contributed to increased VGLI conversion rates for recently separated servicemembers with a DoD or VA rating of 50 percent or higher. Approximately \$1.5 billion in insurance coverage has been issued or paid due to our outreach efforts.

Effective July 1, 2008, VA reduced the premium rates for SGLI and VGLI coverage. The new premium rate for basic SGLI is 6.5 cents per \$1,000 per month, down from seven cents per \$1,000 per month, a seven percent savings. The monthly premium for servicemembers with the maximum \$400,000 of coverage reduced from \$29 to \$27 (premiums include an additional \$1 for Servicemembers' Group Life Insurance Traumatic Injury Protection (TSGLI) Program). VA also reduced VGLI premium rates for those policyholders ages 30 to 64, which comprise 85 percent of those insured under the program. These premium reductions range from four to twelve percent and are the result of lower mortality experienced in recent years.

VA conducted a comprehensive "Year-One Review" of the TSGLI Program to identify opportunities for improvement in every aspect of the program, including service member outreach and assistance, processing procedures, and benefit enhancements. The review resulted in the addition of new qualifying losses covered by the program and the expansion of some of the existing losses. These program enhancements will result in an estimated \$50 million of retroactive payments to servicemembers and Veterans. VA also designed a new user-

friendly TSGLI claim form, and the Schedule of Losses has also been simplified to improve program understanding, appropriately manage expectations of potential claimants, and speed up the claims development and adjudication processes.

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

| Table 1: Performance Summary Table | | | | | | | |
|--|-------------------------------|-------|-------|-------|-----------------------|-----------------------|-------------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Key Measures are in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 1) Average number of days to process TSGLI disbursements (Insurance) (This measure will be dropped after FY 2009) | N/Ap | 3.8 | 3.0 | 2.5 | 5.0 | N/Ap | 5 |
| 2) Average number of days to process SGLI death claims | N/A | N/A | N/A | N/A | N/A | 5 | 5 |
| 3) Rate of high Veterans' satisfaction ratings on services delivered (%) | 96 | 96 | 96 | 95 | 95 | 95 | 95 |
| 4) Number of disbursements (death claims, loans, and cash surrenders) per FTE | 1,692 | 1,697 | 1,724 | 1,756 | 1,740 | 1,740 | 1,750 |
| 5) Percent of active duty servicemembers covered by SGLI (%) | 98 | 99 | 99 | 99 | 98 | 98 | 98 |
| 6) Conversion rate of disabled SGLI members to VGLI (%) | 35 | 41 | 40 | 45 | 50 | 50 | 50 |

Table 1: Performance Summary Table

ALL MEASURES

| Measure Description <small>(Key Measures are in bold)</small> | 4-Year Results History | | | | Annual Targets | | Strategic Target |
|---|------------------------|------|------|------|----------------------------|--------------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 7) Ratio of the multiple of salary that SGLI covers for the average enlisted servicemember versus the multiple of salary that private sector covers for their employees | 1.9 | 1.8 | 1.8 | 1.7 | 1.6 | 1.6 | 1.0 |
| 8) Ratio of the multiple of salary that SGLI covers for the average officer versus the multiple of salary that private sector covers for their employees | 1.0 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | 1.0 |
| 9) Ratio of premium rates charged per \$1,000 by other organizations compared to the SGLI premium rates charged per \$1,000 for similar coverage | 1.4 | 1.3 | 1.2 | 1.3 | 1.0 | 1.0 | 1.0 |
| 10) Ratio of premium rates charged per \$1,000 by other organizations compared to the VGLI premium rates charged per \$1,000 for similar coverage | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 |

Table 2: Performance Measure Supporting Information

KEY MEASURES ONLY

1) Average number of days to process SGLI death claims

a) Means and Strategies:

- Continue oversight of SGLI claims processing
- Monitor reporting data to ensure timely processing

b) Data Source(s): Office of Servicemembers' Group Life Insurance (OSGLI) Life Claims Management System (LCMS)

c) Data Verification: Sample of LCMS data reviewed and verified quarterly by Insurance Service

d) Measure Validation:

- Timely processing supports Strategic Objective 3.3 wherein VA strives to enhance and/or maintain financial security of servicemembers' families following the servicemember's death through the provision of insurance

e) Cross-Cutting: None

f) External Factors: None

g) Other Supporting Information: None

Initiatives

There are no initiatives planned for 2010.



General Administration

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General Administration

Program Description

The General Administration account provides funding for the Office of the Secretary, six Assistant Secretaries and three VA-level staff offices, all of which report directly to the Deputy Secretary.

The Board of Veterans' Appeals (BVA) conducts an appellate program for Veterans and family members who appeal original decisions on their entitlement claims. BVA is the final agency decision-maker on all matters concerning benefits appeals.

The Office of General Counsel serves as the Department's legal advisor and ensures that the agency faithfully executes all laws, regulations, and policies that the Secretary is responsible to administer.

The Office of Acquisition, Logistics and Construction oversees the resources, services and projects that comprise VA's capital facilities program and also directs the Department's acquisition and logistics activities (Supply Fund).

The Assistant Secretary for Management provides executive leadership for the Department's budget, financial management, performance measurement and capital asset management. Offices that report directly to the Assistant Secretary include: 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, and equal employment opportunity (including the timely and correct processing of EEO complaints). HR&A is also 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 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. Finally, OSP evaluates preparedness programs and develops 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 of Public and Intergovernmental Affairs (OPIA) is also responsible for managing and directing intergovernmental and consumer affairs.

| General Administration | | | | | | | | | |
|---|--------------------|--------------|--------------------|--------------|---------------------|--------------|---------------------|--------------|--|
| (\$ in thousands) | | | | | | | | | |
| | <u>2008 Actual</u> | | <u>2009 Budget</u> | | <u>2009 Current</u> | | <u>2010 Request</u> | | |
| | <u>BA</u> | <u>FTE</u> | <u>BA</u> | <u>FTE</u> | <u>BA</u> | <u>FTE</u> | <u>BA</u> | <u>FTE</u> | |
| Office of the Secretary | 8,567 | 78 | 8,530 | 82 | 7,146 | 76 | 9,270 | 84 | |
| Board of Veterans' Appeals | 62,269 | 469 | 64,744 | 487 | 68,582 | 519 | 73,273 | 529 | |
| Office of the General Counsel | 68,405 | 670 | 69,739 | 671 | 74,343 | 718 | 80,778 | 739 | |
| Office of Management | 36,846 | 230 | 36,946 | 267 | 37,546 | 262 | 43,956 | 286 | |
| Office of Human Resources & Admin. | 61,291 | 493 | 61,901 | 533 | 61,901 | 534 | 68,590 | 539 | |
| Office of Policy & Planning | 14,456 | 55 | 14,602 | 65 | 14,602 | 64 | 26,015 | 93 | |
| Office of Security & Preparedness | 11,911 | 58 | 12,025 | 70 | 12,025 | 71 | 16,746 | 95 | |
| Office of Public and Intergovernmental Affairs | 9,920 | 63 | 10,005 | 73 | 10,005 | 73 | 18,079 | 76 | |
| Office of Congressional Affairs | 4,334 | 33 | 4,379 | 38 | 4,379 | 38 | 6,065 | 50 | |
| Office of Acquisition, Logistics and Construction | 46,725 | 270 | 45,243 | 289 | 45,243 | 297 | 50,728 | 313 | |
| White House Commission on Remembrance 1/ | 197 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Budget Authority | \$ 324,921 | 2,420 | \$ 328,114 | 2,575 | \$ 335,772 | 2,652 | \$ 393,500 | 2,804 | |

1/ The Consolidated Appropriations Act of 2008 (P.L. 110-161) provided for an appropriation transfer from the White House Commission on Remembrance to General Operating Expenses for administrative purposes.

Summary of Budget Request

A total of \$393.5 million in budget authority (BA) and 2,804 FTE are requested to support the General Administration account in FY 2010. Details of the 2010 General Administration request can be found in the individual staff office chapters. Highlights of the request are noted below:

- A total of \$73.3 million in budget authority and 529 FTE are requested for the Board of Veterans' Appeals (BVA) to address an increasing number of appeals of original claims decisions, reverse the trend of a growing backlog, and reduce case disposition time. The request is an increase of \$4.7 million above the FY 2009 enacted level. The increase will also allow BVA to contract for hearing transcription services and for access to electronic research materials essential for accurate decision writing.
- A total of \$80.8 million and 739 FTE are requested for the Office of the General Counsel. This funding level will allow GC to hire an additional 21 FTE to address an expanding legal workload, including an increasing number of cases before the United States Court of Appeals for Veterans Claims.
- In 2010, \$9.3 million is requested to fund the VA/DoD Collaboration Office within the Office of Policy and Planning (OP&P). This office will provide oversight for joint VA/DoD governance and strategic planning functions, as well as analytical support for policy and program activities that impact

VA's responsibilities in the continuum of care that facilitates a wounded servicemember's transition to civilian life as a Veteran.

- OP&P's 2010 request also includes \$1.5 million for a Program Analysis and Evaluation (PA&E) service that will conduct special studies, reviews, and other statistical analysis in order to evaluate the merits of policies, proposals, and costs in context with the Department's mission and strategic goals.
- The 2010 request includes \$1.4 million for the Office of Human Resources & Administration (HR&A) to implement the Veterans Employment Coordination Service (VECS). VECS was created to attract, recruit, and hire Veterans into the VA, particularly severely injured Veterans from Iraq and Afghanistan.
- The HR&A Budget request also includes \$2 million for a new enterprise-wide training initiative as part of the Secretary's vision for transforming VA into a 21st century organization. This initiative will bring together all existing leadership programs throughout the Department to achieve economies of scale and to identify where competency gaps exist among VA leadership. This competency assessment will result in the development of a more robust VA Corporate Leadership Program and Curriculum to help grow, develop, and sustain the quality of leadership in VA, ultimately translating into a succession planning pipeline.
- In 2010, \$2.8 million is requested within the Office Operations, Security, and Preparedness for a variety of mission critical activities including: crises management and national emergency response training exercises and evaluations; personnel suitability determinations, background investigations and special access reviews; law enforcement and physical security inspections; management of the VACO personnel identity verification (PIV) program; and a communications liaison to support continuity of operations (COOP) activities.
- Public and Intergovernmental Affairs' 2010 budget request includes \$6.5 million to organize, promote, and facilitate adaptive sports and paralympic events for disabled Veterans and service members. Consistent with Public Law 110-389, funding will be used for the following: 1) grants to the U.S. Paralympics, Inc. and local partners to help plan and implement the program; 2) subsistence payments to Veterans and servicemembers participating in the program; and 3) personnel and operating costs to manage and oversee VA's paralympic program.

- The 2010 request includes \$645 thousand in budget authority to support the Office of Acquisition, Logistics, and Construction (OALC) to provide executive leadership and management oversight for the Department's capital assets and acquisitions programs.
- The 2010 request includes \$781 thousand to fully fund the Office of Survivors Assistance (OSA) within the Office of the Secretary. OSA's mission is to ensure improved policies for outreach benefits, and services to survivors. OSA serves as a resource regarding all survivor benefits and services furnished by the Department of Veterans Affairs (VA).

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Office of the Secretary

Mission

The mission of the Office of the Secretary is to support the Department of Veterans Affairs. This includes developing strategies and strategic communications plans, supporting the operations and daily administrative functions, and managing and monitoring all correspondence directed to the Secretary and Deputy Secretary. The Office of the Secretary also supports the special interest offices that report directly to the Secretary and carry out high priority work. These include:

Summary of Budget Request

| Budget Authority (\$ in 000) | 2009 | | 2010 | |
|--|-----------|------------|-----------|------------|
| | <u>BA</u> | <u>FTE</u> | <u>BA</u> | <u>FTE</u> |
| Office of the Secretary | \$4,627 | 32 | \$5,874 | 40 |
| Center for Faith-Based and Community Initiatives | 533 | 3 | 557 | 3 |
| Center for Minority Veterans | 1,133 | 7 | 1,174 | 7 |
| Center for Women Veterans | 801 | 5 | 832 | 5 |
| Office of Employment Discrimination Complaint Adjudication ^{1/} | 52 | 24 | 52 | 24 |
| Office of Survivors Assistance | 0 | 5 | 781 | 5 |
| Total Budget Authority | 7,146 | 76 | 9,270 | 84 |

^{1/} OEDCA has statutory authority to collect reimbursements for costs incurred to carry out its operations. The BA represents the Staff Offices portion of the program which is funded through GOE.

- An average employment of 84 FTE and total budget authority of \$9,270,000 are requested in 2010, \$2,124,000 above 2009 to support additional FTE, promotions, within grade salary increases, cost of living inflation adjustment and the new Office of Survivors Assistance.
- New initiatives - In FY 2009 the Office of Survivors Assistance (OSA) was established. Funding for OSA was not included in the FY 2009 budget. Funding for this office is requested in the FY 2010 budget.

Program Description

The Office of the Secretary – A major function of the Office of the Secretary is to develop strategies and strategic communications plans to guide the transformation of VA, which are then executed in coordination with the organizations that make up the Department. These activities include strategies on policies, budgets, organizations, communications, and external relations. The immediate Office of the Secretary is composed of strategists, operations, and administrative staff members who carry out and execute Secretarial priorities on a daily basis.

In addition, the Office of the Executive Secretary oversees, manages, and monitors all correspondence directed to the Secretary and Deputy Secretary as well as oversees the administrative operations of the Office of the Secretary. The Secretary, Deputy Secretary, and other executives within the Office of the Secretary manage high interest communications from the White House, Congress, OMB, and Veterans service organizations (VSOs) and manage items addressing politically sensitive issues for signature.

- The Office of the Executive Secretary provides oversight and guidance to Under Secretaries, Assistant Secretaries, Key Officials 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

The **Center for Minority Veterans** (CMV) mission is to serve as principal advisor to the VA Secretary, identify barriers to service and health care access, increase local awareness of minority Veteran-related issues, and develop strategies for improving minority participation in existing VA benefits and programs.

The Center's activities include:

- Participating in community outreach activities, Veteran surveys, site visits, and telephonic and written contact with Veterans to gather information and identify opportunities for improvement.
- Providing guidance and training to approximately 300 Minority Veterans Program Coordinators (MVPC) located in the three VA Administrations, and reviewing their quarterly reports for best practices to be shared throughout the Department.

- Providing administrative support to the Secretary's Advisory Committee on Minority Veterans (ACMV), including annual site visits and the publishing of an ACMV Annual Report to Congress outlining recommendations, concerns, and observations on VA's delivery of benefits and services to minority Veterans.

The **Center for Women Veterans** mission is to ensure that women Veterans receive benefits and services on par with male Veterans; VA programs are responsive to gender-specific needs of women Veterans; outreach is performed to improve women Veterans' awareness of services, benefits and eligibility criteria; and women Veterans are treated with dignity and respect. The Director, Center for Women Veterans, acts as the primary advisor to the Secretary on all matters related to policies, legislation, programs, issues, and initiatives affecting women Veterans.

The Center's activities include:

- Monitoring and assessing changes VA-wide and assessing the impact these changes may have on women Veterans;
- Facilitating joint training and networking among Women Veterans Program Managers and Coordinators across VA;
- Monitoring VA's research agenda to ensure that women Veterans and their issues are included in all VA studies; and
- Establishing and continuing relationships with state and county departments of Veterans affairs, national VSOs, and other Federal agencies responsible for providing services to women Veterans.

The **Center for Faith-Based and Community Initiatives** (CFBCI) mission is to incorporate faith-based and other community organizations in VA programs and initiatives to the greatest extent possible. The CFBCI Director serves as the liaison and point of contact with the White House OFBCI.

The Center's responsibilities include:

- Coordinating a comprehensive agency effort to incorporate faith-based and other community organizations in agency programs and initiatives to the greatest extent possible.
- Proposing initiatives to remove barriers including but not limited to reform of regulations, procurement, and other internal policies and practices.
- Proposing the development of innovative pilot and demonstration programs to increase the participation of faith-based and other community organizations in Federal as well as state and local initiatives.

- Developing and coordinating agency outreach efforts to disseminate information more effectively to faith-based and other community organizations with respect to programming changes, contracting opportunities, and other agency initiatives.

The **Office of Survivors Assistance** (OSA) mission is to ensure improved policies for outreach benefits, and services to survivors. OSA will serve as a resource regarding all benefits and services furnished by VA.

OSA's responsibilities include:

- Monitoring VA's delivery of benefits and services to survivors and dependents.
- Making appropriate referrals to VA administration and offices so that survivors receive all benefits and services for which they are eligible.
- Exploring innovative opportunities to reach survivors who are eligible but are not receiving benefits.

The **Office of Small and Disadvantaged Business Utilization** (OSDBU) consists of the Office of Small Business Programs and the Center for Veterans Enterprise (CVE). The Director, OSDBU, serves as the Department's advocate for the participation of service-disabled veteran-owned small businesses (SDVOSBs), veteran-owned small businesses (VOSBs), small business concerns (SBCs), small disadvantaged businesses (SDBs), women-owned small businesses (WOSBs), and Historically Underutilized Businesses (HUBZone) in VA contracts and subcontracts. The OSDBU Director serves as the Department's principal liaison to the Small Business Administration. In matters relating to the Department's socioeconomic acquisition program, the Director is a liaison with the Department of Commerce, GSA, and the Office of Federal Procurement Policy.

Established by statute in 1979, OSDBU works closely with VA program offices and contracting activities to ensure maximum practical opportunity for small businesses in the Department's procurements. Activities include:

- Conducting contract bundling reviews, training acquisition officials, counseling entrepreneurs, participating as small business experts at conferences, distributing informational materials that describe how to do business with the Department and sharing acquisition information with VSOs.
- Negotiating, establishing, and maintaining the Department-wide procurement goals, and reporting on the progress toward accomplishing these goals.

- Monitoring the effectiveness of current policy, procedures, and plans for enhancing utilization of small businesses in future departmental requirements.

Although OSDBU reports to the Secretary, funding for this office is provided through VA's Supply Fund.

The **Office of Employment Discrimination Complaint Adjudication** (OEDCA) began operations on February 19, 1998, pursuant to The Veterans Benefits Act of 1997. OEDCA is an independent office responsible for issuing final agency decisions and orders on the substantive merits of employment discrimination complaints filed by employees and applicants for employment. In order to avoid a conflict of interest, complaints alleging that the Secretary or Deputy Secretary personally made a decision directly related to the matters in dispute, or were otherwise personally involved in such matters, will be referred for decision-making to another Federal agency pursuant to a cost-reimbursable agreement. Such a referral will not be made, however, when the action complained of relates merely to routine, ministerial approval of selection recommendations submitted to the Secretary by Under Secretaries, Assistant Secretaries, or other key officials. Final agency decisions and orders are rendered in a fair and impartial manner and are based on evidence contained in the investigation report and, if applicable, the hearing transcript and exhibits provided by an Equal Employment Opportunity Commission (EEOC) appointed administrative judge. OEDCA is also responsible for determining equitable relief and issuing final agency decisions on a complainant's entitlement to compensatory damages, attorney's fees, and costs where the complainant is a prevailing party. The Director's decisions are not subject to further review or appeal by any official within the Department. Complainants who are dissatisfied with a final agency decision or order may either appeal to the EEOC (or in some cases the Merit Systems Protection Board) or file a civil action in an appropriate United States District Court.

Budget Highlights

The 2010 request provides for the following:

- An average employment of 84 FTE and total obligational authority of \$12,386,000 are requested in 2010 to support all operations of the Office of the Secretary, which includes the Center for Minority Veterans, the Center for Women Veterans, Center for Faith Based and Community Initiatives, Office of Survivors Assistance, and the Office of Employment Discrimination Complaint Adjudication (OEDCA). This request is comprised of \$9,270,000 in budget authority, \$3,116,000 in reimbursable authority and \$171,000 in expenditure adjustments for offices within the account.

- Within the total obligational authority, an average employment of 60 FTE, and budget authority of \$9,270,000 is requested to support the operations of the Office of the Secretary, which includes the Center for Minority Veterans, Center for Women Veterans, Center for Faith Based and Community Initiatives, the Office of Employment Discrimination Complaint Adjudication, and the Office of Survivors Assistance.
- In addition to \$52,000 in budget authority included above, OEDCA is requesting \$3,287,000 in total recoveries to support 24 FTE and the operations of OEDCA. Funding for this office is provided on a reimbursable basis. Recoveries are comprised of \$3,116,000 in reimbursements from VHA and NCA, and \$171,000 in expenditure adjustments from VBA. Since expenditure adjustments are an intra-appropriation transaction they are not scored as a net obligation to OEDCA for accounting purposes. The budget authority represents the staff office share of the operational costs related to OEDCA.

| <i>Office of the Secretary</i> | | | | | |
|--|-----------------|--------------------|---------------------|------------------|------------------------------|
| <i>Summary of Employment and Obligations</i> | | | | | |
| <i>(dollars in thousands)</i> | | | | | |
| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| FTE | 82 | 82 | 76 | 84 | 8 |
| Obligations: | | | | | |
| Personal services | \$10,093 | \$10,752 | \$10,270 | \$11,269 | \$999 |
| Travel | \$583 | \$281 | \$316 | \$428 | \$112 |
| Transportation of things | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rents, communications, and utilities | \$0 | \$40 | \$0 | \$0 | \$0 |
| Printing and reproduction | \$68 | \$69 | \$42 | \$72 | \$30 |
| Other services | \$232 | \$498 | \$472 | \$530 | \$58 |
| Supplies and materials | \$355 | \$110 | \$175 | \$253 | \$78 |
| Equipment | \$5 | \$58 | \$5 | \$5 | \$0 |
| <i>Adjustment to Expenditure</i> | <i>(\$231)</i> | <i>(\$167)</i> | <i>(\$166)</i> | <i>(\$171)</i> | <i>(\$5)</i> |
| Total obligations | \$11,105 | \$11,641 | \$11,114 | \$12,386 | \$1,272 |
| Reimbursements (OEDCA) | (\$2,602) | (\$3,111) | (\$3,111) | (\$3,116) | (\$5) |
| SOY Carry over (-) | (\$30) | \$0 | (\$857) | \$0 | \$857 |
| EOY Carry over (+) | \$94 | \$0 | \$0 | \$0 | \$0 |
| Total budget authority | \$8,567 | \$8,530 | \$7,146 | \$9,270 | \$2,124 |

- The \$2.1 million increase in 2010 budget authority will provide funding for following: the new Office of Survivors Assistance, the budgeted 2010 federal pay raise of 2.0%, normal benefits increases, and an additional 8 FTE within the immediate office of the Secretary to support transformation efforts and the new strategic focus of the office.

*Office of the Secretary
Changes for Original 2009 budget Estimates
(dollars in thousands)*

| | 2009 | | Increase (+) Decrease (-) |
|--------------------------------------|--------------------|---------------------|------------------------------|
| | Budget Estimate | Current Estimate | |
| Obligations: | | | |
| Personal services | \$10,752 | \$10,270 | (\$482) |
| Travel | \$281 | \$316 | \$35 |
| Transportation of things | \$0 | \$0 | \$0 |
| Rents, communications, and utilities | \$40 | \$0 | (\$40) |
| Printing and reproduction | \$69 | \$42 | (\$27) |
| Other services | \$498 | \$472 | (\$26) |
| Supplies and materials | \$110 | \$175 | \$65 |
| Equipment | \$58 | \$5 | (\$53) |
| <i>Adjustment to Expenditure</i> | (\$167) | (\$166) | \$1 |
| Total obligations | \$11,641 | \$11,114 | (\$527) |
| Reimbursements (OEDCA) | (\$3,111) | (\$3,111) | \$0 |
| Carry over (-) | \$0 | (\$857) | (\$857) |
| Carry over (+) | \$0 | \$0 | \$0 |
| Total budget authority | \$8,530 | \$7,146 | (\$1,384) |

- The current estimate for budget authority is less than the original 2009 budget due to the realignment of the Office of Regulation, Policy and Management under the Office of General Counsel.

Program Goals, Objectives, and Performance Measures

| Table 1: Performance Summary Table | | | | | | | |
|---|------------------------|-------|--------|---------|----------------------|-----------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| Strategic Goal 2 | | | | | | | |
| Ensure a smooth transition for Veterans from active military service to civilian life. | | | | | | | |
| Objective 2.1 | | | | | | | |
| Ease the reentry of new Veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services. | | | | | | | |
| A. Center for Faith-Based and Community Initiatives | | | | | | | |
| 1a) Number of pilot, demonstration, and existing programs implemented by VA in which faith-based and community organizations participate | 4 | 6 | 12 | 12 | 12 | 12 | 14 |
| Strategic Goal 4 | | | | | | | |
| Contribute to the public health, emergency management, socioeconomic 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. | | | | | | | |
| B. Office of Small Disadvantaged Business Utilization | | | | | | | |
| 1b) Percent of total procurement dollars awarded to <u>service-disabled Veteran-owned small businesses</u> (*Corrected) | 2.15% | 3.58% | 7.09% | *12.09 | 7.0% | 7.0% | 7.0% |
| 2b) Percent of procurement dollars awarded to <u>Veteran-owned small businesses</u> (*Corrected) | 4.50% | 6.17% | 10.13% | *15.27% | 10.00% | 10.00% | 10.00% |
| 3b) Percent of total procurement dollars awarded to <u>small business concerns</u> (*Corrected) | 28.5% | 27.8% | 23.0% | *36.35% | 23.0% | 23.0% | 23.0% |
| 4b) Percent of total procurement dollars awarded to <u>small disadvantaged businesses</u> (*Corrected) | 9.2% | 9.5% | 5.0% | *9.81% | 5.0% | 5.0% | 5.0% |
| 5b) Percent of total procurement dollars awarded to <u>women-owned businesses</u> (*Corrected) | 4.5% | 5.3% | 5.0% | *4.16% | 5.0% | 5.0% | 5.0% |
| 6b) Percent of total procurement dollars awarded to businesses located in Historically-Underutilized Business Zones (*Corrected) | 3.1% | 3.6% | 3.0% | *2.81% | 3.0% | 3.0% | 3.0% |
| 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. | | | | | | | |

| Table 1: Performance Summary Table | | | | | | | |
|---|------------------------|------|------|------|----------------------|-----------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| C. Office of Employment Discrimination Complaint Adjudication | | | | | | | |
| 1c) Average processing time for adjudication (in days) | 65 | 60 | 55 | 49 | 54 | 53 | 50 |
| 2c) Percent of OEDCA's final decisions reversed on appeal by EEOC (*Measure description and calculation changed beginning in 2008. Prior to 2008, the results reflect the rate of affirmances of OEDCA's merits decisions on appeal.) | 80% | 85% | 85% | *4% | *3.8% | *3.7% | *3% |
| 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. | | | | | | | |
| D. Office of Executive Secretary | | | | | | | |
| 1d) Percent of correspondence answered timely | 95% | 97% | 97% | 98% | 99% | 99% | 100% |
| E. Center for Minority Veterans | | | | | | | |
| 1e) Percentage of Minority Veterans Program Coordinators (MVPC) operating plans that are fully accomplished and/or executed | 30% | 30% | 40% | 49% | 80% | 90% | 100% |
| F. Center for Women Veterans | | | | | | | |
| 1f) Percent of attendees at collaborative meetings and outreach activities who believe these activities improved their knowledge of the Center's mission, goals, current activities, as well as VA benefits and services for which they are entitled. | N/A | N/A | N/A | N/A | 60% | 65% | 80% |

Performance Goals: Means and Strategies and Other Supporting Information

Table 2: Performance Measure Supporting Information
DEPARTMENTAL MANAGEMENT MEASURES

Center for Faith-Based and Community Initiatives

1a) Number of pilot, demonstration, and existing programs implemented by VA in which faith-based and community organizations participate

a) Means and Strategies:

- Develop a communication plan on telling the VA FBCI story
- Develop, coordinate and conduct departmental outreach efforts to non-profits at the national, state and local level.
- Develop and maintain best practices, participate and assist in conducting conferences, roundtables and conduct communication activities to partner with more non-profits.

b) Data Source(s):

- The CFBCI uses quarterly reports submitted by each VA program. The report detail VA's outreach efforts to faith-based and community organizations (FBCOs).

c) Data Verification:

- CFBCI uses the comparative analysis method to determine the accuracy of the data.
- The quarterly report as well as spreadsheet show the quantity of FBCOs that have participated in VA Programs for the quarter

d) Measure Validation:

- Monitors the progress achieved with partnered faith-based and community organizations in order to serve the needs of Veterans
- Validates the strategies and models used in pilot programs to achieve the effective tools to serve the needs of Veterans

e) Cross-Cutting Activities:

- CFBCI has oversight and direct hands-on development, management and support to VA program offices across all three administrations, WHOFBCI, other government agencies, FBCOs and to Veterans.
- CFBCI has oversight and direct involvement in three pilots and nine existing programs and FBCOs.

f) External Factors:

- The change in the WHOFBCI policy goals may affect the Center's success to get faith-based organizations and community organizations to participate in VA programs.

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES

Office of Small Disadvantaged Business Utilization

1c) Percent of total procurement dollars awarded to service-disabled veteran-owned small business

a) Means and Strategies:

- Conduct Small Business Programs Reviews to ensure maximum contracting opportunities for small business
- Participate in Integrated Product Teams for acquisitions valued at or above \$5M to ensure maximum contracting opportunities for small business
- Provide counseling and training to the small business community regarding how to do business with the VA
- Provide counseling and training to the VA contracting and purchasing staff regarding small business programs

b) Data Source(s):

- Federal Procurement Data System - Next Generation

c) Data Verification:

- VA's Chief Acquisition Officer certifies the accuracy of the data to the Small Business Administration annually

d) Measure Validation:

- Quantifies support of service-disabled Veteran-owned small businesses.
- Represents VA support for Veterans who may have benefitted from other VA services including health care, education, and in some cases, vocational rehabilitation. As such, contracting with these concerns directly relates to the VA's mission.

e) Cross-Cutting Activities:

- Participates in various non-VA sponsored conferences in order to collaborate with outside organizations
- Collaborative efforts include the Interagency OSDBU Director's Council, the Veterans Entrepreneurship Task Force, and numerous Small Business Conferences throughout the country
- Expand knowledge-based initiatives of contracting opportunities to enhance VA's ability to meet statutory and VA Secretary Socioeconomic Goals

f) External Factors: None identified

g) Other Supporting Information:

- Enhance support for small business programs through education, advocacy, outreach, and procurement accomplishments.

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES

2c) Percent of total procurement dollars awarded to veteran-owned small business

a) Means and Strategies:

- Conduct Small Business Programs Reviews to ensure maximum contracting opportunities for small business
- Participate in Integrated Product Teams for acquisitions valued at or above \$5M to ensure maximum contracting opportunities for small business
- Provide counseling and training to the small business community regarding how to do business with the VA
- Provide counseling and training to the VA contracting and purchasing staff regarding small business programs

b) Data Source(s):

- Federal Procurement Data System - Next Generation

c) Data Verification:

- VA's Chief Acquisition Officer certifies the accuracy of the data to the Small Business Administration annually

d) Measure Validation:

- Quantifies support of service-disabled Veteran-owned small businesses.
- Represents VA support for Veterans who may have benefitted from VA services including health care, education, and in some cases, vocational rehabilitation.

e) Cross-Cutting Activities:

- Participates in various non-VA sponsored conferences in order to collaborate with outside organizations
- Collaborative efforts include the Interagency OSDBU Director's Council, the Veterans Entrepreneurship Task Force, and numerous Small Business Conferences throughout the country
- Expand knowledge-based initiatives of contracting opportunities to enhance VA's ability to meet statutory and VA Secretary Socioeconomic Goals

f) External Factors: None identified

g) Other Supporting Information:

- Enhance support for small business programs through education, advocacy, outreach, and procurement accomplishments.

Office of Employment Discrimination Complaint Adjudication

1d) Average processing time for adjudication (in days) (Non-Departmental Management Measure)

a) Means and Strategies:

- Monitor pending cases to ensure timeliness
- Review workload and reassign as necessary
- Contract out on an as needed basis

b) Data Source(s):

- Comprehensive database that tracks cases

c) Data Verification:

- OEDCA Director oversees accuracy of data placed in database

d) Measure Validation:

- To ensure compliance with EEO regulations
- To ensure fairness and trust in the EEO process

e) Cross-Cutting Activities: None

f) External Factors: None

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES

2d) Percent of OEDCA's final decisions reversed on appeal by EEOC (Non-Departmental Management Measure)

a) Means and Strategies:

- Track and study EEOC appellate decisions
- Provide training to staff
- Provide attorneys with updates from EEO law reporting services
- Provide ORM employees with training

b) Data Source(s):

- Comprehensive database and tracking system
- EEOC appellate decisions

c) Data Verification:

- OEDCA Director oversees accuracy of data placed in database
- OEDCA Director reads EEOC appellate decisions

d) Measure Validation:

- Ensures that VA is issuing high quality decisions

e) Cross-Cutting Activities: None

f) External Factors: None

g) Other Supporting Information: The results calculation changed from rate of affirmances on appeal by EEOC of final agency decisions to rate of reversals on appeal.

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Board of Veterans' Appeals

Mission

The Board of Veterans' Appeals (BVA or Board) is the component of the Department of Veterans Affairs (VA) responsible for making final decisions 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).

Summary of Budget Request

The Board of Veterans' Appeals requests budget authority of \$73,273,000 and 529 FTE to support its operations. This includes \$90,000 for a new initiative – the Veterans' Law Review and \$1.2 million for 10 additional FTE. Details of these increases can be found in the Budget Highlights section.

Program Description and Accomplishments

The Board provides primary services to appellants – Veterans and Veterans' family members who have filed appeals on VA benefit claims. These appellants represent a 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.

The vast majority of BVA actions derive from claims initiated at Veterans Benefits Administration (VBA) 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. 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 94.4 percent of the Board's appellate workload concerns appeals for disability compensation or pension.

In addition to VBA, the Board partners with: (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; (2) the General Counsel, who provides legal opinions to the Board on questions of law and represents the Department on appeals filed with the United States Court of Appeals for Veterans Claims (Court); and (3) Veterans Service Organizations (VSOs) who represent 77.9 percent of those appellants before BVA.

At the direction of the Secretary, the Board and the Veterans Benefits Administration have developed an Expedited Claims Adjudication (ECA) initiative that was launched in February 2009 as a two-year pilot program at four select Regional Offices. The implementing regulations, which were published in the Federal Register on November 5, 2008 and became effective on December 8, 2008, allow represented claimants to voluntarily waive certain response timelines, agree to respond quickly to VA requests for evidence, and file any desired appeals in an expedited manner. In turn, VA will expedite the processing of these appeals. The regulation should result in a reduced Appeals Resolution Time for ECA appeals in this 2-year pilot project.

Budget Highlights

The 2010 request includes resources necessary to continue the 2009 level of operations and support. The increase for 2010 provides for inflation, pay raises, and regular benefits increases, as well as two new initiatives. The Board's goal is to have sufficient resources to maximize the number of final decisions and continue to reduce the backlog of appeals. The budget request will provide:

- \$71,982,000 to maintain current services.
- \$90,000 for the Veterans' Law Review.
- \$1,201,000 for 10 FTE in order to address a growing number of appeals and reduce the backlog.

| <i>Summary of Employment and Obligations</i> (Dollars in thousands) | | | | | |
|--|-----------------|--------------------|-------------------|-----------------|------------------------------|
| | 2008 Actual | 2009 | | 2010 Request | Increase (+) Decrease (-) |
| | | Budget Estimate | Enacted Budget | | |
| Average Employment | 469 | 487 | 519 | 529 | +10 |
| Obligations: | | | | | |
| Personal Services | \$55,697 | \$61,661 | \$67,007 | \$69,073 | +2,066 |
| Travel | 714 | 720 | 800 | 800 | 0 |
| Transportation of Things | 37 | 35 | 40 | 45 | +5 |
| Rents, Communications & Utilities | 426 | 380 | 313 | 318 | +5 |
| Printing & Reproduction | 191 | 245 | 270 | 285 | +15 |
| Other Services | 1,945 | 1,481 | 1,964 | 1,964 | 0 |
| Supplies & Materials | 332 | 181 | 325 | 325 | 0 |
| Equipment | 394 | 41 | 863 | 463 | -400 |
| Insurance & Indemnities | 0 | 0 | 0 | 0 | 0 |
| Total Obligations | \$59,736 | \$64,744 | \$71,582 | \$73,273 | +\$1,691 |
| Reimbursements | 0 | 0 | 0 | 0 | 0 |
| SOY Unobligated Balance (-) | (2,000) | 0 | (3,000) | 0 | +3,000 |
| EOY Unobligated Balance ¹ (+) | 4,533 | 0 | 0 | 0 | 0 |
| Budget Authority | \$62,269 | \$64,744 | \$68,582 | \$73,273 | +4,691 |

¹ \$1.533 million in 2008 EOY unobligated balances not yet available

- The increase in Personal Services will pay for additional payroll, benefits, and promotions to support existing FTE levels and for an additional 10 FTE as described in the Budget Highlights.

| Changes from Original 2009 Budget Estimates | | | |
|--|----------------------------|---------------------------|--------------------------------------|
| <i>(dollars in thousands)</i> | | | |
| 2009 | | | |
| | Budget Estimate | Enacted Budget | Increase (+) Decrease (-) |
| Average Employment | 487 | 519 | +32 |
| Obligations: | | | |
| Personal Services | \$61,661 | \$67,007 | +\$5,346 |
| Travel | 720 | 800 | +80 |
| Transportation of Things | 35 | 40 | +5 |
| Rents, Communications & Utilities | 380 | 313 | -67 |
| Printing & Reproduction | 245 | 270 | +25 |
| Other Services | 1,481 | 1,964 | +483 |
| Supplies & Materials | 181 | 325 | +144 |
| Equipment | 41 | 863 | +822 |
| Insurance & Indemnities | 0 | 0 | 0 |
| Total Obligations | \$64,744 | \$71,582 | \$6,838 |
| Reimbursements | 0 | 0 | 0 |
| SOY Unobligated Balance (-) | 0 | -3,000 | -3,000 |
| EOY Unobligated Balance (+) | 0 | 0 | 0 |
| Budget Authority | \$64,744 | \$68,582 | \$3,838 |

- The 2009 budget authority and FTE are more than the 2009 original budget request as a result of the funding levels provided in the 2009 appropriation. Obligations are expected to be higher than the original budget due to unobligated balances carried into 2009 for furniture and equipment.
- Rents, Communications, & Utilities cost decreased due to renegotiation of Wilkes-Barre MOU. Other Services increased to pay for additional transcription services. Supplies & Materials increased due to paper costs and new hires. Equipment increased to purchase high-density case storage units for the sub-basement to free additional office space and to purchase furniture.

| Table 1: Performance Summary Table | | | | | | | |
|--|------------------------|----------|----------|----------|------------------------------|-------------------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) 2009 | Budget Year (Request) 2010 | Strategic Target |
| 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. | | | | | | | |
| 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. | | | | | | | |
| 1) Deficiency-free decision rate | 89.0% | 93.0% | 94.0% | 95.0% | 92.0% | 92.0% | 94.0% |
| 2) Appeals resolution time (from NOD to final decision) (days) (Joint BVA-VBA Compensation & Pension Measure) | 622 | 657 | 660 | 645 | 700 | 700 | 675 |
| 3) BVA Cycle Time (excludes representative time) (days) | 104 | 148 | 136 | 155 | 150 | 150 | 104 |
| 4) Appeals decided per Veterans Law Judge | 621 | 698 | 721 | 754 | 752 | 752 | 800 |
| 5) Cost per case ⁽¹⁾ | \$ 1,453 | \$ 1,381 | \$ 1,337 | \$ 1,365 | \$1,451 | \$1,486 | \$1,486 |

⁽¹⁾ Methodology changed; results and targets expressed in constant 2007 dollars (i.e., adjusted for inflation).

| Table 2: Performance Measure Supporting Information |
|---|
| KEY MEASURES |
| <p>1) Deficiency-free decision rate</p> <p>a) Means and Strategies:</p> <ul style="list-style-type: none"> Created formal quality review program in 1999 (year used as quantified baseline) Review statistically valid sample of BVA decisions and identify areas for professional development and improvement Score five areas: identification of issues, findings of fact, conclusions of law, reasons and bases/rationale for preliminary orders such as remands, and due process <p>b) Data Source(s): Veterans Appeals Control & Locator System (VACOLS), which is the Board's primary source of workload data</p> <p>c) Data Verification: VACOLS has built-in edits and checks and balances throughout the system to detect errors; procedures are in place to correct errors</p> <p>d) Measure Validation: This measure is closely aligned to BVA's mission to "conduct hearings and dispose of appeals properly before the Board in a timely manner"</p> <p>e) Cross Cutting Activities: None</p> |
| <p>2) Appeals resolution time</p> <p>a) Means and Strategies:</p> <ul style="list-style-type: none"> Reduce the time a case spends at the Board by partnering with VA's Appeals Management Center to reduce administrative impediments that influence appeal resolution time <p>b) Data Source(s): Veterans Appeals Control & Locator System (VACOLS), which is the Board's primary</p> |

Table 2: Performance Measure Supporting Information

KEY MEASURES

source of workload data

c) Data Verification: VACOLS has built-in edits and checks and balances throughout the system to detect errors; procedures are in place to correct errors

d) Measure Validation: This measure is closely aligned to BVA’s mission to “conduct hearings and dispose of appeals properly before the Board in a timely manner”

e) Cross Cutting Activities: None

f) Other Supporting Information: This measure represents 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 at a VBA regional office or at BVA

3) BVA Cycle Time

a) Means and Strategies:

- Strive to create final, legally accurate decisions in the shortest time possible by more robust Quality Review to identify problem areas and take appropriate corrective actions such as training, and process improvement

b) Data Source(s): Veterans Appeals Control & Locator System (VACOLS), which is the Board’s primary source of workload data

c) Data Verification: VACOLS has built-in edits and checks and balances throughout the system to detect errors; procedures are in place to correct errors

d) Measure Validation: This measure is closely aligned to BVA’s mission to “conduct hearings and dispose of appeals properly before the Board in a timely manner”

e) Cross Cutting Activities: None

4) Appeals decided per Veterans Law Judge

a) Means and Strategies:

- Implemented aggressive training program within BVA to write clear, concise, coherent, and correct decisions
- Created mentoring program to pair up high-producing attorneys with new hires

b) Data Source(s): Veterans Appeals Control & Locator System (VACOLS), which is the Board’s primary source of workload data

c) Data Verification: VACOLS has built-in edits and checks and balances throughout the system to detect errors; procedures are in place to correct errors

d) Measure Validation: This measure is closely aligned to BVA’s mission to “conduct hearings and dispose of appeals properly before the Board in a timely manner”

e) Cross Cutting Activities: None

f) Other Supporting Information: Appeals decided depends upon number of decisions produced; but producing a high number of decisions has little meaning without the context of quality

5) Cost per case

a) Means and Strategies:

- Maintain reasonable and relatively constant annual costs per case by continually seeking out and taking advantage of opportunities for increasing the economy of our operations.

b) Data Source(s): VACOLS provides total number of cases; Financial Management System (FMS) provides financial data

c) Data Verification: VACOLS has built-in edits and checks and balances throughout the system to detect errors; procedures are in place to correct errors; financial transactions monitored daily and corrections initiated as necessary

d) Measure Validation: This measure allows BVA management to gather critical data on the costs of doing business. As stewards of public funds, BVA management seeks to maximize program effectiveness in the most cost effective manner.

e) Cross Cutting Activities: None

f) Other Supporting Information: Changed methodology recently to adjust for inflation to allow management to more easily compare costs across fiscal years



General Counsel

Mission

The mission of the Office of General Counsel (OGC) is to proactively meet the legal needs of the Department of Veterans Affairs. As the unified national law firm for the Department, OGC must ensure the just and faithful execution of the laws, regulations, and policies that the Secretary has responsibility for administering, and by so doing enable the Department to accomplish its mission of service to our Nation's Veterans.

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 United States Court of Appeals for Veterans Claims, other Federal agencies, and Veterans service organizations.

Summary of Budget Request

The OGC budget request includes the following resources in 2010:

| Funding: | |
|------------------------------------|---------------------|
| Appropriation | \$80,777,712 |
| Reimbursable: | |
| Medical Care Collection Fund | 4,888,780 |
| Credit Reform | 5,263,520 |
| Supply | 5,058,000 |
| All Other | 455,000 |
| Total Resource Requirements | \$96,443,012 |

- In 2010, the OGC is requesting budget authority of \$80.8 million, total resources of \$96.4 million, and 739 FTE to support its operations.

| Product Line: | 2009 | FTE | 2010 | FTE |
|------------------------------------|---------------------|------------|---------------------|------------|
| Benefits Law | \$31,814,930 | 252 | \$33,807,597 | 260 |
| Business Law | 14,288,784 | 113 | 15,183,734 | 116 |
| Employment Law | 19,697,119 | 156 | 20,930,809 | 160 |
| Health Law | 20,649,550 | 163 | 21,942,894 | 168 |
| Other Specialized Legal Services | 4,308,146 | 34 | 4,577,978 | 35 |
| Total Resource Requirements | \$90,758,529 | 718 | \$96,443,012 | 739 |

- New Initiatives:
 - Hire an additional appellate litigation team (12 FTE) to defend the Secretary before the Veterans Court;
 - Hire new ethics attorneys (3 FTE) to perform regular program reviews at each of the 22 Offices of Regional Counsel.
 - OGC will hire 6 additional FTE in the field to address increased workload.
 - Travel funding for a minimum of one conference per year for our 22 Offices of Regional Counsel in the field. The proposed conferences will allow each Regional Counsel office to bring their respective personnel together once a year for training and to enhance the organizational unit. Every region is responsible for providing legal services to Department facilities that span multiple states or territories. In most cases, regions have geographically dispersed their personnel to be co-located with their remote clients and thereby reduce travel costs and provide personalized service. Throughout the year, our field managers utilize an array of technological tools to effectively lead remotely stationed staff: telephone, video-conferencing, shared computer drives, and our electronic case and time management system. Observations and experience developed through our region site visit program confirms a correlation between offices which meet annually to discuss emerging issues, to share approaches to common challenges, and to plan for the future, and high performance as indicated by our monthly reports and client satisfaction surveys.

Program Description and Accomplishments

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.

By utilizing components at Central Office and in the field, OGC delivers nationwide coverage of legal services to the Department. 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, and a regulations policy and management office leads the Department's regulation re-write project and oversees rulemaking.

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 Servicemembers' 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 above);
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 (for example, *Touhy*¹, 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).

Recent Accomplishments

- Enhanced, decentralized acquisition support. Historically, OGC conducted its contract-law practice primarily out of its headquarters staff. This model offered limited support to local and regional procurement activities across the country. In FY 2008, OGC obtained contract-law training for at least one attorney in each of its 22 Offices of Regional Counsel and negotiated authority to hire an additional, experienced contract-law attorney, paid from the revolving supply fund, to work out of each field office. These contract-law attorneys have partnered with VA clients across the country in all phases of acquisitions - from contract planning and formulation through performance management, to the litigation of any ensuing award protests or performance issues. OGC will

¹ Fn *United States ex rel. Touhy v. Ragen*, 340 U.S. 462 (1951); 38 CFR 14.800 through 14.810, "Testimony of Department Personnel and Production of Department Records in Legal Proceedings."

continue to make available to these new OGC lawyers the expert guidance of its headquarters staff. All new attorney staff were hired, trained and fully operational by the end of calendar year 2008.

- Enhanced IT-law services. VA's ever-increasing reliance on electronic data has generated a need for OGC expertise in advising client offices of the legal ramifications and obligations attendant to professional dealings in the electronic age. Electronic discovery, already commonplace in litigation involving VA, must be carefully managed and offices throughout the Department kept aware of their responsibilities for not only saving potentially discoverable information but safeguarding all sensitive data under a phalanx of increasingly complex laws and regulations. OGC created a new team to work hand-in-hand with the Office of Information and Technology and client offices to ensure VA employees are aware of their legal responsibilities and able to comply with the least possible interference with their missions of service to Veterans.
- Favorable court decisions regarding significant litigation:

Veterans For Common Sense (VCS) lawsuit: Working alongside Department of Justice attorneys, the Office of General Counsel (OGC) was instrumental in obtaining dismissal of a vigorously contested lawsuit in which the plaintiffs raised broad challenges to VA's administration of its health-care and disability-benefit systems and to statutes establishing VA's adjudication system as a nonadversarial one. The plaintiffs sought highly invasive remedies, including ongoing judicial oversight of VA programs and voluminous discovery of internal VA documents. An adverse judgment could have significantly impacted the operation of VHA and VBA programs.

Vietnam Veterans of America (VVA) lawsuit: In November 2008, plaintiffs filed a motion seeking declaratory and injunctive relief that, if granted, would have imposed highly invasive remedies, including imposition of arbitrary timelines for adjudicating claims and processing appeals and payment of unauthorized benefits. Voluminous discovery of internal VA documents was certain.

In both cases, OGC attorneys worked alongside Department of Justice attorneys in defending the Department. OGC created and disseminated litigation hold memoranda in coordination with the Office of Information and Technology to ensure compliance with our duty to preserve information relevant to the action.

OGC mobilized dozens of its attorneys and paralegals nationwide to review thousands of documents before releasing them pursuant to discovery requests in the VCS case.

Budget Highlights

- In 2010, the Office of the General Counsel is requesting budget authority of \$80.8 million, \$6.4 million above the prior year, and 739 FTE to support its operations.
- New Initiatives:
 - Hire an additional appellate litigation team (12 FTE) to defend the Secretary before the Veterans Court. A new appellate litigation team must be established to handle new cases, which are expected to increase 60% by FY 2010 based on available trend data. This growth is largely due to the greater number of decisions issued by VBA and BVA, which are potentially appealable to the Veterans Court;
 - Hire new ethics attorneys (3 FTE) to perform regular program reviews at each of the 22 Offices of Regional Counsel. The Government Ethics Program is a statutorily mandated program across the Federal Government;
 - OGC will be able to hire 6 more FTE in the field to address increased workload; and
 - Travel funding for one conference per year for each of our 22 Offices of Regional Counsel in the field as described in the Budget Summary.

Summary of Employment and Obligations – Analyses

| <i>Summary of Employment and Obligations (dollars in thousands)</i> | | | | | |
|---|-----------------|--------------------|---------------------|-----------------|------------------------------|
| | 2008 Actual | 2009 | | 2010 Request | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Average employment: | | | | | |
| Field | 423 | 425 | 440 | 446 | +6 |
| Central Office | 247 | 246 | 278 | 293 | +15 |
| Total | 670 | 671 | 718 | 739 | +21 |
| Obligations: | | | | | |
| Personal services ^{1/} | \$76,149 | \$77,997 | \$82,613 | \$88,723 | +\$6,110 |
| Travel | 1,376 | 1,262 | 2,063 | 2,590 | +527 |
| Transportation of things | 22 | 0 | 0 | 0 | 0 |
| Rents, communications and utilities | 598 | 923 | 1,171 | 1,098 | -73 |
| Printing and reproduction | 165 | 1,686 | 1,877 | 1,824 | -53 |
| Other services | 1,227 | 633 | 1,069 | 699 | -370 |
| Supplies and materials | 1,222 | 1,401 | 1,368 | 1,006 | -362 |
| Equipment | 397 | 513 | 579 | 486 | -93 |
| Insurance claims | 4 | 17 | 10 | 12 | +2 |
| Interest & Dividends | 13 | 7 | 9 | 5 | -4 |
| Total obligations | \$81,173 | \$84,439 | \$90,759 | \$96,443 | +\$5,684 |
| Reimbursements | | | | | |
| Medical Care Collection Fund | -\$4,654 | -\$4,793 | -\$4,793 | -\$4,888 | -\$95 |
| Credit Reform | -5,009 | -5,160 | -5,160 | -5,264 | -104 |
| Other Reimbursements | -3,345 | -4,747 | -5,190 | -5,513 | -323 |
| Carryover | -1,033 | 0 | -1,273 | 0 | +1,273 |
| Current Year Carryover | 1,273 | 0 | 0 | 0 | 0 |
| Total budget authority | \$68,405 | \$69,739 | \$74,343 | \$80,778 | +\$6,435 |

^{1/} The 2010 budget assumes a 2% pay raise effective January 2010.

- Explanation of increases and decreases:
 - Payroll – Additional funding will allow General Counsel to hire 21 additional attorneys as explained in the preceding Budget Highlights section.
 - Travel – Travel funding to allow for one conference per year for each of our 22 Offices of Regional Counsel in the field as described in the Budget Highlights section.

- Supplies & Materials – Account decrement is due to OGC reducing the number of hard copy book purchases and increasing our use of online research services already under contract.

Changes from Original Budget

| <i>Changes from 2009 President's Budget Request</i> (dollars in thousands) | | | |
|---|-----------------|------------------|------------------------------|
| | 2009 | | |
| | Budget Estimate | Current Estimate | Increase (+) Decrease (-) |
| Average employment: | 671 | 718 | +47 |
| Obligations: | | | |
| Personal services | \$77,997 | \$82,613 | +\$4,616 |
| Travel | 1,262 | 2,063 | +801 |
| Transportation of things | 0 | 0 | 0 |
| Rents, communications and utilities | 923 | 1,171 | +248 |
| Printing and reproduction | 1,686 | 1,877 | +191 |
| Other services | 633 | 1,069 | +436 |
| Supplies and materials | 1,401 | 1,368 | -33 |
| Equipment | 513 | 579 | +66 |
| Insurance claims | 17 | 10 | -7 |
| Interest & Dividends | 7 | 9 | +2 |
| Total Obligations | \$84,439 | \$90,759 | +\$6,320 |

- The 2009 Current Estimate is above the 2009 original Budget Estimate due to several factors: 1) an additional \$3.2 million appropriated by Congress; these funds were used to hire two additional teams within our Veterans Court Litigation Group (PSG VII), 2) additional contract attorneys reimbursed by the Supply Fund, and 3) additional resources for the Office of Regulation Policy and Management to reflect a functional shift within the GOE staff offices. These resources were shifted from the Office of the Secretary to the Office of the General Counsel (OGC) in 2009.
- Also, rents, communications and utilities increased to provide for leased space at 1990 K Street NW for Veterans Court Litigation Group (PSG VII) personnel for whom no space is available at the core office.
- Printing and Reproduction has increased to cover the Veterans Court Litigation Group (PSG VII) Imaging Outsourcing Contract, which provides

for 4,000,000 scanned pages of Veterans claims files to be transferred to compact discs within 180 days.

Summary of Workload Indicators

| <i>Summary of Workload Indicators</i> | | | |
|---------------------------------------|--------|------------------|----------|
| Cases and Unit | 2008 | 2009 | 2010 |
| | Actual | Current Estimate | Estimate |
| Benefits Law | 34,716 | 38,015 | 41,625 |
| Business Law | 57,205 | 62,485 | 68,252 |
| Employment Law | 28,763 | 34,176 | 40,609 |
| Health Law | 21,618 | 23,646 | 25,864 |
| Other Specialized Legal Services | 10,668 | 10,720 | 10,773 |

Office of General Counsel

FY 2010 Performance Plan

| Table 1: Performance Summary Table | | | | | | | |
|--|------------------------|---------|---------|---------|----------------------------|--------------------------|---------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| Enabling Objective E-4: Sound Business Principles | | | | | | | |
| 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. | | | | | | | |
| 1) Percent of tort claims decided accurately at the administrative stage (This measure will be dropped after FY 2009) ^{1/} | 88.4% | 92.2% | 92.6% | 93.6% | 91.5% | N/ Ap | 91.5% |
| 2) Percent of tort claims adjudicated within 180 days (New Measure) ^{2/} | N/ Av | N/ Av | N/ Av | N/ Av | N/ Av | 80% | 100% |
| 3) Average processing time for VA regulations (number of months) | | | | | | | |
| 3.1) --Requiring advance notice and public comment (2-stage) | N/ Av | N/ Av | N/ Av | 21.7 | 20.4 | 22.4 | 22.4 |
| 3.2) --Without advance notice and public comment (1-stage) | N/ Av | N/ Av | N/ Av | 7.4 | 7.7 | 10.8 | 10.8 |
| 4) Revenue collected in Medical Care Collection Fund (MCCF) claims through the efforts of the Regional Counsel | \$28.2M | \$27.0M | \$29.6M | \$45.6M | \$28.0M | \$29.0M | \$35.0M |
| 5) Percent of available Medical Care Collection Fund (MCCF) dollars collected through the efforts of OGC ^{1/} | N/ Av | N/ Av | N/ Av | N/ Av | N/ Av | Baseline TBD | TBD |
| ^{1/} This measure is being dropped after FY 2009. The new measure (see measure #2) focuses on VA's increased emphasis towards settling meritorious tort claims administratively in a timely manner in order to compensate deserving Veterans and their families for medical error as rapidly as possible. | | | | | | | |
| ^{2/} New measure beginning in FY 2010. Measure replaces measure #1. | | | | | | | |
| N/ Av = past history is not available | | | | | | | |
| N/ Ap = not applicable. | | | | | | | |

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

2) Percent of tort claims adjudicated within 180 days

a) Means and Strategies:

- Monitor and provide feedback to Regional Counsels regarding progress.
- Monitor accuracy of Regional Counsel decisions and reports on tort claims.

b) Data Source(s):

- OGC's General Counsel Legal Automated Workload System (GCLAWS)
- Regional Counsel investigative reports reviewed by Professional Staff Group I attorneys

c) Data Verification: Using a series of monthly "Tort Claim Processing Time Reports," the Office of General Counsel will review GCLAWS data for accuracy on a monthly basis and again at the close of the fiscal year.

d) Measure Validation:

- This goal promotes VA's increased emphasis towards settling meritorious tort claims administratively to compensate deserving Veterans and their families for medical error as rapidly as possible.

e) Cross-Cutting Activities:

Partner with Department of Justice Civil Chiefs to ensure that pursuit of measure does not result in avoidable increased litigation.

f) External Factors:

Factors interfering with orderly processing of administrative claims include:

- Being responsible for providing litigation support to Offices of the United States Attorney, which can happen on short notice.
- Needing to meet court-imposed deadlines in tort and other cases.

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

3) Average processing time for VA regulations (number of months)

3.1) --Requiring advance notice and public comment (2-stage) and 3.2) --Without advance notice and public comment (1-stage)

a) Means and Strategies:

- Transform average processing times into strategic goals for all VA regulations (i.e., eliminate “below average” processing times).
- Establish completion milestones for all VA regulations under development.
- Enforce milestones and report late projects to VA’s senior leadership.

b) Data Source(s):

- Federal Register.
- Microsoft Excel and Access data collection systems.

c) **Data Verification:** OGC’s Chief Impact Analyst verifies regulation processing time through three (3) separate automated data collection systems.

d) Measure Validation:

- Timely publication of VA regulations is essential to implement statutory entitlements and provide services and benefits to Veterans and their families.
- Centralized management of VA regulations helps ensure Veteran-friendly regulations that are easy to find, read, understand, and apply.

e) Cross-Cutting Activities:

- Informal coordination with Veterans service organizations and other interested parties improves VA’s regulations.
- Collaborative discussions with the Office of Management and Budget help to expedite review and clearance of VA regulations for publication.

f) External Factors:

- Higher priority legislative and litigation tasks can reduce the legal resources available for regulatory reviews.
- Required periods for public comment and/or review by the Office of Management and Budget fall outside of VA’s control.

g) Other Supporting Information:

- The Office of Regulation Policy and Management was established in 2004 to provide centralized management of VA’s regulatory process. At that time, VA’s average processing time for regulations exceeded 33 months.
- From FY 2004 through FY 2007, VA successfully reduced the average processing time by 50 percent and achieved its goal of publishing VA regulations in an average of 17 months or less.
- In FY 2008, VA divided its strategic average goal into two separate goals based upon the type of regulation being published. VA has successfully kept its average processing times below the strategic goals established for each category.

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Office of Management

Mission

The Office of Management provides sound stewardship of VA's resources through strategic and operational leadership of budget formulation and execution, performance measurement and reporting, financial management, and corporate management of capital assets to ensure VA provides the highest level of service to Veterans, their dependents and survivors, and to build public trust through the effective management of VA's resources.

Summary of Budget Request

| (\$ in 000) | 2009 | FTE | 2010 | FTE |
|---|-----------------|--------------------------|-----------------|------------|
| Office of Finance | \$13,831 | 90 | \$14,565 | 101 |
| Office of Budget | 4,463 | 27 | 5,447 | 33 |
| Office of Asset Enterprise Management | 5,175 | 43 | 5,661 | 44 |
| Office of Business Oversight | 5,631 | 80 | 8,091 | 83 |
| Office of Financial & Logistics Integrated Technology Enterprise (FLITE) ^{1/} | 1,892 | 11 | 2,819 | 13 |
| Office of the Assistant Secretary ^{2/} | 6,554 | 11 | 7,373 | 12 |
| Total Budget Authority | \$37,546 | 262 ^{3/} | \$43,956 | 286 |

1/ Funding is for corporate level management of the FLITE project. Project funding for FLITE is requested in the IT Systems account.

2/ Office of the Assistant Secretary includes budget authority for Department-wide initiatives and Department-level management by the Office of Management.

3/ 262 FTE reflects the FY 09 annual average FTE. It should be noted that the 2009 End-of-Year on-board FTE is estimated to reach 280. As a result, the 2010 FTE represents an additional 6 FTE.

- In 2010 the Office of Management is requesting budget authority of \$43.9 million and a total of 286 FTE to support its operations. Twenty-six of the 286 FTE are funded by reimbursable authority.

Program Description and Accomplishments

The Office of Management (OM) under the leadership of the Assistant Secretary for Management is a multifunctional organization responsible for directing business activity compliance and budget, financial, performance measurement and reporting, and capital asset management functions of the VA. The office is comprised of five organizational elements: the Offices of Finance, Budget, Asset Enterprise Management, Business Oversight, and FLITE.

The Assistant Secretary for Management is the Chief Financial Officer (CFO), Chief Budget Officer (CBO), Senior Real Property Officer (SRPO), and the VA official responsible for energy, environment, and transportation.

Office of Finance:

The Office of Finance (OF), under the direction of the Deputy Assistant Secretary for Finance (VA's Deputy Chief Financial Officer), manages more than 400 staff located in the Office of Financial Business Operations, the Office of Financial Policy, the Franchise and Trust Fund Oversight Office, the Office of Financial Process Improvement and Audit Readiness, and two field sites: the Financial Services Center (FSC) in Austin, Texas, and the Debt Management Center (DMC) in St. Paul, Minnesota.

OF establishes financial policy for all VA financial entities, provides guidance on all aspects of financial management, and manages the Department's financial operations at the FSC and DMC. The office provides financial systems support for maintenance/modification of VA's core accounting system, the Financial Management System, and the payroll/human resources Personnel Accounting Integrated Data (PAID) system and related self-service applications. OF also oversees the management of VA's Franchise Fund, travel and purchase card programs, and the performance and effectiveness of trusts established under VA's enhanced-use leasing program. The office is responsible for processing payments for VA payroll until full migration to the new system is completed as well as payments to vendors and for employee travel and relocation. OF is also responsible for expanding electronic commerce and electronic data interchange capabilities and developing and implementing long-range financial systems initiatives. It also provides Departmental leadership and assistance to VA administrations and staff offices in financial process improvement and audit readiness services as well as remediating audit-related material weaknesses and significant deficiencies. *(Refer to the Franchise Fund Enterprise Centers chapter for budget information on the FSC, DMC, and other Franchise Fund operations.)*

Recent Accomplishments

- VA received an unqualified (clean) audit opinion on its consolidated financial statements for the 10th consecutive year from our external auditors, Deloitte & Touche. Four material weaknesses were identified by Deloitte & Touche during their audit of VA's 2007 financial statements. In 2008, the "Retention of Computer Generated Detail Records in the Benefits Delivery Network (BDN)" material weakness was resolved. A 3-year Financial Policy Improvement Initiative began in 2008 to provide updated and standardized Department-wide financial policies to address the "Financial Management Oversight" material weakness. During the base year of the Financial Policy Improvement Initiative Contract with Grant Thornton (03/31/08 - 03/30/09), five volumes containing 81 chapters are scheduled for completion.
- The initiative to centralize payments of VHA certified invoices at the Financial Services Center was completed in 2008. This centralization resulted in an 18% improvement in interest paid per million dollars disbursed (from \$84 per million in 2007 to \$69 per million in 2008) and an increase in discounts (VA earned nearly 93 percent (\$6.4 million) of its available discounts).
- During 2008, the Department aggressively used the Government-wide commercial purchase card program. Over 4.8 million transactions were processed, representing \$3.0 billion in purchases. The electronic billing and payment process for centrally billed accounts earned VA over \$49 million in credit card refunds in 2008 compared to \$42 million during 2007. These refunds are returned to VA entities for use in Veterans programs.
- VA completed the Department-wide implementation of FedTraveler (electronic travel) on schedule in December 2007. VA also made progress in Payroll Modernization (e-Payroll). In calendar year 2008, VA migrated payroll processing for nearly 50,000 VA employees to the Defense Finance and Accounting Service (DFAS). Similar migrations will continue in calendar year 2009, with all VA employees migrated to DFAS by September 2009.

Office of Budget:

The Office of Budget provides strategic and operational leadership in the development and execution of the Department's budget and performance plans. The office provides policy guidance, technical assistance, and Department-level oversight of all program budgets and performance plans to ensure accuracy and consistency with policy, law, and regulation. The office provides the Department with an impartial forum to discuss and resolve budgetary issues to ensure Veterans' programs are carried out in an efficient and effective manner.

Recent Accomplishments

- Produced the 2007 VA Performance and Accountability Report (PAR) which was recognized as the third best in the federal government by the Mercatus Center of George Mason University and was rated first in the categories of Transparency and Leadership. VA's PAR has ranked in the top 4 in government for 9 consecutive years. In November 2008, the 2008 PAR was published.
- Established VA's first Performance and Budget Web page in June 2008, providing the public with a direct link and easy access to VA's budget, PAR, financial statements, and other performance management information. This was cited as a "best practice" by OMB.
- Promote accountability and transparency through Monthly Performance Reviews (MPRs) chaired by VA's Deputy Secretary and attended by Under Secretaries, Assistant Secretaries, and other senior leadership of the Department.

MPRs assist senior leadership in monitoring the status of:

- Performance and workload compared to plan,
- Budget execution rates compared to plan, and
- Status of major construction and information technology projects.

In addition, MPRs enable leadership to:

- Discuss and evaluate root causes of variances from plan and develop corrective actions necessary to achieve desired outcomes.
- Identify "over the horizon" problems and take proactive steps to resolve said problems before they become critical.

- Gain an in-depth understanding of cross-cutting issues that affect the entire Department or involve other federal or non-federal agencies.

Office of Asset Enterprise Management:

The Office of Asset Enterprise Management (OAEM) fulfills VA's need for a comprehensive corporate-level capital asset management function and serves as the principal policy office and business advisor regarding investment selection and execution, portfolio management, and disposal of VA's capital assets. OAEM provides guidance, standards, and technical expertise conducive to sound business practices and necessary to manage assets that support the VA's strategic goals; ensures that VA complies with all Federal real property and capital asset reporting and statutory requirements; and produces the 5-Year Capital Plan and the Asset Management Plan.

As part of its asset management activities, OAEM also serves as the VA's policy and program office for energy, environment, and transportation (vehicle fleet) management, making certain that VA meets performance and reporting mandates in these areas, and serves as the policy, program, and application office for the enhanced-use (EU) leasing program.

Recent Accomplishments

- During 2007-2008, VA completed comprehensive energy assessments for two-thirds of its facilities, with the remainder to be completed in 2009. The completed assessments identified approximately \$230 million in potential energy and water efficiency improvement projects. In 2008, VA also completed two solar projects and identified another \$49 million in feasible solar and other renewable energy projects.
- During 2007-2008, VA conducted a comprehensive site review initiative to identify underutilized real property within VA's inventory. Forty-nine sites met the criteria for further development under one or both of two transaction execution phase initiatives. Phase I is the Mission Driven Housing for Homeless Veterans (Mission Homeless) initiative, and Phase II is the Site Review Market Driven (Site Review) initiative. The Mission Homeless initiative consists of 28 sites actively pursuing EU program housing projects for homeless Veterans. The Site Review initiative consists of 15 sites that are approved for market-driven projects to support VA's mission.

- In 2008, operational EU program projects generated \$47.7 million in total consideration to VA, including \$1.4 million in cash revenues, \$31.0 million in cost avoidance, \$6.1 million in cost savings, and \$9.2 million in enhanced services. VA also disposed of a total of 88 underutilized assets, including 86 buildings (962,348 sq ft) and 2 parcels of land (69.51 acres).

Office of Business Oversight:

The Office of Business Oversight (OBO) supports the Office of Management mission to build public trust through oversight of VA business and financial reporting activities, ensuring their compliance with laws, policies, and directions from external organizations such as OMB, Treasury, GAO, and Congress as well as with internal VA business policies and procedures. OBO is the VA's primary internal review and quality assurance organization for the Department's financial, acquisition, logistics, and capital asset management activities. OBO also manages the Department's reviews and testing of internal controls over financial reporting required by OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix A, *Internal Control Over Financial Reporting*, and financial system reviews required under OMB Circular A-127, *Financial Management Systems*. OBO ensures standards and requirements identified for financial systems, financial operations, acquisition, logistics, and capital asset management activities are being met in VA.

Recent Accomplishments

- In 2008 OBO's Management Quality Assurance Service (MQAS) provided comprehensive internal oversight for VA financial, acquisition, logistics, and capital asset management activities. MQAS issued 78 reports on VA field facilities and VA Central Office business activities and made 1,059 recommendations to correct issues identified during these reviews. MQAS exceeded its 2008 Annual Review Plan by completing 100% of its scheduled field reviews, 100% of planned special projects, and three major unplanned special projects.
- OBO's Internal Controls Service (ICS) completed its initial assessment of the VA's internal controls over financial reporting in 2008. This completed a three-year effort to establish a baseline of the Department's control environment. Documentation, testing, and reporting of all planned business processes and selected application and system controls scheduled in 2008 were completed by ICS on time and on budget.
- In 2008, OBO's Systems Quality Assurance Service (SQAS) provided independent verification and validation of two major VA Enterprise

programs, FLITE and PAID's e-Payroll. SQAS completed 26 Quality Assurance technical reviews of the FLITE program and project documentation. SQAS performed Quality Assurance and Systems Integration Testing on all VA PAID software releases for PAID maintenance changes and for the VA e-Payroll effort to convert VA employees' payroll processing to DFAS.

FLITE:

The FLITE Program Director's Office (PDO) is responsible for implementing an enterprise-wide financial and logistics system to standardize business processes and modernize the information technology environment supporting financial and asset management within the VA. The PDO manages the three components of FLITE, namely, the Integrated Financial Accounting System (IFAS), an asset management component referred to as the Strategic Asset Management System (SAM), and the repository for IFAS and SAM data known as the FLITE Data Warehouse.

Recent Accomplishments

- In 2008 VA completed initial planning and documentation of business requirements for SAM and IFAS. Key program management activities were also implemented, including establishment of a Risk Management Control Board; base lining the lifecycle cost estimate, schedule and milestones; initiating Organizational Change Management (OCM) communications targeted toward stakeholders; and continued engagement of the FLITE Governance Structure to provide senior level oversight and guidance.
- Awarded the contract for SAM hardware and issued the request for proposals for the SAM Pilot implementation and Program Management Office Support (PMOS) services. Conducted a site selection survey to determine Pilot sites for IFAS and Beta sites for SAM and IFAS.
- In 2008, the FLITE program also implemented the final planned interfaces into the Financial Reporting Data Warehouse (FRDW) production environment.

Budget Highlights

The 2010 request of \$43.9 million in budget authority (BA) will provide:

- A total of \$35.9 million for Personnel Compensation and Benefits for 260

budgeted FTE;

- The Office of the Assistant Secretary with funding to support 12 FTE and continue the current level of operations and sustain efforts in critical initiatives underway in OM;
- OF with a total of \$14.6 million and 101 FTE to continue providing financial services including the development of financial policy, procedures, and guidance on all aspects of financial management for all VA financial entities and management of the Department's financial operations at the FSC and DMC. The office will also provide financial systems support for maintenance/modification of VA's core accounting system, the Financial Management System, and the payroll/human resources Personnel Accounting Integrated Data (PAID) system and related self-service applications. The office will oversee the management of VA's Franchise Fund, travel and purchase card programs, and the performance and effectiveness of trusts established under VA's enhanced-use leasing program. The office will continue to be responsible for VA payroll until full migration to the new system is completed, processing payments to vendors and for employee travel and relocation, expanding electronic commerce and electronic data interchange capabilities, and developing and implementing long-range financial systems initiatives. It will also provide Departmental leadership and assistance to VA administrations and staff offices in financial process improvement and audit readiness services and remediating audit-related material weaknesses and significant deficiencies;
- OF with \$454 thousand in funding for an Associate Deputy Assistant Secretary and support staff for the new Office of Financial Process Improvement and Audit Readiness and a Director for the Credit Card Oversight and Travel Policy Service. The Office of Financial Process Improvement and Audit Readiness will work directly with VA administrations and staff offices on remediation efforts and be responsible for developing detailed corrective action plans for remediating Departmental material weaknesses;
- \$5.4 million for the Office of Budget to support 33 FTE in the formulation and execution of VA's budget and performance plans. The funding level provides for an additional 3 FTE for increased financial and performance analysis to address increased budget and data reporting requirements. This funding level will also provide for the production, printing, and distribution of both VA's Congressional Budget volumes and the Performance and Accountability Report (PAR);

- \$5.7 million for OAEM to support 44 FTE to continue providing services as the principal policy office and business advisor regarding investment selection and execution, portfolio management, and disposal of VA capital assets. The funding level also supports the staffing needed to provide management policy, program expansion, and oversight responsibility for coordinating the Department's implementation of energy and water conservation, renewable energy development, environmental compliance and management systems, and fleet utilization and efficiency at its facilities;
- OBO with budget authority of \$8.1 million and 57 FTE which will provide the resources to conduct reviews of field facilities and VA Central Office business activities and special projects. These reviews and special projects will result in substantive recommendations to correct issues identified. It will also provide the resources to support an entity-wide risk assessment of internal controls over financial reporting for 36 key financial processes and remediate the significant deficiencies and material weaknesses found during the testing of internal controls over financial reporting; and
- \$2.8 million and 13 FTE to the FLITE PDO which will continue to lead the IFAS and SAM Projects in implementing the Department's enterprise-wide, integrated financial and asset management system. In 2010 the SAM Project office is projected to complete the Pilot phase and begin deployment at selected Beta sites. The IFAS project is scheduled to complete Pilot and Beta phases for the replacement of the legacy Financial Management System while concurrently beginning development efforts on the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) replacement system. These efforts are the initial execution activities planned to standardize business processes and modernize the information technology environment supporting financial and asset management. In addition, the level of effort to support OCM activities associated with the spectrum of FLITE activities will require PDO representatives to travel extensively to the Pilot and Beta sites during all phases of the FLITE projects to execute, monitor and assist sites with the enterprise transition activities which include: site readiness, data cleansing, training, communications, marketing, union negotiations, and HR issues. The importance of OCM activities are critical to a successful outcome of the FLITE projects. Research has shown, in both public and private sectors, the single most frequent cause of enterprise project failure is poorly executed OCM activities. This lesson was clearly documented in the lessons learned reports from prior enterprise-wide initiatives and is of primary importance in the planning and execution of the FLITE program.

Total resources in the 2010 budget include \$30.8 million in reimbursements with \$5.8 million in reimbursable authority for OBO to cover 26 FTE and expenses associated with financial, acquisition and logistics oversight responsibilities and \$25 million in reimbursable authority for OF to pay for DFAS payroll processing services.

Summary of Employment and Obligations- Analyses

| <i>Summary of Employment and Obligations</i> (dollars in thousands) | | | | | |
|--|-----------------|--------------------|---------------------|------------------|------------------------------|
| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Average Employment | 230 | 267 | 262 | 286 | +24 |
| Obligations: | | | | | |
| Personal Services | \$30,092 | \$35,742 | \$36,574 | \$39,113 | +\$2,539 |
| Travel | 1,255 | 965 | 1,763 | 1,571 | -192 |
| Transportation of Things | 46 | 0 | 0 | 0 | 0 |
| Rents, Communications & Utilities | 409 | 390 | 715 | 422 | -293 |
| Printing & Reproduction | 188 | 19 | 195 | 199 | +4 |
| Other Services | 6,288 | 4,573 | 33,843 | 33,100 | -743 |
| Supplies & Materials | 240 | 156 | 418 | 329 | -89 |
| Equipment | 45 | 18 | 340 | 33 | -307 |
| Insurance & Indemnities | 0 | 0 | 0 | 0 | 0 |
| Total Obligations | \$38,563 | \$41,863 | \$73,848 | \$74,767 | +\$919 |
| Reimbursements | -4,845 | -4,917 | -17,276 | -30,811 | -13,535 |
| SOY Unobligated Balance (-) | -17,460 | 0 | -19,026 | 0 | +19,026 |
| EOY Unobligated Balance (+) | 19,026 | 0 | 0 | 0 | 0 |
| <i>Adjustments in Unobligated Balances (+)(-)¹</i> | 1,562 | | | | |
| Budget Authority | \$36,846 | \$36,946 | \$37,546 | \$43,956 | +\$6,410 |

^{1/} Reflects EOY unobligated balances that will be made available in 2009.

- The 262 FTE in FY 2009 reflects the annual average FTE. It should be noted that the on-board 2009 End- of-Year FTE is estimated to reach 280. As a result, the 2010 FTE represents an additional 6 FTE.
- Personal Services increases are required due to the projected 2% pay raise effective in January 2010, increases in normal personnel benefits, and inflation to support FTE.

- Rents, Communications & Utilities in 2010 is expected to decrease by \$293 thousand because of certain rental costs that will occur in 2009 only.
- Other Services decreased in 2010 by \$743 thousand because of expected reductions in obligations for contracts and ongoing business initiatives.
- Equipment obligations decreased in 2010 by \$307 thousand because of furniture, fixtures, and equipment for new office space that was required in 2009.

Changes from Original Budget

| Changes from Original 2009 Budget Estimates | | | |
|--|------------------------|-------------------------|--------------------------------------|
| <i>(dollars in thousands)</i> | | | |
| | 2009 | | |
| | Budget Estimate | Current Estimate | Increase (+) Decrease (-) |
| Average Employment | 267 | 262 | -5 |
| Obligations: | | | |
| Personal Services | \$35,742 | \$36,574 | +\$832 |
| Travel | 965 | 1,763 | +798 |
| Transportation of Things | 0 | 0 | 0 |
| Rents, Communications & Utilities | 390 | 715 | +325 |
| Printing & Reproduction | 19 | 195 | +176 |
| Other Services | 4,573 | 33,843 | +29,270 |
| Supplies & Materials | 156 | 418 | +262 |
| Equipment | 18 | 340 | +322 |
| Insurance & Indemnities | 0 | 0 | 0 |
| Total Obligations | \$41,863 | \$73,848 | +\$31,985 |
| Reimbursements | -4,917 | -17,276 | -12,359 |
| SOY Unobligated Balance (-) | 0 | -19,026 | -19,026 |
| EOY Unobligated Balance (+) | 0 | 0 | 0 |
| Budget Authority | \$36,946 | \$37,546 | +\$600 |

- The FY 2009 current estimate for obligations are higher than the original budget estimate because of unobligated balances carried into 2009. This is the result of several Department-level contracts that were budgeted for in 2008 that are now expected to be obligated in 2009.
- Personal Services are greater because of increases in personnel compensation, benefit costs, and hiring costs.

- Travel obligations are expected to be higher than the original budget estimate as a result of required travel for the planning, development, and execution of IFAS and SAM project activities under the FLITE Program. These increases include travel for the FLITE Pilot and Beta sites (total of 16 unique sites) by OCM team members to execute, monitor and assist sites with the enterprise transition activities which include: site readiness; data cleansing; training; communications; marketing; union and HR issues; technical evaluations of major FLITE acquisitions; Systems Engineering evaluations of local systems, data, and capability; project team training; Subject Matter Expert (SME) meetings and multiple User Acceptance Testing sessions; and joint SAM-IFAS working sessions.
- Rents, Communications & Utilities are greater because of increased rental space costs in 2009 only.
- Other Services have increased over the original budget request as a result of unobligated balances carried forward from the previous year for Department-level contracts, combined with \$10 million in reimbursements to cover the payroll processing fees of DFAS. VA began a phased in approach to implement payroll processing through DFAS in 2009. The reimbursements for DFAS were not included in the original 2009 budget since the implementation schedule was still being assessed at that time. All DFAS reimbursements are included in the 2010 budget.
- Supplies & Materials obligations are expected to be greater as a result of increased total resources to cover recurring office operating supply expenses.
- Equipment is higher to cover furniture, fixtures, and equipment for new office space.
- The 2009 current estimate for budget authority is greater than the 2009 budget estimate as a result of an additional \$600,000 provided in the 2009 enacted appropriation.

Program Goals, Objectives, and Performance Measures

| Table 1: Performance Summary Table | | | | | | | |
|---|------------------------|------------|-----------|--------|----------------------|-----------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 1) Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements (OM) | 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 (OM) (VA's material weaknesses identified during the annual independent financial statement audit are also considered weaknesses under FMFIA) | 4 | 4 | 4 | 3 | 3 | 3 | 0 |
| 3) Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM) | 98% | 104% | 112% | 113% | 95% | 95% | 95% |
| 4) Percent Condition Index (owned buildings) (OAEM) (1) Corrected | 82% | (1) 82% | 74% | 66% | 85% | 85% | 87% |
| 5) Ratio of non-mission dependent assets to total assets (OAEM) | 22% | 15% | 12% | 12% | 12% | 12% | 10% |
| 6) Ratio of operating costs per gross square foot (GSF) (OAEM) (Targets conform with Federal Real Property Council Tier 1 definitions) | \$4.85 | \$5.59 | \$5.80 | \$6.47 | \$4.52 | \$4.52 | \$4.52 |
| 7) Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline (OAEM) (1) Corrected | N/Av | 4% | (1) 8% | 11% | 12% | 15% | 30% |
| 8) Percent of total facility electricity consumption that is renewable (OAEM) | N/Av | 3% | 3% | 4% | 3% | 5% | 7.5% |
| 9) Percent of above-threshold buildings square footage in inventory that incorporate the sustainable design practices in the guiding principles (OAEM) (New Measure) | N/Av | N/Av | N/Av | N/Av | N/Av | TBD | 15% |

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

1) Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements

a) Means and Strategies:

- Continue to enhance and improve financial systems and processes.
- Develop and retain qualified staff.

b) Data Source(s):

- IG audit of VA's Consolidated Financial Statements.

c) Data Verification:

- IG audit and audits by independent certified public accounting firms.

d) Measure Validation:

- Clean audit opinion with no qualifications is widely considered to be a critical indicator of effective financial stewardship.

e) Cross-Cutting Activities: None

f) External Factors: None

2) Number of material weaknesses identified during the annual independent financial statement audit or separately identified by management

a) Means and Strategies:

- Track and monitor progress in resolving financial statement audit-related/Federal Financial Management Improvement Act material weaknesses.
- Reassess internal controls to strengthen and improve effectiveness.
- Revise internal controls program to reflect seamless integration of management controls.

b) Data Source(s):

- Internal IG reports and audits of VA's Consolidated Financial Statements.

c) Data Verification:

- Audits by independent certified public accounting firms.

d) Measure Validation:

- No material weaknesses are widely considered to be critical components of effective financial stewardship.

e) Cross-Cutting Activities: None

f) External Factors: None

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

3) Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM)

a) Means and Strategies:

- Track space utilization in accordance with Federal Real Property Council requirements for all VA owned and direct-leased buildings. Building performance is evaluated based on predominant use in five categories (i.e, offices, warehouses, hospitals, laboratories, or housing).

b) Data Source(s):

- Capital Asset Management System (CAMS) based on Administration source databases.

c) Data Verification:

- Data is reviewed by Administrations and Office of Management staff.

d) Measure Validation:

- Higher levels of utilized space as compared to overall space indicate the optimal use of capital assets.

e) Cross-Cutting 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.

f) External Factors: None

4) Percent Condition Index (owned buildings) (OAEM)

a) Means and Strategies:

- VA calculates 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.

b) Data Source(s):

- Capital Asset Management System (CAMS) based on Administration source databases.

c) Data Verification:

- Data will be reviewed by Administrations and Office of Management staff.

d) Measure Validation:

- Constructed assets that are in better condition (those with a higher Condition Index) are more efficient and have lower operating and maintenance costs.

e) Cross-Cutting Activities: None

f) External Factors:

- Repairs and upgrades to improve asset condition are dependent on the availability of resources.

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

5) Ratio of non-mission dependent assets to total assets (OAEM)

a) Means and Strategies:

- VA identifies mission critical, mission dependent/not critical, or not mission dependent assets as required by the Federal Real Property Council and OMB.

b) Data Source(s):

- Capital Asset Management System (CAMS) based on Administration source databases.

c) Data Verification:

- Data will be reviewed by Administrations and Office of Management staff.

d) Measure Validation:

- The reduction of capital assets that are not critical to or dependent on the Department's mission reduces VA's capital portfolio costs.

e) Cross-Cutting 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.

f) External Factors:

- Stakeholder concerns and historic issues often constrain VA's ability to dispose of assets in a timely and efficient manner.

6) Ratio of operating costs per gross square foot (GSF) (OAEM)

a) Means and Strategies:

- VA calculates annual operating and maintenance costs on all constructed assets using an OMB-approved allocation model.

b) Data Source(s):

- Capital Asset Management System (CAMS) based on Administration source databases.

c) Data Verification:

- Data is reviewed by Administrations and Office of Management staff.

d) Measure Validation:

- Minimizing operating and maintenance costs enables VA to reinvest much needed funds improve services to our Nation's Veterans.

e) Cross-Cutting 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.

f) External Factors: None

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

7) Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline (OAEM)

a) Means and Strategies:

- Through life-cycle cost-effective measures, VA will reduce energy consumption per gross square foot of its facilities.

b) Data Source(s):

- Capital Asset Management System (CAMS) based on Administration source databases.

c) Data Verification:

- Data will be reviewed by Administrations and Office of Management staff.

d) Measure Validation:

- Reducing the energy consumption intensity in VA facilities conserves energy resources, helps control energy costs to the Department, and should result in savings that could be used for improved services to Veterans.

e) Cross-Cutting Activities:

- VA is using the results of a national laboratory study to target facilities with high potential for renewable energy projects. VA continues to work with the Department of Energy to ensure availability and support of appropriate energy efficiency investment financing that enhances federal agencies' ability to implement energy projects.

f) External Factors: None

8) Percent of total facility electricity consumption that is renewable (OAEM)

a) Means and Strategies:

- Through the increased utilization of on-site renewable energy technologies, VA will gradually increase its percent of renewable electricity consumed to 7.5% in 2013.

b) Data Source(s):

- Capital Asset Management System (CAMS) based on Administration source databases.

c) Data Verification:

- Data will be reviewed by Administrations and Office of Management staff.

d) Measure Validation:

- Increased use of renewable energy in VA facilities conserves traditional energy resources, helps control energy costs to the Department, and should result in savings that could be used for improved services to Veterans.

e) Cross-Cutting Activities:

- VA is using the results of a national laboratory study to target facilities with high potential for renewable energy projects.

f) External Factors: None

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

9) Percent of above-threshold buildings square footage in inventory that incorporate the sustainable design practices in the guiding principles (OAEM)

a) Means and Strategies:

- Through earning third-party certification and meeting Sustainable Building Guiding Principles for the targeted existing facilities and all new construction. VA will gradually increase the percentage of sustainable square footage.

b) Data Source(s):

- Capital Asset Management Systems (CAMS) based on Administration source databases.

c) Data Verification:

- Data will be reviewed by Administrations and Office of Management staff.

d) Measure Validation:

- Increasing the percentage of inventory that is sustainable optimizes energy performance, protects and conserves water, enhances indoor environmental quality, reduces the environmental impact of materials, employs integrated operations, and employs integrated design principles to result in improved service to Veterans and reduce environmental impacts.

e) Cross-Cutting Activities:

- VA is using the results of a sustainable building survey and EPA Energy Star Portfolio ratings to target facilities with high potential for sustainability. VA continues to work with the Department of Energy to ensure availability and support of appropriate sustainable building guidance and tools.

f) External Factors: None



Human Resources & Administration

Mission

Provide leadership, direction, oversight, and management of the Department's human capital assets and HR management programs.

Serve as principal advisor to the Secretary, the executive staff, human resources managers and practitioners on matters pertaining to the strategic management of human capital.

Deliver the right number and quality of personnel to achieve VA mission and provide high quality administrative services to the Office of the Secretary and VA's Central Office community.

Summary of Budget Request

| (\$ in 000) | 2009 | FTE | 2010 | FTE |
|--------------------------------------|-----------------|------------|-----------------|------------|
| Office of the Assistant Secretary | \$1,285 | 8 | \$1,323 | 8 |
| Office of Human Resources Management | 13,523 | 140 | 18,043 | 150 |
| Office of Administration | 41,576 | 109 | 43,530 | 113 |
| Office of Resolution Management | 1,877 | 7 | 1,907 | 8 |
| Office of Diversity and Inclusion | 2,169 | 17 | 2,270 | 17 |
| Office of Labor-Management Relations | 1,471 | 9 | 1,517 | 9 |
| Total Budget Authority | \$61,901 | 290 | \$68,590 | 305 |

In 2010, the Office of Human Resources and Administration (HR&A) is requesting budget authority (BA) of almost \$68.6 million. When combined with \$92.3 million in reimbursements, these funds will allow for obligations of \$160.9 million. A total of 539 FTE will be required to support all HR&A operations, including 226 FTE funded from Office of Resolution Management reimbursements and 8 FTE funded from Office of Human Resource Management reimbursements. Further details of HR&A's BA and reimbursement requests can be found in the Budget Highlights section.

VA must invest in its workforce to recruit, train, develop and retain the right people, with the right skills and talent to support a 21st Century VA fully capable of serving our Nation's Veterans. This chapter will present initiatives to transform HR&A from traditional transactional work to human resources consulting across the Department, acquire new talent and the necessary level of critical expertise, upgrade the infrastructure and automate systems to create efficiencies, and educate/train HR professionals and VA's executive leadership cadre. Further details of these initiatives necessary to provide human capital support for a 21st Century organization can be found in the Next Steps for Transformation section of this chapter.

Program Description and Accomplishments

The Assistant Secretary for Human Resources and Administration (AS/HR&A) provides leadership and direction over the five major program areas listed below. They hold direct responsibility for leading both policy and operational functions in their respective program areas. The Assistant Secretary serves as the Chief Human Capital Officer and EEO Director for the Department. The Assistant Secretary serves as the Designated Agency Safety and Health Official (DASHO) and is responsible for administration of the occupational safety and health and workers' compensation programs. In addition, the Assistant Secretary serves as VA's Dispute Resolution Specialist as required by Federal law and is responsible for Alternative Dispute Resolution (ADR) policy, oversight, and training.

Office of Human Resources Management:

OHRM develops Department-wide policies, programs, and practices relevant to VA employees including the fundamental human resources functions of staffing, classification, compensation, executive development, workforce planning, employee relations and performance management, benefits, oversight, human resources information systems, recruitment and placement, Veteran employment coordination, and human capital planning and development of the HR community. OHRM represents the Department before Congress, the Office of Management and Budget (OMB), the Office of Personnel Management (OPM), and other Federal agencies on matters relating to human resources management.

Office of Administration:

O/A provides quality services to VA employees both nationally and for the VACO Campus. National program responsibilities include VA Occupational Safety and Health and Workers' Compensation Programs, VA's Transit Benefits Program, Executive Correspondence (White House bulk mail), and Protocol matters affecting the Department. VA Central Office responsibilities include leasing and space functions, simplified acquisitions (\$100,000 and under), transportation and labor services, and audio/visual and media services needs. O/A serves as the facility site manager for eleven Washington area locations and manages special projects in support of the VACO community.

Office of Resolution Management:

ORM works to promote a discrimination-free work environment focused on serving Veterans by preventing, resolving, and processing Equal Employment Opportunity (EEO) discrimination complaints in a timely and high-quality manner. This includes providing guidance and support to Alternative Dispute Resolution programs throughout VA on how to manage conflict and prevent and resolve disputes. ORM processes EEO complaints for VA employees, applicants for employment, and former employees. Complaint processing services include counseling, mediation, procedural determinations, and investigations. These services are provided through a nationwide network of six ORM field operations offices.

Office of Diversity & Inclusion:

ODI develops Department-wide policies, strategic plans, and program evaluations in the areas of workforce diversity management and equal employment opportunity. ODI performs national policy development, guidance, central direction, and technical assistance for major workforce diversity programs in VA. This includes strategic planning and annual reporting on workforce diversity and inclusion; workforce analysis; recruitment outreach and retention strategies; non-traditional internship and mentoring programs; EEO and diversity training and education; diversity-related communications; implementation of and annual reporting on relevant White House Initiatives; affirmative employment programs for the hiring, placement, and advancement of minorities, women, disabled Veterans, and people with disabilities; and special emphasis programming. ODI is responsible for reviewing and evaluating policies, plans, reports, and programs for conformance with various EEO laws, regulations, and directives relating to EEO, affirmative employment, and workforce diversity.

Office of Labor-Management Relations:

LMR sets and administers the Department's national labor relations policy through consultation with the Administrations, Staff Offices, and national labor unions; facilitates effective communication between VA management and the Department's national labor unions; provides notice to unions of proposed changes in working conditions requiring bargaining, as well as leadership for management negotiating teams to facilitate agreement and expedite implementation of national initiatives; provides expert advice and counsel to management officials in VACO and field facilities; provides leadership for management negotiating teams at the national level to facilitate agreement and expedite implementation of Department initiatives; provides labor-management relations education and training at all levels; and assists the VA Office of General Counsel in representing the Departments in national labor litigation matters. LMR bargains with VA's five national unions, which represent approximately 80 percent of all VA employees.

Recent Accomplishments

- During the past year, several improvements were made to enhance VACO emergency preparedness. VA made upgrades to the VACO building's Public Address System and the fire alarm system was upgraded with new software and tested on a regular basis. Quarterly drills were performed to validate evacuation processes and ensure the egress systems are functional. In addition, VA conducted Shelter-in-Place drills to ensure employees were familiar with the Shelter-in-Place concept and Occupant Emergency Response Guides were updated and distributed to employees.
- ADR participation in the EEO complaint process increased from 26 percent to 46 percent in 2008, significantly reducing costs to the Department. The cost of handling a discrimination case through traditional statutory processes ranges from \$7,500 per complaint up to \$60,000, excluding the cost of damages that may be payable in the event of a finding of discrimination. The cost of resolving disputes using ADR is generally between \$300 and \$500 per complaint. In 2008, participation in the ADR process resulted in the resolution of 254 disputes outside of the traditional EEO complaint process and another 530 complaints during the "pre-complaint counseling phase." The total estimated cost avoidance as a result of increased ADR participation was \$24 million.
- ORM reduced processing times for EEO investigations by more than 14 percent over the prior year. In 2008, VA completed 2,106 investigations in an average of 183 days compared to 1,913 investigations in an average of 214 days in 2007. This also represents a reduction of 59 days in processing times from a high of 242 days in October 2006.
- As part of its succession planning efforts, OHRM launched Veterans Affairs fourth Senior Executive Service Candidate Development Program. Placement rates of participants of previous classes have been as high as 86 percent. An additional class of approximately 25 participants will be launched later this year.
- In response to Public Law 108-469, OPM required that all Federal agencies develop their own financial literacy education strategy to benefit their employees. HR&A developed and held a kick off for the VA Retirement Financial Literacy and Education Program. The program strategy considers financial literacy education as a career-long process and incorporates a broad range of information employees will need to be aware of and understand in order to make informed retirement planning

decisions throughout their careers. Our plan recognizes that employees' financial needs change as they move through their careers.

- OHRM is in the process of revitalizing its department-wide workforce planning process, essential to maintain the workforce needed to provide continuity of services to Veterans. The Department provides the use of two sophisticated database analysis tools available through VA's Intranet. Each VA organizational plan will be accessible through the Intranet and will include past and projected workforce trends and strategies to address employee development, diversity, employee morale and satisfaction, and leadership succession.
- The Veterans Employment Coordination Service (VECS) was established as the lead office to attract, recruit, and hire Veterans into the VA. VECS consists of nine Regional Veterans Employment Coordinators (RVEC) located throughout the U.S. RVECs serve as employment case managers for severely injured Veterans and provide varying degrees of employment assistance to all Veterans seeking VA employment. To date, we have contacted over 2,300 severely injured Veterans from Operation Iraqi Freedom and Operation Enduring Freedom. So far, over 600 have positively responded. These efforts have directly contributed to 85 Veterans gaining VA employment.
- OHRM implemented the transition from paper to electronic/digitized employee personnel folders for VA employees. The conversion to the electronic Official Personnel Folder (eOPF) is close to completion, as over 266,000 Official Personnel Folders have been manifested (inventoried, packed, and shipped). As of January 2009, over 250,000 folders have been scanned. We are targeting employee roll out by the end of June 2009, 3 months in advance of the original planned completion date.
- VA issued its first Diversity & Inclusion Strategic Plan that presents a living roadmap for fostering a diverse workforce and inclusive work environment. Accordingly, the former Office of Diversity Management and Equal Employment Opportunity (DM&EEO) restructured and changed its name to the Office of Diversity & Inclusion (ODI) to reflect emerging trends in diversity management and expanded its focus to empower full participation of all employees in the workplace.
- VA implemented several new agency-wide diversity initiatives including the VA Diversity Advisory Council, a senior-level advisory body addressing EEO, diversity, and inclusion issues; the EEO & Diversity Training Board, an interdisciplinary content review board that provides

quality control and standards in diversity-related training; and the development of a consolidated EEO, Diversity, and No FEAR policy memorandum that summarizes all of VA's employee rights, responsibilities, and protections into one document to increase efficiency and enhance accountability in these areas.

- Working collaboratively with the Administrations and Staff Offices, LMR has led the reduction in time to complete mid-term bargaining from 136 days in the 1st quarter of 2008 to 55 days in the 1st quarter of 2009.

Next Steps for Transformation

An investment in human capital support is necessary for transformation to a 21st Century organization. This effort will provide for the recruitment and development of employees, including HR leadership; training to close competency gaps and develop new skills; credentialing of HR employees; acquisition of absent critical expertise; automation; and accountability and compliance oversight.

- The Office of Human Resource Management will establish the HR Corporate Consulting Center. This center will be crucial in leading VA's transformation effort to ensure VA has the workforce it needs now and in the future. The Consulting Center will depend on HR leaders in the field to serve as full-time consultants to operational HR staff and will provide expertise on training, adult learning, workforce/succession planning, organizational development, performance measures and evaluation and business acumen. In addition, the center will include a Central Office component staffed with HR experts and industrial psychologists to develop and lead the effort and to identify new skills and occupations required to serve Veterans in a 21st Century VA. Also within this office, the HR Academy will ensure HR professionals have the skills that they need to be effective HR consultants. Learning will focus on broad-based consulting and HR technical skills and will allow them to gain depth in their specific technical discipline within HR. The Academy will maximize use of eLearning and internal instructors and minimize use of classroom training courses.
- The human resources profession is a mission-critical occupation in VA. The world of HR has evolved from one that is heavily focused on transactions, such as typing and processing personnel actions, and administration, such as maintaining personnel folders, to one that focuses on performance enhancements and strategies. In order to meet the needs of this new direction, the Human Resources business must transform from

transactional work to consulting services and fill critical positions within OHRM in order to perform evolving operational HR functions.

- The Office of Human Resources Management will establish the Corporate Senior Executive Management Office. The current staffing process for SES and Title 38 equivalent positions is performed by VHA, VBA, and HR&A. A Corporate Senior Executive Management Office for the 21st Century will afford uniformity in the management of executive talent and utilize technology for increased efficiency. The new organization will manage the recruitment actions for all 336 slots (including VHA and VBA), have oversight of the VA-wide corporate Executive Resource Board, as well as lead the new VA SES Orientation Program and formalized SES On-Boarding process. Training efforts also will include Executive Coaching to enhance leadership development. These programs will minimize leadership competency gaps and help grow, develop, and sustain the quality of leadership in VA.
- HR&A will place Human Resource Information System (HRIS) liaisons in various geographical regions to serve as local HRIS consultants. HRIS is the PAID replacement element that will be provided by an approved OPM Human Resource Line of Business Shared Service Center (SSC). The SSC provider will offer modern HRIS service to VA for a fee based on the nature of the services provided and the number of employees serviced in a year. Although the enterprise is supported by a single HRIS application housed at a Shared Service Center, under the HR delivery model, the delivery of HR support will remain decentralized. Providing users with access and assistance is critical to supporting and sustaining the successful transformation. The HRIS field staff would possess knowledge and skill in a variety of HR systems-related areas and serve as a resource; providing answers to questions and subject matter expertise. This staff will serve as the HR&A contact representative for the HRIS transition and consultants for ongoing operations. Initially they will support change management activities, as well as requirements gathering and development, support the transition and rollout of the new system, and ultimately serve as client services representatives to the VISN managers, HR staff and employees.
- The Office of Administration serves as VA's hub for all building and facility related services for the VACO campus. As the Department's transformation continues, it is imperative that the services required to support a clean, safe, attractive, and accessible work environment are maintained. GSA has received funding to begin modernization of the Lafayette Building (811 Vermont Avenue NW). VA is required to support the effort with furniture moves, activation costs (health unit contract,

cleaning, equipment assembly, etc.), contractor supervision, realty and space management work, and representation of VA's interest on the renovation project to GSA. Other VA initiatives which require additional office space will require similar work. The Office of Occupational Safety and Health will implement recommendations of the Worker's Compensation Strategic Plan, Office of Inspector General, Worker's Compensation Steering Committee and the Safety Steering Committee. In addition, the Office of Administration will increase staff in the Client Service Center which receives, screens, and refers calls; Property Management which conducts the annual equipment inventory for all VACO offices; and the Building Management and Resources Management Divisions.

- VA issued its first Department-wide Diversity and Inclusion Strategic Plan for FY 2009 - 2013. This Plan represents a major transformation of the diversity management function in VA to a broader, more inclusive paradigm that is strategically aligned with the VA Human Capital Management Plan and VA Strategic Plan. Additional staff in the Office of Diversity and Inclusion will support the overarching goals of the Plan and will lead the implementation of proactive risk management strategies such as employee training, leadership development, and compliance oversight in the areas of diversity and inclusion to avoid costly liability associated with non-compliance with statutory obligations and EEOC requirements. ODI will develop an EEOC-compliant Reasonable Accommodations Case Management System and will establish a centralized account to fund reasonable accommodations as required by EEOC in support of the Americans with Disabilities Act Amendments Act of 2008 (ADAAA).
- The Office of Labor-Management Relations anticipates a renewed focus on labor-management partnership. LMR promotes successful labor-management relationships that allow the Department to effectively manage its workforce while meeting its labor relations obligations. As VA promotes labor-management partnership, LMR staff will lead training and proactively assist field offices with local issues. Also, the office will continue to facilitate effective negotiations with the unions to achieve outcomes consistent with labor laws and contractual requirements.
- The Office of Resolution Management will play a significant role as VA moves toward becoming a 21st Century organization. ORM will offer support and services in effectively managing conflict related to organizational changes, assist VA employees in navigating the changes and provide technical advice to VA managers. ORM will enhance current toll-free services and offer both access to more information for VA

employees and consultative services for VA managers through development of an automated system. Each of the ORM field offices will acquire full-time ADR Specialists. Additional staff will be dedicated to the ADR Program in Headquarters to serve as coach, facilitator, or mediator to VACO staff offices and administrations and to develop and implement executive leadership and other Department-wide training programs. Training will be developed and implemented Department-wide on managing conflict and organizational change as well as effective communication, negotiation, and problem solving skills.

Budget Highlights

The 2010 budget request includes resources necessary to continue the current level of operations and sustain critical initiatives underway. The budget request will provide for:

- New reimbursable authority of \$51.7 million for the Human Resources Information System (HRIS). This project is the central component of an overall VA HR Transformation and Modernization enterprise-level initiative that will upgrade and support the lifecycle activities of human capital and human resources management for the Agency. The HRIS component is the PAID replacement element that will be provided by an approved OPM Human Resources Line of Business Shared Service Center (SSC). The SSC provider will offer modern HRIS services to VA for a fee based on the nature of the services provided and the number of employees serviced in a year. Starting in 2010, the funding model for HRIS will be similar to that currently used for PAID, on a reimbursable basis with each VA organization paying for their employees. Initially, the SSC will provide core HR functionality to VA for personnel actions processing and benefits administration and will at a minimum interface with DFAS for payroll and OPM for eOPF and USA Staffing. However, additional services will be available at VA's option. Employees, managers, and HR staff will use a single VA HRIS portal to access the full range of services and support they require to accomplish their tasks. These core services will eliminate the manually laden basic transactional and maintenance work by current HR staff associated with PAID, paper driven processes, and disconnected applications.
- Budget authority of \$1.4 million for the Veterans Employment Coordination Service (VECS), previously funded through an agreement with the Under Secretary for Health. VECS was created to attract, recruit, and hire Veterans into the VA, particularly severely injured Veterans from

Iraq and Afghanistan. Regional Veterans Employment Coordinators will focus efforts within the VA to work with those Veterans interested in employment.

- Budget authority of \$2 million for a new enterprise-wide initiative as part of the Secretary's vision for transforming VA into a 21st century organization. The Corporate Senior Executive Management Office is being established to recruit, develop, and retain a cadre of people-centric, results-oriented, and forward-looking senior executives who are committed to serving Veterans and their families. The \$2 million will be used to establish and oversee an in-depth VA SES Orientation Program and formalized SES On-boarding process for VA's Executive Leadership cadre.
- \$32.9 million and 226 FTE in reimbursable authority for the Office of Resolution Management to cover expenses associated with preventing, resolving, and processing workplace disputes. When these reimbursements are combined with an additional \$2.4 million in expenditure adjustments from VBA and the staff offices, total ORM recoveries will be \$35.257 million in 2010. Total ORM recoveries include all related information technology support, which in turn will be reimbursed to the Information Technology Systems appropriation. In addition, the 2010 rent estimate for ORM will increase as some field personnel are relocated to new space.

Office of Human Resources and Administration
Summary of Employment and Obligations
(dollars in thousands)

| | 2008 Actual | 2009 | | 2010 Request | Change |
|---|-----------------|--------------------|---------------------|------------------|------------------|
| | | Budget Estimate | Current Estimate | | |
| Average Employment | 493 | 533 | 534 | 539 | +5 |
| Obligations: | | | | | |
| Personal services | \$56,550 | \$62,419 | \$61,249 | \$64,752 | +\$3,503 |
| Travel | \$1,946 | \$1,815 | \$2,306 | \$2,421 | +\$115 |
| Transportation of things | \$392 | \$211 | \$373 | \$398 | +\$25 |
| Rents, communications & utilities | \$25,045 | \$26,759 | \$26,789 | \$28,066 | +\$1,277 |
| Printing and reproduction | \$271 | \$187 | \$258 | \$327 | +\$69 |
| Other services | \$12,672 | \$6,664 | \$14,225 | \$66,392 | +\$52,167 |
| Supplies and materials | \$541 | \$850 | \$1,005 | \$990 | -\$15 |
| Equipment | \$583 | \$377 | \$301 | \$425 | +\$124 |
| Insurance & Indemnities | \$15 | \$2 | \$15 | \$15 | 0 |
| Adjustment to Expenditures | -\$3,145 | -\$2,795 | -\$2,725 | -\$2,890 | -\$165 |
| Total obligations | \$94,870 | \$96,489 | \$103,796 | \$160,896 | +\$57,100 |
| Reimbursements | -\$33,214 | -\$34,588 | -\$40,158 | -\$92,306 | -\$52,148 |
| SOY Unobligated Balance (-) | -\$2,671 | ... | -\$1,737 | ... | +\$1,737 |
| EOY Unobligated Balance (+) ^{1/} | \$2,306 | ... | ... | ... | 0 |
| Budget authority | \$61,291 | \$61,901 | \$61,901 | \$68,590 | +\$6,689 |

^{1/} \$569,000 is available but not yet apportioned for 2009 use.

Summary of Employment and Obligations - Analyses

HR&A's personal services estimate reflects salary requirements for 305 FTE for General Administration activities funded through GOE in 2010. The total estimated FTE of 539 includes 234 for ORM which is comprised of 226 reimbursable FTE and 8 budgeted FTE. The 2010 request includes an additional 10 FTE for the Veterans Employment Coordination Service and their associated payroll costs. These FTE were previously funded through reimbursement.

Personal services obligations increase due to the 2.0 percent projected salary increase and associated benefit costs. In addition, the 2010 budget request will fund the FTE increases requested in 2009 for both OHRM and O/A.

The rent, communication and utilities increase is primarily associated with ongoing rents and other services required to operate VA headquarters. Rent includes payment to GSA for buildings occupied by VA and its employees.

Office space rental estimates are based on the amount prescribed by GSA in accordance with established fair annual rental appraisals and are in accordance with GSA's current projections. The majority of the obligations increase is for ORM field personnel being relocated to new space. Other services obligations increase of \$52.2 million is primarily due to the new reimbursable authority requested for HRIS.

The other services request also includes \$2 million for a 2010 training initiative to establish the Executive Leadership Orientation Program.

| Changes from Original 2009 Budget Estimates | | | |
|--|----------------------------|-----------------------------|--------------------------------------|
| <i>(dollars in thousands)</i> | | | |
| | 2009 | | Increase (+) Decrease (-) |
| | Budget Estimate | Current Estimate | |
| Average Employment | 533 | 534 | +1 |
| Obligations: | | | |
| Personal Services | \$62,419 | \$61,249 | -\$1,170 |
| Travel | 1,815 | 2,306 | +491 |
| Transportation of Things | 211 | 373 | +162 |
| Rents, Communications & Utilities | 26,759 | 26,789 | +30 |
| Printing & Reproduction | 187 | 258 | +71 |
| Other Services | 6,664 | 14,225 | +7,561 |
| Supplies & Materials | 850 | 1,005 | +155 |
| Equipment | 377 | 301 | -76 |
| Insurance & Indemnities | 2 | 15 | +13 |
| Adjustment to Expenditure | -2,795 | -2,725 | +70 |
| Total Obligations | \$96,489 | \$103,796 | +\$7,307 |
| Reimbursements | -34,588 | -40,158 | -5,570 |
| <i>SOY Unobligated Balance (-)</i> | <i>0</i> | <i>-1,737</i> | <i>-1,737</i> |
| <i>EOY Unobligated Balance (+)</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Budget Authority | \$61,901 | \$61,901 | 0 |

The 2009 current estimate for budget authority is consistent with the 2009 budget estimate. However, obligations are expected to be higher than the original budget due to unobligated balances carried into 2009, as well as increases in reimbursable authority.

The 2009 budget estimate did not reflect IT costs within the total ORM reimbursement. An increase of \$3.7 million in ORM IT reimbursements will be reimbursed to the Information Technology Systems (ITS) account to cover the

salary and benefits of 4 FTE currently detailed to ORM, as well as the General Dynamics Help Desk Support contract, Complaint Automated Tracking System (CATS) software licenses, development of a Call Monitoring system and other equipment and maintenance services.

Reimbursements increase almost \$5.6 million from the original request due to the ORM IT costs and the inclusion of 8 FTE in OHRM that will be reimbursed to HR&A from ITS.

Program Goals, Objectives, and Performance Measures

| Table 1: Performance Summary Table | | | | | | | |
|---|---------|------|------|-------------------|--------------|----------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Measures are in bold) | Results | | | | Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | 2009 (Final) | 2010 (Request) | |
| 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. | | | | | | | |
| 1) Percentage of VA employees who are Veterans | 28% | 31% | 31% | 30% | 33% | 31% | 33% |
| 2) The Alternative Dispute Resolution (ADR) participation rate in the informal stage of the Equal Employment Opportunity (EEO) complaint process | 17% | 22% | 28% | 46% ^{1/} | 47% | 48% | 50% |
| 3) Percentage of VA HR Offices and Delegated Examining Units that accept job applications on-line | 20% | 25% | 22% | 35% ^{1/} | 60% | 60% | 100% |

^{1/} Corrected

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

1. Percentage of VA employees who are Veterans

a) Means and Strategies:

- Provide varying degrees of employment assistance to all Veterans seeking VA employment by promoting the use of special appointing authorities for Veterans to streamline the Federal hiring process and reduce the time it takes managers to fill vacancies in their workforce.
- Work closely with VBA's Vocational Rehabilitation and Employment Service (VR&E) to identify qualified transitioning servicemembers with qualifications to fill critical occupations in VA.
- Attend outreach and recruiting events to promote VA employment.
- Routinely participate in TAP and DTAP briefings, military career fairs, as well as publish national military events lists for all HR recruiters.

b) **Data Source(s):** COIN PAID reports; VISN Support Service Center (VSSC)

c) **Data Verification:** Review by VA Human Resources Line of Business (HRIS)

d) Measure Validation:

- This measure assesses the degree to which VA's workforce reflects customers we serve, which is considered to enhance VA's ability to execute its mission.
- Identifies VA's progress toward having a diverse workforce reflective of its customers and committed to ensuring the smooth transition of severely injured and other service-connected disabled servicemembers to the civilian workforce.

e) **Cross-Cutting:** None

f) External Factors:

- Known losses from increased rate of retirement-eligible Veterans.
- Compatible or existing skills and qualifications of younger, less experienced Veterans.

2. The Alternative Dispute Resolution participation rate in the Equal Employment Opportunity complaint process

a) Means and Strategies:

- Continue ORM's active dispute resolution program designed to equitably resolve complaints by employees before they reach the formal complaint stage.
- Improve coordination between the ORM field office and the facility to ensure ADR is offered and its benefits effectively marketed.
- Continue training and oversight of ADR program staff within VA to ensure timeliness and quality of responses to requests.

b) **Data Source(s):** Complaints Automated Tracking System (CATS) and ADR Tracker

c) **Data Verification:** Regular dissemination of reports and information to the administrations for verification.

d) Measure Validation:

- Measurement of ADR participation rate shows whether EEOC meets its mandate of having at least 50 percent ADR participation during pre-complaint process.
- Measurement indicates the effectiveness of VA policies to encourage use of ADR to resolve workplace disputes expeditiously so employees can focus on service to Veterans.
- Measurement indicates VA success in fostering a more productive and harmonious work environment, which ADR is considered to promote.

e) **Cross-Cutting:** None

f) **External Factors:** None

g) **Other Supporting Information:** VA's success in this area is also contingent on three other key factors:

- Educating employees, managers, and labor partners on the ADR process and its benefits.
- Training ADR coordinators on best practices.
- Maintaining a pool of facilitators to provide ADR services.

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Policy & 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 efficient and effective delivery of benefits and services to our Nation's Veterans. 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.

Summary of Budget Request

| (\$ in 000) | 2009 | FTE | 2010 | FTE |
|-------------------------------|-----------------|------------|-----------------|------------|
| Office of the AS/PDAS | \$1,136 | 9 | \$1,780 | 10 |
| VA/DoD Collaboration Office | 1,214 | 8 | 8,527 | 14 |
| DAS for Policy | 5,889 | 28 | 7,756 | 36 |
| DAS for Planning & Evaluation | 6,363 | 19 | 7,952 | 33 |
| Total Budget Authority | \$14,602 | 64 | \$26,015 | 93 |

- In 2010 the OPP is requesting budget authority of \$26.015 million, \$11.413 million more than the prior year, and 93 FTE to support its operations.
- New initiative - OPP is requesting \$8.5 million in 2010 to expand the VA/DoD Collaboration Office. VA and DoD will improve interoperability to ensure a smooth transition for servicemembers to civilian life.
- New initiative - in 2010 we are requesting \$1.5 million to establish a new Program Analysis and Evaluation Service. The new planning capability will allow VA to better anticipate demand for its services. Details of each new initiative can be found in the Budget Highlights section of this chapter.

Program Description and Accomplishments

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.

VA/DoD Collaboration Office:

VA/DoD Collaboration Office provides oversight for the implementation of joint VA/DoD governance and strategic planning, and conceptual and analytical information to support VA/DoD joint identification and analysis of policy and program issues that affect VA's responsibilities in the continuum of care from the disabling wound, injury or illness of a Service member to return to active duty or transition to Veteran status.

The principal functions of the VA/DoD Collaboration Office include:

- Lead VA's collaborative efforts with DoD under the VA/DoD Joint Executive Council (JEC) and the VA/DoD Senior Oversight Committee (SOC).
- Manage VA responses to joint and combined VA/DoD policy mandates created by Acts of Congress and public laws, including joint and combined VA/DoD policy development.
- Provide staff support for the VA/DoD Joint Executive Council and the VA/DoD Senior Oversight Committee.
- Coordinate and facilitate a department-wide perspective in pursuing all VA/DoD collaboration activities and initiatives.

DAS for Policy:

Led by the Deputy Assistant Secretary for Policy, 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 services 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 Policy is made of three primary components, each with complementary duties.

National Center for Veterans Analysis and Statistics:

- Provides unique and periodic statistical analyses and reports on a broad range of topics,
- Operates VA's Data and Statistics webpage,
- Develops estimates and projections on the Veteran population, and
- Develops special purpose analyses, including a decision support tool for analyzing potential healthcare demand and utilization.

Policy Analysis Service:

- Conducts analyses and survey research including the National Survey of Veterans,
- Manages special projects and studies including two federal advisory committees, and
- Provides independent review and recommendations on proposed legislation and policies.

Office of the Actuary:

- Develops Compensation, Pension and Burial liability estimates,
- Reviews other VA actuarial calculations including medical malpractice, health care enrollment and life insurance reserves, and
- Consults with the Administrations and Staff Offices on actuarial analysis, financial modeling and cost estimation.

DAS for Planning & Evaluation:

The Office of Planning and Evaluation manages VA's strategic planning process including development of the Department's integrated Strategic Plan and the conduct of VA's environmental scanning process. Functions for this office also include the management and support of the Department's Governance Process in which strategic, policy and management issues are discussed and decisions made. The governance process includes the activities of the Strategic Management Council (SMC), which is chaired by the Deputy Secretary, and the VA Executive Board (VAEB), which is chaired by the Secretary. The Office oversees the conduct of program evaluations required in Title 38 and under the Government

Performance and Results Act (GPRA) wherein the effectiveness and efficiency of Federal programs 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 develops transition briefing materials during changes of Administration.

The Office of Planning & Evaluation is made of five primary components, each with complementary duties.

Strategic Planning Service:

- Develops the *VA Strategic Plan* and the *VA Strategic Plan for Employees*
- Supports the VA Governance Process, including –
 - The Strategic Management Council (SMC); and
 - The VA Executive Board (VAEB)
- Conducts VA Environmental Scans
- Assists in the VA-wide implementation of GPRA
- Supports alignment of VA strategic planning processes

Program Analysis and Evaluation Service:

- Leads development and usage of improved analytical tools and methods for analyzing VA planning and programming and the allocation of resources
- Analyzes and evaluates plans, programs, and budgets in relation to the VA Vision, Mission and Strategic Plan; projected Veteran needs; contributions of other Federal agencies; estimated costs; and resource constraints.
- Reviews, analyzes, and evaluates programs for executing approved policies.
- Provide oversight of VA-wide studies and analyses using in-house, contractor and Federally Funded Research & Development Center resources.

Program Evaluation Service:

- Manages the technical design and operational aspects of evaluations required by Title 38 as well as special management studies

Current Studies

- Mental Health: 2006 – 2010
Contractor: Altarum Institute and Rand, \$9M contract

- Oncology: 2005 – 2010
Contractor: Abt Associates and Harvard Medical School, \$8.7M contract
- Vocational Rehabilitation & Employment 2008 – 2010
Contractor: EconSys Inc., \$2.9M contract

Proposed Study

- Medical Research

Management Systems Improvement Service:

- Oversees Department-wide Management Analysis/Business Process Reengineering (MA/BPR) efforts
- Manages the VA Performance Excellence program, to include the Secretary's annual Robert W. Carey Performance Excellence Awards
- Coordinates all aspects of the Federal_Activities_Inventory_Reform (FAIR) Act Inventory
- Provides advice and consultation on competitive sourcing

Special Projects Service:

- Manages transformation efforts of the Department to become a 21st Century VA
- Leads innovation process to identify and anticipate new trends among policy issues affecting Veterans

Recent Accomplishments

- In 2009, the actuarial staff of OPP successfully brought in-house VBA's ongoing contract to produce quarterly actuarial estimates of the liability for future compensation, pension, and burial benefits for use in the Department's financial statements. OPP will provide VBA with all future estimates, and the associated audit support, for the compensation, pension and burial program liabilities.
- Successfully implemented a robust and user-friendly web portal for the dissemination of VA-wide Veteran data and statistics in 2009. The web portal is powered with the latest business intelligence and Geographic Information System (GIS) technology. Internal and external stakeholders access the web portal via VA Internet/Intranet.
- The National Academy of Public Administration report, **After Yellow Ribbons: Providing Veteran-Centered Service** (October 2008) reviewed VA management and organization, its interagency coordination processes, and its capacity to provide high quality health care and benefits to all

Veterans, including OEF/OIF Veterans, suggesting areas that VA can strengthen or make an impact on benefits and services provided to Veterans.

- Coordinated all aspects of the Presidential transition, including: (1) ensuring continuity of operations during the transition; (2) identifying critical positions within VA and career civil servants who were qualified to assume leadership responsibilities during the transition; (3) serving as the liaison between VA and the incoming Administration's VA Agency Review Team; (4) assessing and identifying policy issues and options for the incoming Administration to consider; (5) facilitating the onboarding of incoming political appointees; (6) preparing VA's transition briefing materials; and (7) conducting briefings regarding VA-wide organizational areas of interest.
- The development of VA's Health Care Environmental Scan (HCES) on Extended Care and Geriatric Services, which includes extensive research and interviews and VA's Subject Matter Experts (SMEs) and external SMEs, and the development of a report that will be concluded in July 2009. The environmental scan will help to inform the development of the next VA Strategic Plan for FY 2010-2014.
- All pilot Management Analysis/Business Process Reengineering (MA/BPR) studies were completed in October 2008. Redesigned organizations are being implemented. Completed pilot studies have reported an estimated \$75.5 million in cumulative savings and significant performance improvements over the next five years. MA/BPR studies of Plant Operations and grounds maintenance functions began in January 2009, and are scheduled to be complete in August 2009. All reengineered functions are monitored for actual savings and performance improvements obtained for a period of five years in the "Sustain" phase of the MA/BPR process.
- The study of the Evaluation of the VA Burial Benefits Program (August 2008) reviewed key program outcome research questions that included review of the 75-mile service area standard, cremation-only as an acceptable burial option, and factors influencing burial choice and resulted in findings and recommendations that will improve VA's burial services for Veterans and their families.
- The Office of Policy and Planning conducted legislative coordination, drafted testimony for Congressional hearings, and developed cross-cutting

policy affecting servicemembers and Veterans. The Office coordinated the production, coordination, and submission of reports to Congress as required by the National Defense Authorization Act. The Office also tracked the progress of recommendations put forward by task forces and commissions to include: Independent Review Group (West and Marsh); Returning Global War on Terror Task Force (Nicholson); President's Commission on Care for America's Returning Wounded Warriors (Dole / Shalala); Veterans' Disability Benefits Commission, DoD Task Force on Mental Health; and the DoD/VA Care Transition Process for Service Members Injured in OIF/OEF (DoD OIG).

- The VA/DoD Collaboration Office will play a significant role in transforming interagency cooperation and collaboration, especially in the areas of redesigning the Disability Evaluation Systems (DES), to include DES pilot expansion to locations outside the National Capitol Area; addressing the needs of servicemembers and Veterans suffering from TBI/PTSD; enhancing case management for severely injured service members through the Federal Recovery Coordinator Program, and advancing efforts to improve DoD/VA health and administrative data sharing.

Budget Highlights

The 2010 request includes resources necessary to continue the current level of operations and sustain efforts on critical initiatives underway. We continue to experience economies and efficiencies in our organization along with providing better and more cost effective service throughout VA. The budget request will provide for:

- \$8,527,000 will enable the VA/DoD Collaboration Office to effectively serve as the agency's point-of-contact for the oversight, strategy, and integration of proposed strategies within the Departments of Defense and Veterans Affairs to improve support throughout a servicemember's recovery, rehabilitation, and reintegration, as well as address the needs of servicemembers transitioning to Veteran status. Of the funding allocated, VA will reimburse DoD for operational expenses such as office space, IT support, and utilities. As well funding will cover personnel costs and contract requirements at VA.
- \$500,000 for analysis of the National Survey of Veterans.
- \$390,000 for Interagency Agreements supporting data sharing and multi-agency surveys.
- \$600,000 for MA/BPR program support, initial training for new studies, and inter-phase facilitation during the studies.
- \$1,000,000 to provide support to and fund the activities of analyzing and evaluating VA transformation.
- \$2,000,000 for program evaluation of Medical Research in compliance with Title 38 § 527 and GPRA requirements.
- \$1,500,000 to establish a new Program Analysis and Evaluation Service. This new function would analyze investment options for the Secretary and Deputy Secretary and provide an analytical basis for deciding among investments in ongoing programs as well as new starts/new initiatives. This capability will include an After Action Review model for driving accountability through the transformed organization.

| <i>Summary of Employment and Obligations</i> | | | | | |
|--|-----------------|--------------------|---------------------|------------------|------------------------------|
| <i>(Dollars in thousands)</i> | | | | | |
| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Average Employment | 55 | 65 | 64 | 93 | +29 |
| Obligations: | | | | | |
| Personal Services | \$7,515 | \$8,632 | \$8,871 | \$13,299 | +\$4,428 |
| Travel | 329 | 135 | 525 | 160 | -365 |
| Transportation of Things | 0 | 0 | 0 | 0 | 0 |
| Rents, Communications & Utilities | 0 | 0 | 0 | 2,000 | +2,000 |
| Printing & Reproduction | 129 | 110 | 235 | 110 | -125 |
| Other Services | 8,730 | 5,575 | 10,289 | 10,196 | -93 |
| Supplies & Materials | 123 | 130 | 130 | 230 | +100 |
| Equipment | 0 | 20 | 5 | 20 | +15 |
| Insurance & Indemnities | 0 | 0 | 0 | 0 | 0 |
| Total Obligations | \$16,826 | \$14,602 | \$20,055 | \$26,015 | +\$5,960 |
| Reimbursements | 0 | 0 | 0 | 0 | 0 |
| SOY Unobligated Balance (-) | -7,823 | 0 | -5,453 | 0 | +5,453 |
| EOY Unobligated Balance (+) | 5,453 | 0 | 0 | 0 | 0 |
| Budget Authority | \$14,456 | \$14,602 | \$14,602 | \$26,015 | +\$11,413 |

- Additional FTE in 2010 include the following: 6 additional FTE to support the newly established VA/DoD Collaboration Office; 9 new FTE necessary for establishment of a Program Analysis and Evaluation (PA&E) function within OPP; 5 FTE to support the transformation and innovation Special Projects work; 3 FTE to support the Policy Development capability; and 5 FTE to support the National Center for Veteran Analysis. In total, an additional \$4.4 million is requested in personal services to support the additional FTE, as well as to support the budgeted 2.0% pay raise for existing FTE.
- Rent is increased by \$2M to support the VA/DoD Collaboration Office as they will be required to pay their portion of space/rent in conjunction with VA/DoD Staff.
- Travel is decreased by \$365K due to OPP no longer supporting Advisory Committee travel.

| Changes from Original 2009 Budget Estimates | | | |
|--|------------------------|-------------------------|--------------------------------------|
| <i>(dollars in thousands)</i> | | | |
| | 2009 | | |
| | Budget Estimate | Current Estimate | Increase (+) Decrease (-) |
| Average Employment | 65 | 64 | -1 |
| Obligations: | | | |
| Personal Services | \$8,632 | \$8,871 | \$239 |
| Travel | 135 | 525 | 390 |
| Transportation of Things | 0 | 0 | 0 |
| Rents, Communications & Utilities | 0 | 0 | 0 |
| Printing & Reproduction | 110 | 235 | 125 |
| Other Services | 5,575 | 10,289 | 4,714 |
| Supplies & Materials | 130 | 130 | 0 |
| Equipment | 20 | 5 | -15 |
| Insurance & Indemnities | 0 | 0 | 0 |
| Total Obligations | \$14,602 | \$20,055 | \$5,453 |
| Reimbursements | 0 | 0 | 0 |
| SOY Unobligated Balance (-) | 0 | -5,453 | -5,453 |
| EOY Unobligated Balance (+) | 0 | 0 | 0 |
| Budget Authority | \$14,602 | 14,602 | \$0 |

- The 2009 current obligations estimate is higher than the 2009 original budget because it reflects obligations for contracts that were delayed during 2008. Additionally, OPP reprogrammed some of its 2008 funding in order to support the VA/DoD Collaboration Office in 2009.

Program Goals, Objectives, and Performance Measures

| Table 1: Performance Summary Table | | | | | | | |
|---|------------------------|------|------|------|----------------------------|-----------------------------|---------------------|
| ALL MEASURES | | | | | | | |
| Measure Description <small>(Departmental Management Measures in bold)</small> | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 1) Cumulative percent of FTE (compared to total planned) included in Management Analysis/Business Process Reengineering studies initiated | 0 | 0 | 33% | 54% | 54% | 96% | 100% |
| 2) 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 | N/Av | N/Av | N/Av | N/Av | 80% | 80% | 90% |
| 3) Number of surveys conducted of specific Veteran-related population cohorts | 1 | 0 | 3 | 1 | 2 | N/A ¹ | 2 |
| 4) Number of Material Weaknesses of an Actuarial Nature | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5) Percent of actionable recommendations from Program Evaluation Service studies completed in the last 5 years that have been implemented ² | N/Av | N/Av | N/Av | N/Av | N/Av | 60% | 75% |

¹ Due to blackout during the 2010 Census no surveys are permitted during this time period.

² This is a new measure for the FY 2010 budget.

Table 2: Performance Measure Supporting Information

1) Cumulative percent of FTE (compared to total planned) included in Management Analysis/Business Process Reengineering studies initiated

a) Means and Strategies:

- OPP will work with each VA organization to develop a detailed plan for conducting Management Analysis/Business Process Reengineering (MA/BPR) studies for the year. Each VA organization will track its MA/BPR activities and report on cumulative number of FTE included in studies for the year.

b) Data Source(s):

- Data are reported and tracked through the Business Improvement Tracking System (BITS)

c) Data Verification:

- MA/BPR Study Team Leaders are responsible for providing full validation of study data, including FTEs examined, using data collection templates that were developed in conjunction with the MA/BPR piloting process.

d) Measure Validation:

- This measure was chosen because it is the most meaningful way of expressing progress towards the goal of study completion. The best measure of progress is the cumulative number of FTE examined expressed as a percentage of the total FTE in the study plan.

e) Cross-Cutting Activities: None

f) External Factors: None

2) 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

a) Means and Strategies:

- Conduct an annual VA Employee Survey that includes a specific question related to employees understanding of the strategic and enabling goals. (The VA Employee Survey has not been conducted by the Office of Human Resources and Administration in recent years, and as a result, data has not been obtained).

b) Data Source(s):

- The annual VA Employee Survey

c) Data Verification:

- Data will be verified by repeated annual surveys, once the annual VA Employee Survey is reestablished.

d) Measure Validation:

- **Measure is intended ascertain the level of employee understanding of and alignment with VA's overall mission and goals.**

e) Cross-Cutting Activities:

- VA will share data with Administrations, Staff Offices, and other federal agencies.

f) External Factors: None

3) Number of surveys conducted of specific Veteran-related population cohorts

a) Means and Strategies:

- Conduct surveys of identified cohorts using most appropriate and cost-effective means. Surveys may be conducted by telephone, by mail, or over the internet.

b) Data Source(s):

- OPP and its contractors will employ available methods to reach identified populations. Where possible, contact data will be solicited from VA Administrative files and from available DoD databases.
- Alternate approaches will be employed to reach Veterans or Veteran-related cohorts who are not captured on existing administrative files.

c) Data Verification:

- Appropriate testing, including cognitive and pre-testing, is conducted on survey instruments prior to administering surveys to full samples
- Surveys should have a 90 percent confidence interval with a +/- 3 percent margin of error.

d) Measure Validation:

- The measure is an indicator of the extent to which VA communicates with and listens to the Veterans it is charged with serving.

Table 2: Performance Measure Supporting Information

e) Cross-Cutting Activities:

- OPP continues to promote intra and inter-departmental collaboration in the design of survey instruments.
The information derived from survey research and the sharing of data is valuable to VA business lines and others with an interest in serving Veterans and their families.

f) External Factors: None

4) Number of Material Weaknesses of an Actuarial Nature

a) Means and Strategies:

- Achieved clean audit opinion on Consolidated Financial Statements for items produced by the Office of the Actuary (OACT).

b) Data Source(s):

- VA's Consolidated Financial Statements for 2008.

c) Data Verification:

- Audit by independent certified public accounting firm as reported in the VA's Consolidated Financial Statements for 2008.

d) Measure Validation:

- Measure is intended to identify material financial weaknesses that result from population projections based upon actuarial models.

e) Cross-Cutting Activities:

- OACT functions as an actuarial contractor for the Veterans Benefits Administration (VBA) on this project. It is a collaborative effort with VBA producing the data and OACT producing the actuarial model.

f) External Factors: None

5) Percent of actionable recommendations from Program Evaluation Service studies completed (in the last 5 years) that have been implemented within 5 years [of publication of report].

a) Means and Strategies:

- The universe of studies includes program evaluations and special studies for which Program Evaluation Service staff served as COTR that have been completed in the last 5 years. Because of implementation of recommendations may take years, the period of observation for implementation is 5 years.

b) Data Source(s):

- The recommendations appear in the final report of each study.

c) Data Verification:

- A follow-up call is issued every 6 months to the affected program office to determine the implementation status and thereby assess progress towards the performance target.

d) Measure Validation:

- Screening of recommendations as "actionable" is institutionalized within the Program Evaluation Service and consists of explicit criteria.
- The measure indicates the extent to which program evaluations are actually used to implement program changes and improve performance.

e) Cross-Cutting Activities: None

f) External Factors: None

g) Other Supporting Information:

- The calculation of the performance results is obtained by dividing the number of actionable recommendations fully implemented by the total number of actionable recommendations.

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Operations, Security & Preparedness

Mission

The Office of Operations, Security, and Preparedness (OSP) coordinates the Department's Emergency Management, Preparedness, Law Enforcement, Homeland Security and National Security activities to ensure the continuation of the VA's Primary Mission Essential Function/Mission Essential Functions under all circumstances across the broad spectrum of 21st century threats. OSP directs and provides oversight for VA's planning, response, security and law enforcement programs in support of the National Response Framework and enhances the Department's capabilities to support our Veterans and the Nation.

Summary of Budget Request

| (\$ in 000) | 2009 | FTE | 2010 | FTE |
|--|-----------------|------------|-----------------|------------|
| Office of the Assistant Secretary | \$822 | 6 | \$951 | 6 |
| VACO PIV Program | 0 | 0 | \$860 | 7 |
| Office of Emergency Management (OEM) | \$4,558 | 34 | \$6,564 | 45 |
| Office of Security & Law Enforcement (OS&LE) | \$6,645 | 31 | \$8,371 | 37 |
| Total Budget Authority | \$12,025 | 71 | \$16,746 | 95 |

- In 2010 the Office of Operations, Security, and Preparedness is requesting budget authority of \$16.7 million and 95 FTE to support its operations. This represents an increase of \$4.7 million and 24 FTE above the 2009 levels. This funding level will significantly enhance OSP's capability to meet its expanding mission. Details of these increases can be found in the Budget Highlights section of this chapter.

Program Description and Accomplishments

On behalf of the Secretary, the Office of Operations, Security and Preparedness (OSP) oversees Emergency Management, Homeland Security, National Security and Law Enforcement activities and processes that require coordination across the Department or which call for the application of broad perspective. OSP also manages the VACO Personal Identification Verification (PIV) program. The component offices within OSP serve the larger mission in the following ways:

The Office of Emergency Management (OEM) ensures that VA has comprehensive Emergency Management, Homeland Security and National Security programs and policies in place across the department. OEM has primary oversight of the Department's All Hazards Continuity Program. Activities include:

- Crisis Management Exercises, Evaluation and Training.
- Personnel Security and Suitability Programs.
- Development of the All Hazards Continuity of Operations Plans (COOP).
- Development of Continuity of Government Plans (COG).
- Development and coordination of policy and guidance to ensure COOP and COG plans are consistent, integrated and in place to respond to a disaster or national security emergency.
- Functions as the VA liaison with other Federal agencies on preparedness.
- Develops, implements, and evaluates preparedness training and exercises.
- Manages, directs and staffs VA Operations Centers.
- Supports VA's Crisis Response Team (CRT).
- Manages the VACO classified materials program.
- Coordinates VA's Top Secret clearance management in cooperation with the Office of Security and Law Enforcement (OS&LE).

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.

- Develops and oversees VA-wide police and physical security programs.
- Determines qualification standards and trains all newly hired VA police officers.
- Monitors and disseminates threat intelligence information to field activities.
- Coordinates the protection of multiple Federal agencies in VACO campus buildings.
- Provides personal security for the VA's Secretary and Deputy Secretary including motor vehicle support.
- Adjudicates national security and high-risk clearances based on background investigations.

Recent Accomplishments

- In FY 2008 OSP completed construction and outfitting of the new Assistant Secretary's suite, including a Sensitive Compartmented Information Facility (SCIF), the first in VA.
- Completed the renovation and outfitting of the VACO primary COOP site.

- Completed a significant upgrade to the audiovisual communications capabilities between the VACO Operations Center and the VA Joint Operations Center (VA JOC) at Martinsburg as well as the primary COOP site (cost of approximately \$750,000).

Budget Highlights

The FY 2010 request includes resources necessary to meet the expanding mission of the office. OSP has matured as an organization since first standing up in FY 2007. Significant external requirements have increased the scope of OSP's mission including Homeland Security Presidential Directives 5, 8, 12 and 20, Executive Orders 10450 and 12968, as well as 5 CFR 731 and 732 and CIA Directive 6/4. OSP will continue to be required to meet increasing requirements as well as those that are in our base. Areas that are receiving increased emphasis include the following:

- Continued refinement and development of the VA's continuity programs through crisis management exercises, evaluation and training.
- Increased involvement with the Personnel Security and Suitability Program.
- Expanded oversight and inspection of VA Police Operations at VA facilities throughout the country.
- Expanded involvement in the VACO PIV program.
- Increased requirements for VA Special Access Programs

The \$4.7 million increase will be applied in the following areas: \$300,000 for pay raises and personnel benefits; \$1.6 million for Capitol Readiness and the VACO Operations center; and \$2.8 million for the following mission critical initiatives:

- **Crisis Management Exercises, Training & Evaluation Program** (3 FTE for \$350K): These additional personnel will enable VA to prepare and validate capabilities to perform our Primary Mission Essential Functions and Mission Essential Functions, which are a key element for transforming VA into a 21st century organization. This will be accomplished by working with the Department of Homeland Security (DHS) and the other agencies within the National Exercise Program (NEP). The NEP was established to (1) examine the preparedness of the US Government and (2) adopt policy changes to improve the preparedness to meet actual or threatened terrorist attacks, major disasters, and other emergencies requiring a national domestic all-hazards preparedness response. VA participates in yearly national level exercises, yearly department level exercises and several regional, state and local exercises.

These personnel will serve as professional evaluators and exercise controllers during VA participation in exercises. Currently OSP borrows individuals for these functions from other offices.

- **Personnel Security and Suitability Program** (4 FTE for \$466K): These personnel will staff the newly established Personnel Security and Suitability Division (PSSD). This division will implement the personnel security suitability program for VACO. The functions that will be carried out by this office include: orientation for new hires on Personnel Security and Suitability, initiation of background investigations as necessary for VACO employees, review of the results of background investigations to check for compliance with HSPD-12 requirements and coordination with the PIV office, review and adjudication of background investigations for VACO employees, timely submission of required information to OPM, work with the Security Investigation Center (SIC) to ensure consistency of adjudication, and maintenance of required records pertaining to personnel security required by OPM.

There currently is no single office responsible for these functions at VACO and with increased emphasis on personnel security and suitability the investment in this office will pay off in the long run.

- **VA Special Access Programs** (3 FTE For \$350K): These 3 positions include 1 Special Security Officer (SSO) and 2 Team Leads, 1 each for VACO and Martinsburg. The Special Access Program is sponsored by the CIA for establishing required security controls on information classified as Confidential, Secret or Top Secret. These 3 positions will ensure that VA complies with all regulations pertaining to the protection of Sensitive Compartmented Information (SCI). The Sensitive Compartmented Information Facility (SCIF) is certified by the CIA for processing, handling, discussing and storing of SCI. An SSO is required when an organization has a SCIF.

Additionally these personnel would be used to prevent external and internal vulnerabilities, conduct security assessments on all aspects of VA's classified information programs.

- **Communications** (1 FTE for \$117K): This position will provide a single point of contact for OSP communications efforts, internally and externally. This includes developing strategic messaging aimed at employee awareness, training and responsibilities when responding to all-hazards emergency situations. In addition, this position will provide a direct link to the Essential Support Function (ESF)-15 Emergency Communications community within

the federal network, including representation to the DHS-led Incident Communications Public Affairs Coordination Committee (ICPACC). This position will also serve as liaison to other government and non-government partners when communicating on emergency preparedness and response activities including Continuity of Operations (COOP) and Continuity of Government (COG) processes. This will ensure a consistent, dedicated effort to emergency communications without relying on outside support offices with competing priorities.

- **Inspection Program** (6 FTE for \$700K): These FTE will augment the Office of Security and Law Enforcement's Police Service Law Enforcement Oversight and Criminal Investigation Division (LEO-CID). These additional FTE will nearly double the size of the LEO-CID, which is necessary, as the requirement for oversight inspections at VA facilities that are protected by VA police changed from every 4 years to every 2 years when the VA police force began carrying weapons. The OS&LE inspectors are also criminal investigators with statutory authority within areas of VA's jurisdiction. All LEO-CID inspectors have statutory police authority and are deputized as special U.S. Marshals.

The additional personnel will permit greater oversight by narrowing the geographic responsibilities (number of facilities) charged to each inspector.

- **VACO PIV Operations** (7 FTE for \$817K): OSP will receive responsibility for operating the VA Central Office (VACO) PIV program for FY10, including the management of day-to-day operations of an HSPD 12, FIPS 201 compliant PIV program.

These personnel will staff the VACO badge operations for new employees, volunteers, and other visitors in compliance with Federal requirements. This initiative will provide needed expertise in Federal and VA PIV laws, regulations, rules, guidance, policies, processes and procedures and fulfill VA's responsibilities under Federal PIV programs.

Summary of Employment and Obligations

An average employment of 95 FTE and \$16,746,000 are requested to fulfill the mission of the Office of Operations, Security and Preparedness in FY 2010.

| <i>Summary of Employment and Obligations</i> | | | | | |
|--|-----------------|----------------------------|-----------------------------|-----------------|------------------------------|
| <i>(dollars in thousands)</i> | | | | | |
| | 2008 Actuals | 2009 Budget Estimate | 2009 Current Estimate | 2010 Request | Increase (+) Decrease (-) |
| Average employment | 58 | 70 | 71 | 95 | +24 |
| Obligations: | | | | | |
| Personal services | \$7,231 | \$7,086 | \$8,634 | \$11,668 | +\$3,034 |
| Travel | 646 | 600 | 655 | 980 | +325 |
| Transportation of Things | 0 | 0 | 0 | 0 | 0 |
| Rent, Communications, Utilities | 39 | 77 | 25 | 125 | +100 |
| Printing and reproduction | 12 | 12 | 5 | 5 | 0 |
| Other services | 3,501 | 3,997 | 3,191 | 2904 | -287 |
| Supplies and materials | 161 | 153 | 150 | 159 | +9 |
| Equipment | 509 | 100 | 115 | 905 | +790 |
| Total obligations | \$12,099 | \$12,025 | \$12,775 | \$16,746 | +\$3,971 |
| Reimbursements | 0 | 0 | 0 | 0 | |
| SOY Carryover (-) | -1,125 | 0 | -750 | 0 | +750 |
| EOY Carryover (+)1/ | 937 | 0 | 0 | 0 | |
| Total budget authority | \$11,911 | \$12,025 | \$12,025 | \$16,746 | +\$4,721 |

1/ An additional \$187,000 of 2008 carryover will be made available in 2009.

- Funds all current service requirements, including activation costs for the Capitol Region Readiness Center and the VACO Operations Center.
- FY 2010 budget provides funding for increased capability in the following areas:
 - Crisis Management Exercises, Testing and Training
 - Personnel Security and Suitability Programs
 - Police Oversight Inspection Program.
 - VACO PIV Program management
 - VA Special Access Programs
 - Communications to manage VA's 4th mission

| Changes from Original 2009 Budget Estimates | | | |
|--|----------------------------|-----------------------------|--------------------------------------|
| <i>(dollars in thousands)</i> | | | |
| | 2009 | | |
| | Budget Estimate | Current Estimate | Increase (+) Decrease (-) |
| Average Employment | 70 | 71 | 1 |
| Obligations: | | | |
| Personal Services | \$7,086 | \$8,634 | \$1,548 |
| Travel | 600 | 655 | 55 |
| Transportation of Things | | | |
| Rents, Communications & Utilities | 77 | 25 | -52 |
| Printing & Reproduction | 12 | 5 | -7 |
| Other Services | 3,997 | 3,191 | -806 |
| Supplies & Materials | 153 | 150 | -3 |
| Equipment | 100 | 115 | 15 |
| Insurance & Indemnities | 0 | 0 | 0 |
| Total Obligations | 12,025 | \$12,775 | 750 |
| Reimbursements | | | |
| SOY Unobligated Balance (-) | 0 | -750 | 750 |
| EOY Unobligated Balance (+) | 0 | 0 | 0 |
| Budget Authority | 12,025 | \$12,025 | 0 |

- Personal Services costs are above the original budget estimate due to higher average salaries, higher personnel benefits and slightly higher FTE.
- The 2009 current estimate for travel is higher than the budgeted level as a result of mission-critical travel requirements in 2009.
- Other services is estimated to be less than the budgeted amounts in order to address payroll needs.

| Table 1: Performance Summary Table ALL MEASURES | | | | | | | |
|---|------------------------|------|------|------|----------------------|-----------------------|------------------|
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 1) Percent of confirmed Successors to the Secretary who attend orientation and/or the annual update | N/A | N/A | N/A | 100% | 100% | 100% | 100% |
| 2) Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site | 85% | 85% | 90% | 100% | 100% | 100% | 100% |
| Percent of field police units that are determined to be operating at a satisfactory level of service. | 85% | 86% | 91% | 83% | 89% | 90% | 100% |

Table 2: Performance Measure Supporting Information
DEPARTMENTAL MANAGEMENT MEASURES ONLY

1) Percent of confirmed Successors to the Secretary who attend orientation and/or the annual update

a) Means and Strategies:

- Communicate the Line of Succession requirements to the leadership.
- Monitor the status of VA's Line of Succession.
- Schedule training for newly confirmed Successors.
- Schedule annual updates for every confirmed Successor.

b) Data Source(s): VA Operations Center LOS training records.

c) Data Verification: Conduct a review of LOS training records.

d) Measure Validation: Ensures that confirmed Successors are trained to succeed the Secretary in case of his/her death or inability to manage the Department.

e) Cross-Cutting: The Office of Emergency Management is in daily contact with other agencies involved in emergency preparedness. Cross-cutting activities involve coordination of and participation in interagency planning, training exercises, and evaluations.

f) External Factors: None

2) Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site

a) Means and Strategies:

- Communicate through monthly Emergency Planners meetings and weekly Crisis Response Team meetings
- Provide newly designated Emergency Planners an orientation on their responsibilities to ensure COOP plans for leadership review and certification are maintained and updated as required.
- Ensure that COOP Program Managers engage execution through a regular review of existing COOP plans to determine if they require revision.

b) Data Source(s): COOP Program Manager written records.

c) Data Verification: Official COOP plans are maintained in OEM. Plans are reviewed annually.

d) Measure Validation: This measure indicates the level of commitment of senior leadership to COOP activities. Leadership's annual self-certification is key to maintaining their active involvement and commitment to COOP.

e) Cross-Cutting: None.

f) External Factors: None.

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Public & Intergovernmental Affairs

Mission

To provide the Department with a 21st Century outreach, communications, and customer response system that supports VA's transformation and is Veteran-centric, results-driven, and forward-looking.

Summary of Budget Request

| (\$ in 000) | 2009 | FTE | 2010 | FTE |
|---|-----------------|------------|-----------------|------------|
| Office of Assistant Secretary | \$1,423 | 9 | \$1,650 | 9 |
| Office of Public Affairs | 5,938 | 44 | 6,117 | 44 |
| Office of Intergovernmental Affairs | 1,594 | 12 | 2,593 | 12 |
| Office of National Veterans Sports Programs & Special Events | 630 | 5 | 7,230 | 8 |
| Office of Advisory Committee Management | 420 | 3 | 489 | 3 |
| Total Budget Authority | \$10,005 | 73 | \$18,079 | 76 |

In FY 2010, the Office of Public and Intergovernmental Affairs is requesting budget authority of \$18.1 million and 76 FTE to support its operations.

The increase in the 2010 request is primarily due to funding being requested for VA's Paralympics program and for increased Veterans outreach. Details of these increases can be found in the Budget Highlights section of this chapter.

Program Description and Accomplishments

Office of the Assistant Secretary:

The Office of the Assistant Secretary provides executive management to the Offices of Public and Intergovernmental Affairs (OPIA). The Assistant Secretary oversees OPIA's outreach, communications, and consumer response systems. As part of VA's communications and outreach efforts, the Assistant Secretary oversees the Office of National Veterans Sports Programs and Special Events, which coordinates VA activities related to commemorative Veterans programs, the six national rehabilitative special events for disabled Veterans, and VA's partnership with U.S. Paralympics, Inc.

Deputy Assistant Secretary for Public Affairs:

The Deputy Assistant Secretary for Public Affairs is responsible for producing and managing all external and internal public affairs communication for VA. The primary mission of this Office is to coordinate with the other Administrations and Offices throughout VA to ensure the Nation's Veterans, and their eligible dependents and survivors, receive information about Department benefits and programs using all forms of media to communicate.

Deputy Assistant Secretary for Intergovernmental Affairs:

The Deputy Assistant Secretary for Intergovernmental Affairs acts as the Department's liaison to state, tribal, local, and international government officials and non-governmental organizations. IGA coordinates VA's participation in intergovernmental affairs initiatives, including White House-sponsored activities. IGA also manages the Consumer Affairs Program and Consumer Response Services, International Affairs, and the National Homeless Veterans Program.

Office of National Veterans Sports Programs and Special Events:

The Office of National Veterans Sports Programs and Special Events coordinates VA activities related to commemorative Veterans programs, the six national rehabilitative special events for disabled Veterans, and VA's partnership with U.S. Paralympics, Inc. Such activities include the National Veterans Day Observance, National Disabled Veterans Winter Sports Clinic, National Veterans Wheelchair Games, National Veterans Golden Age Games, National Veterans Creative Arts Festival, National Veterans Summer Sports Clinic, the National Veterans TEE Tournament, the Paralympic grant program, Paralympic athlete assistance allowance, and other nationally recognized events. This office also directs the activities of the National Rehabilitative Special Events Management Group currently chaired by the Deputy Secretary and vice-chaired by the Assistant Secretary for Public and Intergovernmental Affairs.

Office of White House Liaison:

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.

Office of Advisory Committee Management:

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.

Recent Accomplishments

- Implemented major elements of a wide-ranging campaign on suicide prevention.
- Implemented national media campaign for 20th anniversary of VA's first program for homeless Veterans.
- VA News won finalist award in 2008 PR News Platinum Award Competition, Video/Podcast category.
- Coordinated interagency effort to create 10,000 units of permanent housing for homeless Veterans and their families.
- Coordinated VA involvement in more than 150 stand downs for Veterans.
- Coordinated VA participation in the Department of Labor/VA Incarcerated Veterans Transition Program.
- Developed and coordinated the international fellowship program for foreign dignitaries to train at VA.
- Established a start-up rehabilitative event for recently-injured Veterans in September 2008 - the National Veterans Summer Sports Clinic.
- Established a MOU with United States Olympics Committee to increase interest in and access to Paralympics sports programs for Veterans with physical disabilities.

Budget Highlights

The request for 2010 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 Office of Intergovernmental Affairs; the Office of National Veterans Sports Programs and Special Events; and the Advisory Committee Management office. The budget provides for employment of 76 FTE and funding of \$18,079,000.

New Initiatives:

OPIA will play an integral role in transforming VA into a 21st century organization. VA's outreach, communications, and customer response systems are fragmented and out-of-date. Left unchanged, they will hinder any attempts the Department makes at true transformation. Therefore, OPIA is requesting \$1,250,000 to begin to build a Veteran-centric, results-driven, forward-looking outreach, communications, and customer response system that provides a single, integrated means for Veterans and other stakeholders to reach, interact, and resolve issues with VA and to allow VA to communicate with a unified voice to Veterans and other stakeholders. With VHA, VBA, NCA, and other Offices throughout the Department, OPIA will play a coordinating function in the development and implementation of a Customer Relationship Management Program.

Before we can transform the way we do business, we have to know what we currently have in place. Over the next year, OPIA will complete an audit of all outreach, communications, and customer response functions throughout the Department. We will review all processes and technology - as well as our program investments - with Veterans in mind. OPIA will then work with the other Administrations and offices to coordinate all of those functions through the Assistant Secretary OPIA directly to the Office of the Secretary. This would result in significant cost-savings through the elimination of duplication as well as the streamlining of communications, outreach, and customer response systems. The 2010 request includes \$400,000 to conduct this audit of outreach, communications, and consumer response functions and begin to consolidate those functions across VA to produce a single, integrated, responsive communications, outreach, and consumer response operation.

At the same time, market research will be conducted to determine what our Veterans need, the best ways to communicate with them, and what VA can do to strengthen relationships with Veterans and other stakeholders. Research will also provide data on the effectiveness of current programming and will give us a

baseline to measure the success of all future outreach, communications, and customer response efforts. Then OPIA will be prepared to coordinate with the other Administrations and Offices to launch a nationwide outreach campaign using 21st century technology to communicate tested messages to our target audiences through the mediums they use most. The 2010 request includes \$550,000 for market and media research and analysis.

Currently, OPIA's Consumer Affairs Program tracks and resolves an average of 5,600 consumer inquiries and complaints each year with 0.5 FTE. Requests for assistance come from the Inquiry Routing & Information System (IRIS), from the VACO Client Center, and from customer correspondence. OPIA's Consumer Affairs Program uses a rapid response system to resolve Veterans', survivors', and other family members' concerns. However, not all customer complaints are routed to this office. OPIA's audit will allow for consumer enquiries and complaints to be resolved in one location – rapidly. This same rapid response model can be used to coordinate problem response and resolution with members of Congress, state and local elected officials, tribal governments, VSOs, and other non-governmental organizations.

OPIA manages VA's National Homeless Veterans Program. In order to meet Secretary Shinseki's mandate to end homelessness among Veterans through a concerted interagency effort, we must expand our current program, adapt it to better meet the needs of women Veterans and homeless Veterans with families, and design a proactive campaign to prevent Veterans from becoming homeless in the first place.

We believe that our FY 2010 budget allows OPIA to begin to make the critical investments necessary to achieve our multi-year transformation plan. While specific funding for new initiatives like the coordination of some Customer Relationship Management functions is contained in each of the Administrations and some program offices, funding here allows us to 1) complete an audit of the Department's outreach, communications, and customer response programs to identify areas of strengths and weaknesses; 2) begin to eliminate duplication and ineffective programs; 3) conduct initial market research to set a baseline for measuring our effectiveness; 4) rebuild our website so there will be one central homepage for all of VA that will be designed for Veterans, their families, and/or their representatives. Navigation will be simplified and the hundreds of websites currently operating across VA will be consolidated. OPIA will coordinate all content and design provided by VBA, VHA, NCA and other Offices and will work with the Office of Information and Technology to maintain the site. The 2010 budget request includes \$300,000 to rebuild VA's website.

While a significant portion of the increase requested in 2010 supports initial costs of this transformation, over time we will realize savings through the elimination of duplication and overlap of responsibilities. This diligent stewardship of our resources will allow us to provide high quality outreach, communications, and customer response services to our Veterans and their families, while enhancing VA's ability to be Veteran-centric, results-driven, and forward-looking well into the 21st century.

OPIA is requesting \$6.5 million and 3 FTE to organize, promote, and facilitate adaptive sports and Paralympic events for disabled Veterans and servicemembers. Consistent with Public Law 110-389, funding will be used for the following: 1) grants to the U.S. Paralympics, Inc. and local partners to help plan and implement the program; 2) subsistence payments to Veterans and servicemembers participating in the program; and 3) personnel and operating costs to manage and oversee VA's Paralympic program.

In addition to the initiatives listed above, \$35,000 in travel is requested in the 2010 budget to support required travel and support the OPIA's Annual Training Conference. OPIA is committed to the successful completion of the mission of the organization, and the proposed funding request is essential to ensure the effectiveness of each travel request.

Summary of Employment and Obligations -Analyses

| <i>Summary of Employment and Obligations</i> | | | | | |
|--|-----------------|--------------------|---------------------|------------------|------------------------------|
| <i>(Dollars in thousands)</i> | | | | | |
| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Average Employment | | | | | |
| Central Office | 44 | 51 | 51 | 54 | +3 |
| Field Office | 19 | 22 | 22 | 22 | 0 |
| Total | 63 | 73 | 73 | 76 | +3 |
| Obligations: | | | | | |
| Personal Services | \$8,532 | \$9,205 | \$8,595 | \$9,139 | +\$544 |
| Travel | 437 | 250 | 350 | 595 | +245 |
| Transportation of Things | 0 | 0 | 0 | 0 | 0 |
| Rents, Communications & Utilities | 230 | 70 | 230 | 250 | +20 |
| Printing & Reproduction | 555 | 200 | 450 | 450 | 0 |
| Other Services | 355 | 200 | 350 | 1,990 | +1640 |
| Supplies & Materials | 108 | 80 | 100 | 100 | 0 |
| Equipment | 65 | 0 | 50 | 55 | +5 |
| Grants, Subsidies, & Contributions | 0 | 0 | 0 | 5,500 | +5,500 |
| Insurance & Indemnities | 0 | 0 | 0 | 0 | 0 |
| Total Obligations | \$10,282 | \$10,005 | \$10,125 | \$18,079 | \$7,954 |
| Reimbursements | 0 | 0 | 0 | 0 | 0 |
| SOY Unobligated Balance (-) | -393 | 0 | -120 | 0 | +120 |
| EOY Unobligated Balance (+) | 31 | 0 | 0 | 0 | 0 |
| Budget Authority | \$9,920 | \$10,005 | \$10,005 | \$18,079 | \$8,074 |

^{1/} \$120,000 of carryover will be made available in 2009.

| Changes from Original 2009 Budget Estimates | | | |
|--|----------------------------|-----------------------------|--------------------------------------|
| <i>(dollars in thousands)</i> | | | |
| 2009 | | | |
| | Budget Estimate | Current Estimate | Increase (+) Decrease (-) |
| Average Employment | | | |
| Central Office | 51 | 51 | 0 |
| Field Office | 22 | 22 | 0 |
| Total | 73 | 73 | 0 |
| Obligations: | | | |
| Personal Services | \$9,205 | \$8,595 | -\$610 |
| Travel | 250 | 350 | +100 |
| Transportation of Things | 0 | 0 | 0 |
| Rents, Communications & Utilities | 70 | 230 | +160 |
| Printing & Reproduction | 200 | 450 | +250 |
| Other Services | 200 | 350 | +150 |
| Supplies & Materials | 80 | 100 | +20 |
| Equipment | 0 | 50 | +50 |
| Insurance & Indemnities | 0 | 0 | 0 |
| Total Obligations | \$10,005 | \$10,125 | -\$120 |
| Reimbursements | 0 | 0 | 0 |
| SOY Unobligated Balance (-) | 0 | -120 | 0 |
| EOY Unobligated Balance (+) | 0 | 0 | 0 |
| Budget Authority | \$10,005 | \$10,005 | \$0 |

- Personal Services was lower than the original budget as these funds were realigned to support other areas of OPIA's mission.
- Travel increased to support the increased travel needs of the office.
- Rent, Communications and Utilities increased to support a media coverage contract.
- Printing and Reproduction increased to effectively support OPIA's mission to broaden/enhance community outreach.
- Supplies and equipment increased to support the mission of the office.

Program Goals, Objectives, and Performance Measures

| Table 1: Performance Summary Table | | | | | | | |
|---|------------------------|--------|--------|--------|-------------------------|--------------------------|---------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 1) Number of homeless Veterans receiving housing/services from VA | 32,000 | 34,000 | 39,000 | 40,000 | 45,000 | 50,000 | 60,000 |
| 2) Number of information programs for homeless service providers in which VA participates | 17 | 19 | 20 | 20 | 30 | 35 | 40 |
| 3) Number of opportunities developed for VA senior officials to address national, state, and municipal traditional and non-traditional intergovernmental organizations | N/A | 3 | 5 | 8 | 10 | 13 | 20 |
| 4) Number of department wide coordinated outreach activities | N/A | 3 | 4 | 4 | 5 | 5 | 6 |

Table 2: Performance Measure Supporting Information

1) Number of homeless Veterans receiving housing/services from VA

a) Means and Strategies:

- Enhance communication, collaboration and coordination of Department-wide programs and activities to address the needs of homeless Veterans.
- Serve as liaison for outreach activities to other Federal agencies, State and local governments, Veterans' service organizations, and non-profit organizations serving the homeless.
- Monthly meetings of Secretary's Working Group on Homelessness.
- Maximize participation in the Community Homelessness Assessment Local Education and Networking (CHALENG) for Veterans by increasing VA facility participation.
- Increase outreach through increased Stand Down events.

b) Data Source(s):

- Homeless Veterans Grant Program grantee records
- VHA clinical reporting systems
- VBA benefit reporting
- Department of Labor Homeless Veterans Reintegration Program (HVRP)
- Department of HUD data

c) Data Verification:

- VA's Northeast Program Evaluation, West Haven, VAMC tracks and monitors administrative data, assessments and discharge summaries for homeless Veterans receiving services through the healthcare for Homeless Veterans Programs.

d) Measure Validation:

- Addressing the needs of homeless Veterans is VA's priority. Tracking the number of 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 other VA programs to address the needs of homeless Veterans.

e) Cross-Cutting Activities:

- VHA's Office of Mental Health, Homeless Veterans and Residential Treatment Programs, VBA's Loan Guaranty Service, and VBA Homeless Veterans Outreach Coordinator.

f) External Factors: None.

g) Other Supporting Information: None.

2) Number of information programs for homeless service providers in which VA participates

a) Means and Strategies:

- The Homeless Veterans Program will work with VHA, VBA, NCA, and other staff offices to enhance communication, collaboration, and coordination of Department-wide programs and activities to address the needs of homeless Veterans and other Veterans in need of social services.

b) Data Source(s):

- Internal tracking mechanisms such as meeting regularly with VA leadership.
- Listing of events with staff contacts and participant information maintained on file.

c) Data Verification:

- Events maintained on file are reviewed by Intergovernmental Affairs staff for accuracy.

d) Measure Validation:

- Participation in informational programs and events for homeless providers is a key element of VA's efforts because it strengthens VA's efforts to reduce the number of homeless Veterans.

e) Cross-Cutting Activities:

- Develop and enhance collaborative programs through Stand Downs and establishment of housing and employment services.

f) External Factors: None

g) Other Supporting Information: None

Table 2: Performance Measure Supporting Information

3) Number of opportunities developed for VA senior officials to address national, state, and municipal traditional and non-traditional intergovernmental organizations

a) Means and Strategies:

- Intergovernmental Affairs coordinates with VA's senior leaders to develop plans to inform leadership of the National Governors Association National Conference of State Legislatures, American Legislative Exchange Council, National Association of Countries, U.S. Conference of Mayors, and the National Foundation for Women Legislators.

b) Data Source(s):

- Listing of the Non-Traditional Speaking Engagement Opportunities. List is updated and data is maintained via spreadsheet.

c) Data Verification:

- Internal tracking system is reviewed by Intergovernmental Affairs staff for accuracy.

d) Measure Validation:

- VA can influence policy regarding Veterans by getting on the conference agendas.
- 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 formulations at the local, state, and federal levels.

e) Cross-Cutting Activities:

- VA works with state and local governments to develop speaking opportunities for respective senior officials to discuss current Veteran issues of interest to state and local governments.

f) External Factors: None.

g) Other Supporting Information: None

4) Number of department wide coordinated outreach activities

a) Means and Strategies:

- 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 services providers of VA benefits and services.
- Develop a Departmental Strategic Plan for Outreach to provide an inventory of current outreach efforts and articulate strategies for improvement and additional outreach efforts where gaps currently exist.

b) Data Source(s):

- Strategic Plan for Outreach will serve as the primary data source for the Department's national outreach efforts.

c) Data Verification:

- Internal tracking system is reviewed by Intergovernmental Affairs staff for accuracy.

d) Measure Validation:

- 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.

e) Cross-Cutting Activities:

- VA works with 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.

f) External Factors: None

g) Other Supporting Information: None

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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.

Summary of Budget Request

| (\$ in 000) | 2009 | FTE | 2010 | FTE |
|------------------------|---------|-----|---------|-----|
| Total Budget Authority | \$4,379 | 38 | \$6,065 | 50 |

- This budget submission fully funds the activities of the Assistant Secretary for Congressional and Legislative Affairs. A total of \$6,065,000 and an average employment of 50 FTE are requested in 2010 to support the mission of this office. Additional details of the FTE increase can be found in the Budget Highlights section of this chapter.

Program Description and Accomplishments

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 all Congressional activity related to Veterans.

The primary function of OCLA is to promote the enactment of legislation that improves Veterans benefits and services by:

- coordinating the development of pro-Veteran legislation and advising the Secretary on legislative strategy;

- maintaining healthy communications with Congress through briefings, hearings, correspondence, reports and constituent services; and
- maintaining productive working relationships with the Government Accountability Office (GAO).

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, travel, communications and correspondence.

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 legislators and their staffs. Focused primarily on communicating the Department's mission and its service delivery, this outreach involves frequent briefings by senior VA officials in Washington, DC. 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.

Budget Highlights

| <i>Summary of Employment and Obligations</i> | | | | | |
|--|-----------------|--------------------|---------------------|-----------------|------------------------------|
| <i>(dollars in thousands)</i> | | | | | |
| | 2008 Actuals | 2009 | | 2010 Request | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Average employment | 33 | 38 | 38 | 50 | +12 |
| Obligations: | | | | | |
| Personal services | \$4,144 | \$4,160 | \$4,197 | \$5,460 | \$1,263 |
| Travel | \$92 | \$80 | \$95 | \$220 | \$125 |
| Rents, communications, and utilities | \$1 | \$20 | \$0 | \$21 | \$21 |
| Printing and reproduction | \$6 | \$10 | \$18 | \$18 | \$0 |
| Other services | \$95 | \$75 | \$101 | \$150 | \$49 |
| Supplies and materials | \$90 | \$29 | \$72 | \$191 | \$119 |
| Equipment | \$0 | \$5 | \$0 | \$5 | \$5 |
| Total obligations | \$4,428 | \$4,379 | \$4,483 | \$6,065 | \$1,582 |
| Reimbursements | | | | | |
| Carry over (-) | (\$158) | | (\$104) | | \$104 |
| Carry over (+) | \$64 | | | | |
| Total budget authority | \$4,334 | \$4,379 | \$4,379 | \$6,065 | \$1,686 |

- The 2010 personal services request of \$5,460,000 includes \$4,283,000 to cover payroll and annualized pay-raises (2.0 percent) for 38 FTE. It also includes \$1,177,000 and 12 new FTE so that OCLA can respond in a timely manner to the increasing number of requests from Congress and Veteran stakeholders, especially as Veterans return from OEF/OIF. Specifically, OCLA plans to hire nine (9) Congressional Relations Officers of varying levels of outreach and legislative experience, and three (3) Correspondence and Reports Officers. Additionally, OCLA efforts will coordinate more effectively the activities of Congressional Relations Staff currently within VHA, VBA, and NCA. The costs of those Congressional Relations Staff are currently within the respective Administration budgets.
- A total of \$605 thousand is requested in 2010 to cover non-pay increases for travel, supplies and materials, other services, and equipment – which includes furniture redesign and space requirements for the 12 new FTE.

Summary of Employment and Obligations

(dollars in thousands)

| | 2009 | | |
|--------------------------------------|--------------------|---------------------|------------------------------|
| | Budget Estimate | Current Estimate | Increase (+) Decrease (-) |
| Average employment | 38 | 38 | |
| Obligations: | | | |
| Personal services | \$4,160 | \$4,197 | \$37 |
| Travel | \$80 | \$95 | \$15 |
| Rents, communications, and utilities | \$20 | \$0 | (\$20) |
| Printing and reproduction | \$10 | \$18 | \$8 |
| Other services | \$75 | \$101 | \$26 |
| Supplies and materials | \$29 | \$72 | \$43 |
| Equipment | \$5 | \$0 | (\$5) |
| Total obligations | \$4,379 | \$4,483 | \$104 |
| Reimbursements | | | |
| Start of Year Carry over (-) | | (\$104) | (\$104) |
| End of Year Carry over (+) | | | |
| Total budget authority | \$4,379 | \$4,379 | \$0 |

- OCLA's current estimate reflects inflationary adjustments for personal services and other non-pay requirements such as travel, printing, and supplies. Unobligated balances available from FY08 will be used to offset these increases.

| Table 1: Performance Summary Table | | | | | | | |
|---|------------------------|-------|------|------|------------------------------|-------------------------------|------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) 2009 | Budget Year (Request) 2010 | |
| Enabling Goal | | | | | | | |
| Deliver world-class service to Veterans and their families through effective communication and management of people, technology, business process, and financial resource | | | | | | | |
| 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. | | | | | | | |
| 1) Percentage of responses to pre- & post-hearing questions that are submitted to Congress within the required timeframe (OCLA) | 21% | 15% | 27% | 57% | 45% | 60% | 100% |
| 2) Percentage of testimony submitted to Congress within the required timeframe (OCLA) | N/Av | N/Av% | 75% | 58% | 90% | 90% | 100% |
| 3) Percentage of title 38 reports that are submitted to Congress within the required timeframe (OCLA) | 21% | 13% | 40% | 59% | 50% | 60% | 100% |
| 4) Critical milestones met for submission of VA-approved legislative package | N/A | 25% | 50% | 100% | 75% | 80% | 100% |

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

1) Percentage of responses to pre-and post-hearing questions that are submitted to Congress within the required timeframe.

a) Means and Strategies:

- 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.

b) Data Source(s):

- OCLA maintains a database of title 38 reports, and reports on the status of these reports as the Monthly Performance Review.

c) Data Verification:

- All offices are required to respond through the VA Electronic Documentation System. OCLA uses this system as one of its tools to track the percentage of responses to pre-and post hearing questions that are submitted to Congress. OCLA also maintains a spreadsheet tracking system that records milestones, due dates, clearances and days elapsed up until submission to Congress.

d) Measure Validation:

- Quantifies VA's compliance with its obligation to provide responses to Congress by the date requested.

e) Cross-Cutting 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.

f) External Factors:

- None

g) Other Supporting Information:

- OCLA works proactively with Congress to change the statutory due dates on reports to reflect attainable deadlines.

2)Percentage of testimony submitted to Congress within the required timeframe

a) Means and Strategies:

- OCLA provides for Departmental coordination for hearing preparation, including the creation and submission of testimony for congressional hearings.

b) Data Source(s):

- OCLA works proactively with VA's Administrations and Staff Offices to ensure that congressional deadlines for submission of testimony are met by using VA data based systems.

c) Data Verification:

- All offices are required to respond through the VA Electronic Documentation System. OCLA uses this system as one of its tools to track the percentage of responses to pre-and post hearing questions that are submitted to Congress. OCLA also maintains a spreadsheet tracking system that records milestones, due dates, clearances and days elapsed up until submission to Congress.

d) Measure Validation:

- Quantifies VA's fulfillment of its responsibility to meet congressional deadlines for testimony submission and holds VA accountable for timely submission of congressional testimony.

e) Cross-Cutting Activities:

- None

f) External Factors:

- None

g) Other Supporting Information:

- OCLA works proactively with VA's Administrations and Staff Offices to ensure deadlines for submission of testimonies are met.

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

3) Percentage of title 38 reports that are submitted to Congress within the required timeframe

a) Means and Strategies:

- Monitoring congressionally mandated reports has been centralized with OCLA.
- The office is working at establish a link on OCLA's Web Page to provide status information on the reports.

b) Data Source(s):

- OCLA maintains a database of title 38 reports, and reports on the status of these reports as the Monthly Performance Review

c) Data Verification:

- All offices are required to respond through the VA Electronic Documentation System. OCLA uses this system as one of its tools to track the percentage of responses to pre-and post hearing questions that are submitted to Congress. OCLA also maintains a spreadsheet tracking system that records milestones, due dates, clearances and days elapsed up until submission to Congress.

d) Measure Validation:

- Quantifies how well VA meets its obligation to provide congressionally mandated reports to Congress by the statutory due date.

e) Cross-Cutting 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.

f) External Factors:

- None

g) Other Supporting Information:

- OCLA works proactively with Congress to change the statutory due dates on reports to reflect attainable deadlines.

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

4) Critical milestones met for submission of VA-approved legislative package

a) 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 each in each congressional session.
- The package includes all legislative proposals – those that have budgetary implications and those that do not.

b) Data Source(s):

- 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.

c) Data 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.

d) Measure Validation:

- Quantifies VA's success in meeting its responsibility to ensure that the Department's legislative package is ready for submission to OMB in accordance with established dates.

e) Cross-Cutting Activities:

- 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.

f) External Factors:

- Meeting these goals requires the cooperation of the Veterans Health Administration, Veterans Benefits Administration, National Cemetery Administrations, and other Staff Offices.
- Conflicting priorities within each of these Administrations may affect their ability to provide the necessary information within the required timeframes.

g) Other Supporting Information:

- OCLA works proactively with Congress to change the statutory due dates on reports to reflect attainable deadlines.



Acquisition, Logistics & Construction

Mission

The mission of the Office of Acquisition, Logistics and Construction is to support the needs of the Administrations and staff offices as they fulfill their missions to serve America's Veterans and their families. We do this by ensuring VA compliance with national policies and laws governing Federal acquisition and logistics management, providing superior cost-effective contracting, supporting oversight of supply-chain processes, and executing the Department's major construction and leasing programs.

Summary of Budget Request

Office of Acquisition, Logistics & Construction (OALC)

| (\$ in 000s) | 2009 | FTE | 2010 | FTE |
|---|-----------------|------------|-----------------|------------|
| Office of the Director of Acquisition, Logistics & Construction ^{1/} | \$550 | 8 | \$645 | 8 |
| Office of Construction & Facilities Management (CFM) | \$44,693 | 289 | \$50,083 | 305 |
| Office of Acquisition & Logistics (Supply Fund) ^{2/} | ... | ... | ... | ... |
| Total Budget Authority Request | \$45,243 | 297 | \$50,728 | 313 |

1/ In 2009 this office will be funded by \$550,000 in carryover from 2008 and reimbursements of \$550,000 from the Supply Fund. In FY 2010, \$645,000 in BA is being requested along with \$645,000 in reimbursements.

2/ Funding for the Office of Acquisition and Logistics (OAL), is provided through the Supply Fund.

FY 2010 the Office of Acquisition, Logistics and Construction is requesting budget authority of \$50,728,000 and 313 FTE to support the Office of Acquisition, Logistics and Construction and the Office of Construction and Facilities Management. The Office of Acquisition, Logistics and Construction oversees the Office of Construction and Facilities Management (CFM) and the Office of Acquisition and Logistics (ALC). CFM is funded from appropriated funding, however, ALC is funded from the Supply Revolving Fund. The Supply Revolving Fund can be found in a separate budget chapter.

Program Description and Accomplishments

The Office of Acquisition, Logistics and Construction (OAL&C) oversees the Office of Acquisition and Logistics (OAL) and the Office of Construction and Facilities Management (CFM). OAL responsibilities include directing Department-wide acquisition, contracting, contract administration, training, and logistics for the Department. The office also provides acquisition and logistics services to the Department of Defense, Department of Health and Human Services, and other Federal agencies.

CFM responsibilities include overseeing the planning, design and construction--including infrastructure--of the Department's major construction projects and overseeing financial reporting of minor construction projects. Additionally, CFM is responsible for lease project management, design and construction standards, and historic preservation services and expertise for the Department of Veterans Affairs in order to deliver high-quality and cost-effective facilities in support of our Nation's Veterans.

Major Construction

CFM is responsible for design and construction for the Veterans Health Administration (VHA), National Cemetery Administration (NCA), and Veterans Benefits Administration (VBA) major construction programs. Major construction encompasses projects greater than \$10 million and includes a large and complex inventory of approximately 60 projects valued at over \$8 billion total. Duties include managing, negotiating, awarding, and administering design, construction, and other related contracts. Additionally, CFM provides support in project scheduling, claims analysis, and risk management.

Leasing Services

CFM is responsible for the acquisition, management, and disposal of realty assets for the VA nationwide. Lease contracts are awarded for facility and land acquisitions, and numerous easements, licenses, and permits are granted throughout the country. CFM annually procures over one million square feet of leased space with an estimated contract value over \$600 million.

Consulting Services

CFM provides technical quality reviews for the State Nursing Home Grant and Homeless Provider Grant programs. In addition, the office provides support to VHA, NCA, VBA, and staff offices regarding compliance with historic preservation and cultural resources laws, regulations, and Executive Orders.

CFM provides ad hoc architectural and engineering services to VA facilities and oversight of Facility Condition Assessments and Electrical Studies.

Design and Construction Standards

CFM is responsible for VA's national quality design and construction standards including master specifications, design guides, technical manuals, and design alerts. This office also manages several national programs including seismic and other natural and man-made disaster preparedness, various sustainability compliance programs, construction cost budgeting and estimating, and the Brooks Act Architect and Engineer evaluation and selection processes.

Recent Accomplishments

- Awarded 54 major construction contracts in FY 2008. Total executed program for 2008 was \$1.1 billion in contracted obligations, the largest one-year operating result for CFM.
- Effectively managed a large and complex inventory of approximately 60 major construction projects valued at over \$8 billion, including high visibility projects at Orlando, FL; Las Vegas, NV; New Orleans, LA; and Denver, CO. Other major projects include three polytrauma projects at San Antonio, TX; Tampa, FL; and Palo Alto, CA; and six new national cemeteries.
- Awarded 17 lease contracts, delivered nine newly leased facilities, and acquired 94 acres of land for VHA. Granted numerous easements, licenses, and permits throughout the county.
- Conducted 10 architect/engineer selections for VHA and NCA major construction projects valued at \$1.2 billion.
- Managed the technical quality of VA's State Home Grants program that awarded 40 projects valued at \$250 million in construction including \$162 million in grants in 2008.
- Assisted in the review of over 200 applications for new grants resulting in the Homeless Program awarding 59 projects worth over \$50 million in construction including \$35 million in grants for 2009 programs.
- Provided extensive consultant services to VA Medical Centers for budget development, review of capital projects, estimates for VA's major

construction budget, and cost control assistance for projects under design with a total value of \$10 billion.

Budget Highlights

The 2010 GOE request includes resources necessary to continue the current level of operations and sustain efforts on critical initiatives underway. The budget request will provide for:

- Funds to cover pay raises and inflation.
- New Budget Authority (BA) to support the Office of Director of the Acquisition, Logistics and Construction that was established in FY 2009. The office was supported with available carryover and reimbursements in 2009. \$645,000 in Budget Authority is being requested in 2010. These funds, combined with \$645,000 in reimbursements from the Supply Fund will support the Front Office of Acquisition, Logistics and Construction in FY 2010.
- Two new Central Office FTE to support planning efforts. These FTE will assist with construction planning efforts such as project selection, definition, phasing, and justification (e.g., OMB Exhibit 300s).
- Fourteen new field FTE to support project management and provide on-site supervision for on-going and new starts of major construction and lease build-out projects. This increase supports the significant increase in both the lease and major construction project workload over the last three fiscal years, which will continue through FY 2010.

*Office of Acquisition, Logistics and Construction
Summary of Employment and Obligations
(dollars in thousands)*

| | 2008 Actual | 2009 | | 2010 Estimate | Increase (+) Decrease (-) |
|--------------------------------------|-----------------|--------------------|---------------------|------------------|------------------------------|
| | | Budget Estimate | Current Estimate | | |
| Average employment: | | | | | |
| Field | 148 | 161 | 161 | 175 | 14 |
| Central Office | <u>122</u> | <u>128</u> | <u>136</u> | <u>138</u> | <u>2</u> |
| Total | 270 | 289 | 297 | 313 | 16 |
| Obligations: | | | | | |
| Personal services | \$34,080 | \$37,391 | \$38,588 | \$42,176 | \$3,588 |
| Travel | \$2,257 | \$2,841 | \$2,450 | \$3,033 | \$583 |
| Transportation of things | \$609 | \$273 | \$647 | \$692 | \$45 |
| Rents, communications, and utilities | \$1,593 | \$1,753 | \$1,679 | \$1,859 | \$180 |
| Printing and reproduction | \$1 | \$3 | \$3 | \$4 | \$1 |
| Other services | \$6,045 | \$2,543 | \$4,615 | \$3,011 | -\$1,604 |
| Supplies and materials | \$300 | \$266 | \$431 | \$460 | \$29 |
| Equipment | \$132 | \$173 | \$116 | \$138 | \$22 |
| Total obligations | \$45,017 | \$45,243 | \$48,529 | \$51,373 | \$2,844 |
| Reimbursements | \$0 | \$0 | -\$550 | -645 | -95 |
| SOY Carry over (-) | \$-1,151 | \$0 | -\$2,736 | \$0 | 2,736 |
| EOY Carry over (+) | \$2,859 | \$0 | \$0 | \$0 | \$0 |
| Total budget authority | \$46,725 | \$45,243 | \$45,243 | \$50,728 | \$5,485 |

- FY 2010 obligations are \$2,844,000 above the FY 2009 level as a result of 16 additional FTE, pay raises, and inflation.

| Changes from Original 2009 Budget Estimates | | | |
|--|----------------------------|-----------------------------|--------------------------------------|
| <i>(dollars in thousands)</i> | | | |
| | 2009 | | |
| | Budget Estimate | Current Estimate | Increase (+) Decrease (-) |
| Average Employment Total | 289 | 297 | 8 |
| Field | 161 | 161 | 0 |
| Central Office | 128 | 136 | 8 |
| Obligations: | | | |
| Personal services | \$37,391 | \$38,588 | \$1,197 |
| Travel | \$2,841 | \$2,450 | -\$391 |
| Transportation of things | \$273 | \$647 | \$374 |
| Rents, communications, and utilities | \$1,753 | \$1,679 | -\$74 |
| Printing and reproduction | \$3 | \$3 | \$0 |
| Other services | \$2,543 | \$4,615 | \$2,072 |
| Supplies and materials | \$266 | \$431 | \$165 |
| Equipment | \$173 | \$116 | \$-57 |
| Total obligations | \$45,243 | \$48,529 | \$3,286 |
| Reimbursements | \$0 | -\$550 | -\$550 |
| SOY Carry over (-) | \$0 | -\$2,736 | -\$2,736 |
| EOY Carry over (+) | | | |
| Total budget authority | \$45,243 | \$45,243 | \$0 |

- The 2009 current budget reflects 8 FTE in the new OAL&C front office that were not included in the original 2009 budget. Carryover and reimbursement funds support these FTE in 2009. Additionally, compared to the budget estimate, the current budget for contracts and other services is higher because it includes obligations for projects not completely executed in 2008.

Performance Measures

The following tables provide performance measurements and expectations based on receiving the funding requested in FY 2010:

| Table 1: Performance Summary Table Office of Acquisition, Logistics and Construction ALL MEASURES | | | | | | | |
|---|------------------------|-------|------|------|----------------------|-----------------------|------------------|
| Measure Description (Departmental Management Measures are in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 1) Percent of design and construction contracts that are awarded within 90 days of operating plan target dates. | 73.3% | 71.4% | 73% | 85% | 80% | 80% | 90% |
| 2) Percent of direct lease acquisitions that meet final direct lease acquisition target dates within a 90 day variance. | NA | NA | 70% | 100% | 80% | 90% | 95% |
| 3) Percent of property acquisitions that meet final acquisition target dates within a 90 day variance. | NA | NA | 75% | 100% | 80% | 90% | 95% |
| 4) Percent of design guides that are 5 years old or less. | NA | NA | NA | 70% | 81% | 85% | 95% |

Table 2: Performance Measure Supporting Information

DEPARTMENTAL MANAGEMENT MEASURES ONLY

1) Percent of design and construction contracts that are awarded within 90 days of operating plan target dates.

a) Means and Strategies:

- Establish a Project Planning and Development Service (PPDS).
- Develop comprehensive/detailed plans for major construction projects.
- Initiate project development plans prior to completion of the budget prospectuses and continually update plans until construction contracts are awarded.
- Assist VHA and NCA in their planning efforts at an early stage regarding site selection, project development, space programs and scopes of work.

b) Data Sources(s):

- Construction & Facilities Management Information System (CFMIS).

c) Data Verification:

- Data are entered by the appropriate office and verified through checks performed against the appropriation and the annual operating plan.
- CFM leadership and project managers conduct monthly meetings in order to review project status.
- Interfaces with existing systems such as the Electronic Contract Management System (ECMS) serve as a verifying source.

d) Measure Validation:

- Awarding various phases of contracts within operating plan target dates is essential in order to complete projects on schedule.
- On-time project completion provides Veterans with timely access to facilities necessary for required medical treatments, and final resting places.

e) Cross-Cutting Activities: none

f) External Factors:

- Unanticipated legislative action.
- Unanticipated economic conditions.
- Land acquisition delays or other problems.
- Unforeseeable conditions resulting from environmental and/or Section 106 issues under the National Historic Preservation Act (law that requires federal agencies to consider the potential impact to historic properties that could result from proposed action by the agency).



Inspector General

Appropriation Language

For necessary expenses of the Office of Inspector General (OIG), in carrying out the provisions of the *Inspector General Act of 1978*, \$107,000,000, of which \$6,000,000 shall remain available until September 30, 2011.

Mission

Under the authority of the *Inspector General Act of 1978*, 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 waste, abuse, mismanagement, and criminal activity in VA programs and operations; and for keeping the Secretary and Congress fully informed about problems and deficiencies in VA programs and operations and the need for corrective action.

Summary of Budget Request

| (\$ in 000) | 2009 | FTE | 2010 | FTE |
|------------------------------------|-----------------|------------|------------------|------------|
| Office of Inspector General | | | | |
| Regular Appropriation | \$87,818 | 504 | \$107,000 | 537 |
| ARRA* | \$1,000 | 3 | — | — |
| Total Budget Authority | \$88,818 | 507 | \$107,000 | 537 |
| Reimbursement | \$3,596 | 25 | \$3,885 | 25 |
| Total Obligations | \$92,414 | 532 | \$110,885 | 562 |

*Note: The budget authority for 2009 includes \$1,000,000 funded under the *American Recovery and Reinvestment Act of 2009 (ARRA)*.

- For 2010, the OIG is requesting budget authority of \$107,000,000, an increase of \$18,182,000 over the regular 2009 and ARRA appropriations, and 537 FTE to

support its operations. OIG funding will also include \$3,885,000 from reimbursements, which will support an additional 25 FTE.

- The request includes funding of \$12,007,000 for OIG initiatives to enhance the Consolidated Financial Statement (CFS) and *Federal Information Security Management Act* (FISMA) audits and to expand OIG oversight in two sensitive and vulnerable VA program areas—health care for returning Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) Veterans and VA information technology.

Program Description and Accomplishments

Office of Inspector General Programs

The OIG carries out operations through four major Offices, each headed by an Assistant Inspector General, and the Office of Contract Review, which is directed by the Counselor to the Inspector General.

Office of Audit. The Office of Audit (OA) conducts independent and timely performance and financial audits of VA health care, benefits, financial management, procurement, and information management programs. These audits contribute to improved management of VA programs by providing constructive recommendations to improve the economy, efficiency, and effectiveness of VA management, programs, services, operations, and systems. OA also conducts cyclical evaluations of benefits processing activities at VA regional offices. Additionally, OA oversees the annual Consolidated Financial Statement (CFS) audit that assesses VA's financial management systems and information under the requirements of the *Chief Financial Officers (CFO) Act of 1990* and the annual evaluation of VA's information security programs and controls required by the *Federal Information Security Management Act of 2002 (FISMA)*.

Office of Healthcare Inspections. The Office of Healthcare Inspections (OHI) conducts oversight aimed at enhancing the quality of VA health care programs and promoting continuous quality improvement. OHI helps safeguard the quality of Veterans Health Administration (VHA) medical care for Veterans by conducting inspections, evaluations, cyclical Combined Assessment Program (CAP) reviews which evaluate quality of care issues at VA medical facilities, and clinical consultations in support of criminal investigations. OHI also conducts oversight of VHA's quality assurance programs and the Office of the Medical Inspector.

Office of Investigations. The Office of Investigations (OI) conducts criminal and administrative investigations of wrongdoing in VA programs and operations. Criminal investigations focus on such activities as fraud against VA committed by beneficiaries, fiduciaries, contractors, and employees; illegal pricing by pharmaceutical firms; embezzlement, extortion, and bribery by VA employees; theft and diversion of drugs by employees and others; theft of VA resources and data; identity theft; assaults involving employees and patients; threats against employees, patients, facilities, and computer systems; mortgage fraud; and workers compensation fraud. Administrative investigations focus on misuse of Government resources, abuse of authority, and travel irregularities by senior officials. Through criminal prosecutions, administrative sanctions, and monetary recoveries, these investigations promote integrity, patient safety, efficiency, and accountability in VA.

Office of Management and Administration. The Office of Management and Administration (OMA) provides a wide range of administrative and operational support functions to OIG offices and employees. OMA operates the VA Hotline, providing the means for VA employees and others to report allegations of fraud, waste, and abuse to OIG and to ensure that these referrals are resolved timely and appropriately. Information technology (IT) units nationwide provide a broad array of IT support and security services, as well as data gathering and analysis support for audits, inspections, and investigations. OMA also provides follow-up on OIG report recommendations, and general administrative, logistical, and financial support for the entire OIG organization.

Counselor to the Inspector General and Office of Contract Review. The Counselor provides legal advice and representation on issues arising from OIG activities and directs OIG's *Freedom of Information Act* and *Privacy Act* activities. The Counselor also oversees the Office of Contract Review, which provides preaward, postaward, and other reviews of vendor proposals and contracts under a reimbursable agreement with VA's Office of Acquisition, Logistics, and Construction.

Office of Inspector General Accomplishments

OIG is dedicated to helping VA provide Veterans and their families the care, support, and recognition they have earned through service to our country. Through its program oversight, OIG seeks to help VA become the best-managed service delivery organization in Government by working as a catalyst for positive change, and proactively working to help ensure VA is fully prepared to meet the demands of a new generation of Veterans as well as to care for our earlier Veterans with their own particular needs.

In the 12 months covered by the last two *OIG Semiannual Reports to Congress*, OIG identified \$500 million in actual and potential monetary benefits; issued 212 reports on VA programs and operations; and achieved 510 arrests, 249 indictments, 138 criminal complaints, 291 convictions, 652 administrative sanctions, and 44 pretrial diversions. OIG operations provided a return on investment of \$6 in monetary benefits for each \$1 of OIG resources expended. Some noteworthy accomplishments include:

- A comprehensive health care inspection concluded that surgical specialty care at VA Medical Center Marion, Illinois, was in disarray. Inspectors cited three mortality cases that did not meet standards of care, identified examples of non-fatal complications, sustained allegations of poor non-surgical care, and found ineffective quality management and deficiencies in physician credentialing and privileging, resulting in 17 recommendations to improve health care at the medical center and VHA nationally.
- An audit found significant deficiencies in transition assistance provided to OEF/OIF service members and Veterans, including serious delays in processing compensation claims of seriously disabled Veterans and gaps in Department of Defense/VA outreach efforts.
- A health care inspection of research studies at a medical center found persistent oversight deficiencies, including documentation irregularities and violations of human subject protections in the areas of informed consent and adverse event reporting; missing study protocols and incomplete data; and deficiencies in the skills, experience, and training of principal investigators.
- An audit found significant performance monitoring weaknesses for 58 noncompetitive surgical and anesthesiology clinical sharing agreements at eight medical centers. Strengthened controls could save VHA \$59 million over 5 years.
- An investigation of a “Stolen Valor” case resulted in a non-Veteran pleading guilty to fraudulently receiving \$245,000 in VA pension and health care benefits after he had claimed to be a U.S. Marine who had served in Vietnam.
- An investigation resulted in an optical cable installation contractor pleading guilty to submitting false claims for work that was not performed, incomplete, or improperly billed at several VA facilities. The estimated loss to VA was \$425,000.
- Preaward and postaward reviews of VA contracts resulted in \$108 million in cost savings and recoveries.

Budget Highlights

The budget request of \$107,000,000 from appropriations will support an employment level of 537 FTE. This submission also includes \$3,885,000 from reimbursements, which will support an additional 25 FTE, who perform contract reviews. The 2010 request includes resources necessary to carry out the current level of services and to fund two significant initiatives.

- **Initiative 1 — Enhanced CFS and FISMA Audits (\$7.2 million).** Under this initiative, the OIG’s CFS and FISMA contractors will perform substantially more work than is currently done. Expanding the CFS audit scope beyond the minimum required by the *CFO Act* will provide substantially more systems testing, more in-depth financial data analysis, and better information for VA management’s use in improving financial management programs, systems, and controls. Expanding the FISMA review scope will increase the number of systems and facilities tested and substantially increase the types of assessments performed beyond the limited work now done.
- **Initiative 2 — Expanded Oversight of Health Care and IT (\$4.8 million and 24 FTE).** This initiative would expand OIG oversight in two sensitive and vulnerable VA program areas—health care for returning OEF/OIF Veterans and information technology. OIG would continue its expansion of health care oversight to assess the quality and availability of care provided for OEF/OIF Veterans, a new generation of Veterans with its own patterns of injuries and health care issues, such as traumatic injuries and PTSD. In addition, OIG would conduct a series of targeted audits to assess major systems development, acquisition, and associated business practices, evaluate the effectiveness of the VA IT reorganization, and provide rapid-response assessments of serious security breaches and data losses.

Budget Submission Requirements of the *Inspector General Reform Act*

The OIG budget submission of \$107,000,000 was developed in accordance with Section 8 of the *Inspector General Reform Act of 2008* and will enable the OIG to perform its current level of statutory and mandatory work and additional oversight work, including the initiatives described above. The Inspector General certifies that the \$1,000,000 included for employee training in this request will meet all 2010 OIG training requirements. The Inspector General also certifies that the \$250,000 included in this request as OIG’s estimated share of costs to support the new Council of Inspectors General on Integrity and Efficiency established under the Act is necessary to support the operations of the Council.

Summary of Employment and Obligations—Analyses

| Summary of Employment and Obligations (dollars in thousands) | | | | | |
|---|-----------------|--------------------|---------------------|------------------|----------------------------|
| | 2008 Actual | 2009 | | 2010 Request | Increase(+) Decrease(-) |
| | | Budget Estimate | Current Estimate | | |
| Average employment: | | | | | |
| Headquarters functions | 70 | 75 | 80 | 85 | +5 |
| Operational functions | 378 | 390 | 452 | 477 | +25 |
| Total employment | 448 | 465 | 532 | 562 | +30 |
| Obligations: | | | | | |
| Personal services | \$59,980 | \$65,135 | \$72,710 | \$78,074 | +\$5,364 |
| Travel | \$3,921 | \$3,773 | \$5,140 | \$5,434 | +\$294 |
| Transportation of things | \$327 | \$24 | \$219 | \$243 | +\$24 |
| Rents, communications, and utilities | \$3,808 | \$4,203 | \$4,059 | \$4,581 | +\$522 |
| Printing and reproduction | \$14 | \$30 | \$30 | \$32 | +\$2 |
| Other services | \$7,368 | \$6,162 | \$11,494 | \$17,850 | +\$6,356 |
| Supplies and materials | \$394 | \$323 | \$363 | \$385 | +\$22 |
| Equipment | \$2,619 | \$446 | \$3,399 | \$4,286 | +\$887 |
| Insurance | 0 | 0 | 0 | 0 | 0 |
| Total obligations | \$78,431 | \$80,096 | \$97,414 | \$110,885 | +\$13,471 |
| Reimbursements | -\$3,239 | -\$3,596 | -\$3,596 | -\$3,885 | -\$289 |
| SOY Unobligated Balance (-) | -\$9 | | -\$5,000 | 0 | +\$5,000 |
| EOY Unobligated Balance (+) | +\$5,317 | | | | |
| Adjustments in Unobligated Balances (+/-) | - | - | - | - | - |
| Budget Authority | \$80,500 | \$76,500 | \$88,818 | \$107,000 | +\$18,182 |
| Regular Appropriations | \$80,500 | \$76,500 | \$87,818 | \$107,000 | +\$19,182 |
| ARRA | - | - | \$1,000 | - | -\$1,000 |
| Total Budget Authority | \$80,500 | \$76,500 | \$88,818 | \$107,000 | +\$18,182 |

Note: The 2009 current estimate include \$1,000,000 in additional funding and 3 FTE provided by ARRA to conduct oversight, audits, and investigations of the VA programs, projects, initiatives, and grants funded under ARRA.

- The increases in average employment and personnel services costs reflect the 2010 pay raise, locality pay, law enforcement availability pay, benefits, changes in staff composition, and the additional FTE associated with the Expanded Oversight of Health Care and IT initiative.
- Increases in other services include the increased costs for new current services-level contracts that will be awarded for the 2010 CFS and FISMA audits, the initiative-level expansion of the CFS and FISMA audits, and the OIG's share of

funding support for the new Council of Inspectors General for Integrity and Efficiency.

- Other increases reflect the costs associated for hiring and providing additional FTE with required office space, equipment, travel, training, and supplies.

Changes from Original Budget

| Changes from Original 2009 Budget Estimates (dollars in thousands) | | | |
|--|----------------------------|-----------------------------|------------------------------|
| | 2009 Budget Estimate | 2009 Current Estimate | Increase (+) Decrease (-) |
| Average employment | 465 | 532 | +67 |
| Obligations: | | | |
| Personal services | \$65,135 | \$72,710 | +\$7,575 |
| Travel | \$3,773 | \$5,140 | +\$1,367 |
| Transportation of things | \$24 | \$219 | +\$195 |
| Rents, communications, and utilities | \$4,203 | \$4,059 | -\$144 |
| Printing and reproduction | \$30 | \$30 | 0 |
| Other services | \$6,162 | \$11,494 | +\$5,332 |
| Supplies and materials | \$323 | \$363 | +\$40 |
| Equipment | \$446 | \$3,399 | \$2,953 |
| Insurance | - | - | - |
| Total Obligations | \$80,096 | \$97,414 | +\$17,318 |
| Reimbursements | -\$3,596 | -\$3,596 | 0 |
| <i>SOY Unobligated Balance (-)</i> | 0 | -\$5,000 | \$-5,000 |
| <i>EOY Unobligated Balance (+)</i> | 0 | 0 | 0 |
| Budget Authority | \$76,500 | \$88,818 | +\$12,318 |

Note: The 2009 current estimates include the \$1,000,000 in additional funding and 3 FTE provided by ARRA.

The 2009 current estimates for budget authority and average employment are higher than the original estimates because of the increased funding provided by the enacted 2009 regular appropriation and the additional funding under ARRA.

- Personal services increases reflect the higher FTE level, the 2009 percent pay raise, availability pay, and employee benefits, such as retirement and health benefits.

- Non-payroll increases reflect the costs associated for hiring the additional employees and providing them with necessary office space, equipment, travel, training, and supplies.
- The increase in total obligations also reflect the carry forward of unexpired 2008 funding as a contingency to cover the projected decrease between the enacted 2008 appropriation and the lower level of funding in the original 2009 budget estimate.

A request of \$835,000 for OIG facilities is included within the 2010 VA Minor Construction appropriation request.

Program Goals, Objectives, and Performance Measures

Office of Inspector General Strategic Plan, Goals, and Measures

OIG has developed and implemented a strategic planning process to improve overall performance and to assist VA in achieving its strategic goals. The OIG's recently updated Strategic Plan 2009–2015 includes five strategic areas—health care delivery, benefits processing, financial management, procurement practices, and information management. The plan encompasses key issues, management challenges, and high risks facing VA over the next 6 years.

- **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.
- **Strategic Goal 2 – Benefits Processing:** Improve the delivery of benefits and services by identifying opportunities to improve the quality, timeliness, and accuracy of benefits processing, while reducing criminal activity in the delivery of benefits through proactive and targeted audit and investigative efforts.
- **Strategic Goal 3 – Financial Management:** Assist VA in achieving its financial management mission of providing all VA activities with accurate, reliable, and timely information for sound oversight and decision making by identifying opportunities to improve the quality, management, and efficiency of VA's financial management systems.
- **Strategic Goal 4 – Procurement Practices:** Ensure that VA's acquisition programs support our Nation's Veterans, other Government entities, and the

taxpayer by providing customers with quality and reasonably priced products, services, and expertise delivered on time.

- **Strategic Goal 5 – Information Management:** Assess information systems and policies within VA to ensure that they protect information security and integrity, are cost effective, meet the needs of the user, and are used in a lawful and ethical manner; and investigate fraud and other computer-related crimes against VA.

OIG performance measures primarily focus on intended outcomes and demonstrate the critical linkages between work and results, effort and effect, and appraise the influence on both interim and long-term VA mission-related outcomes in each of the five strategic goal areas.

| Table 1. Performance Summary | | | | | | | |
|---|-------------------------------|-------|-------|-------|-----------------------|-----------------------|-------------------------|
| ALL MEASURES | | | | | | | |
| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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. | | | | | | | |
| 1) Number of arrests, indictments, convictions, criminal complaints, pretrial diversions, and administrative sanctions. | 3,123 | 2,455 | 2,303 | 1,884 | 1,950 | 2,050 | 2,200 |
| 2) Number of reports (audit, inspection, evaluation, contract review, and CAP reports) issued that identify opportunities for improvement and provide recommendations for corrective action. | 224 | 235 | 217 | 212 | 226 | 240 | 250 |

Table 1. Performance Summary

ALL MEASURES

| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
|--|------------------------|----------|---------|--------|----------------------|-----------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 3) Monetary benefits (\$ in millions) from audits, investigations, contract reviews, inspections, and other evaluations. *Updated | \$1,972 | *\$1,019 | *\$820 | \$500 | \$594 | \$774 | \$1,000 |
| 4) Return on investment (monetary benefits ÷ cost of operations in dollars). | 28 to 1 | 14 to 1 | 11 to 1 | 6 to 1 | 7 to 1 | 7 to 1 | 10 to 1 |
| 5) Percentage of: | | | | | | | |
| • Prosecutions successfully completed | N/Av | 96% | 95% | 94% | 90% | 90% | 90% |
| • Recommendations implemented within 1 year to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA | N/Av | 93% | 86% | 88% | 80% | 80% | 90% |
| • Preaward recommendations sustained during contract negotiations | N/Av | 70% | 66% | 57% | 63% | 63% | 65% |
| 6) Customer satisfaction survey scores (based on a scale of 1-5, where 5 is high): | | | | | | | |
| • Investigations | N/Av | 4.9 | 4.9 | 4.6 | 4.6 | 4.6 | 5.0 |
| • Audit | N/Av | 4.3 | 3.7 | 4.0 | 4.0 | 4.2 | 5.0 |
| • Healthcare Inspections | N/Av | 4.6 | 4.4 | 4.7 | 4.5 | 4.5 | 5.0 |

Note: Performance measures and targets associated with funding received under the *American Recovery and Reinvestment Act of 2009* are being developed and are not included in this table.

Table 2. Performance Measure Supporting Information

1) Number of arrests, indictments, convictions, criminal complaints, pretrial diversions, and administrative sanctions.

Means and Strategies: OIG conducts an extensive program of proactive and reactive criminal and administrative investigations that result in arrests, convictions, sanctions, and other appropriate case outcomes.

Data Sources: Data for completed investigations is maintained in the automated OIG Master Case Index system and other records.

Data Verification: OIG publishes performance results in its *Semiannual Reports to Congress* and in the annual *VA Performance and Accountability Report*, which undergo rigorous quality control reviews and validation processes before publication.

Measure Validation: OIG periodically reassesses strategic and annual performance goals and measures in consideration of mission, organizational priorities, resources, and accomplishments.

Cross-Cutting: OIG routinely works with other Inspectors General, Department of Justice, Federal Bureau of Investigation, Secret Service, Bureau of Prisons, and other Federal, state, and local law enforcement agencies. OIG has participated in the President's Council on Integrity and Efficiency, with a goal of focusing attention on the major management challenges facing the Federal Government. OIG will continue these efforts as an active participant in the newly established Council of Inspectors General on Integrity and Efficiency authorized under the *Inspector General Reform Act of 2008*.

External Factors: None.

2) Number of reports (audit, inspection, evaluation, contract review, and CAP reports) issued that identify opportunities for improvement and provide recommendations for corrective action.

Means and Strategies: OIG conducts an extensive program of audits, health care inspections, evaluations, CAP reviews, and contract reviews in the five OIG strategic goal areas and issues reports with recommendations for improvement actions in VA programs.

Data Sources: Data for completed audits, health care inspections, and other reviews are maintained in the automated OIG Master Case Index system.

Data Verification: Same as measure 1.

Measure Validation: Same as measure 1.

Cross-Cutting: Same as measure 1.

External Factors: None.

3) Monetary benefits from audits, investigations, contract reviews, inspections, and other evaluations.

Means and Strategies: OIG audits, investigations, and other reviews identify monetary benefits, including better use of funds, savings, cost avoidance, questioned costs, fines, penalties, restitution, and civil judgments.

Data Sources: Data summarizing monetary benefits is maintained in the automated OIG Master Case Index system.

Table 2. Performance Measure Supporting Information

Data Verification: Same as measures 1 and 2.

Measure Validation: Same as measure 1.

Cross-Cutting: None.

External Factors: None.

4) Return on investment (monetary benefits ÷ cost of operations).

Means and Strategies: OIG return on investment goals are defined as monetary benefits from audits, investigations and other reviews as multiples of annual resource levels.

Data Sources: Monetary benefits data is maintained in the automated OIG Master Case Index system and resource data is taken from OIG budget data.

Data Verification: Same as measure 1.

Measure Validation: Same as measure 1.

Cross-Cutting: None.

External Factors: None.

5) Percentage of prosecutions successfully completed; recommendations implemented within 1 year to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA; and preaward recommendations sustained during contract negotiations.

Means and Strategies: OIG tracks these percentages as measures of outcome quality.

Data Sources: Same as measures 1 and 2

Data Verification: Same as measure 1.

Measure Validation: Same as measure 1.

Cross-Cutting: Same as measure 1.

External Factors: None.

6) Customer satisfaction survey scores (based on a scale of 1-5, where 5 is high): Audits, Investigations, Health Care Inspections.

Means and Strategies: After each audit, investigation, and other review, OIG requests performance feedback from VA program and/or facility managers or other stakeholders using a customer satisfaction instrument.

Data Sources: Records of completed customer satisfaction surveys.

Data Verification: Same as measure 1.

Measure Validation: Same as measure 1.

Cross-Cutting: None.

External Factors: None.



Office of Acquisition and Logistics: Supply Fund

Mission

The Office of Acquisition and Logistics (OAL) is an organizational element within the Office of Acquisition, Logistics, and Construction (OALC)¹ and provides policy and oversight to VA's acquisition and logistics programs. In addition, OAL provides best value acquisition of goods and services through its National Acquisition Center (NAC) and Center for Acquisition Innovation (CAI).

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 other Government Agency (OGA) customers.

| Office of Acquisition and Logistics Summary of Employment and Obligations (dollars in thousands) | | | |
|--|----------------|------------------|------------------|
| | 2008 Actual | 2009 Estimate | 2010 Estimate |
| FTE | 407 | 632 | 662 |
| Appropriation | \$0 | \$0 | \$0 |
| Obligations: | | | |
| Operating | \$90,143 | \$100,917 | \$129,860 |
| Merchandising | \$2,043,307 | \$2,096,585 | \$2,104,240 |
| Total Obligations | \$2,133,450 | \$2,197,502 | \$2,234,100 |
| Outlays | \$2,564 | \$0 | \$0 |

Program Description and Accomplishments

OAL provides direct, operational support to the Department's Administrations in the areas of:

¹ Also included under the Office of Acquisition, Logistics, and Construction is the Office of Construction and Facility Management (CFM). Detailed information on the front office staff and CFM is included in the Office of Acquisition, Logistics, and Construction budget chapter.

1. *Acquisition operations* - procures goods and services for VA. The Office of Acquisition and Logistics provides innovative solutions for VA's acquisition challenges. This office awards and administers cost-effective contracts to meet supply, service, and equipment needs of VA facilities and of many other government agencies.
2. *Logistics operations* - provides a full range of logistics services to VA and other government agency customers. The Office of Acquisition and Logistics provides such services as distribution of interment flags; inspection of x-ray and laundry equipment; sale of precious metals; and design, printing, and distribution of VA forms and publications.
3. *Acquisition and logistics program oversight and policy* - develops VA-wide acquisition and logistics policy and oversees these programs to ensure Departmental compliance with laws and regulations. The Office of Acquisition and Logistics manages VA's mandatory acquisition training program, offers continuing education programs for VA procurement staff around the country, operates VA's Contracting Officer Certification Program, and warrants all VA contracting officers. To ensure the integrity of VA's acquisition program, this office conducts acquisition reviews of major contract actions and provides leadership for VA's procurement working group, an intradepartmental body that seeks to reduce vulnerability to procurement fraud. Program management responsibility for VA's metric system and value engineering rests within this organization.

The Supply Fund is the source of funding for the following organizations/activities:

- OAL awards and administers cost-effective national contracts to meet supply and equipment needs of VA facilities around the country and many 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 prime vendor distribution contracts. VA facilities and OGAs use prime vendor 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 integrated health-care system in the Nation.
- OAL develops Department-wide acquisition policy, manages VA's acquisition training program, and offers continuing education programs for VA procurement staff around the country through the VA Acquisition Academy.

OAL also manages VA's Federal Acquisition Certification Programs for Contracting, and Program and Project Management.

- OAL is also responsible for warranting all VA contracting officers and oversees the Internal Management Accountability and Control Assessments required by Office of Management and Budget (OMB) Circular A-123. To ensure the integrity of VA's acquisition program, this office conducts reviews of all major contract actions and, when necessary, makes site visits to VA contracting offices.
- The Clinical Logistics Office (CLO) is an organizational element within the Veterans Health Administration (VHA). The CLO serves as the expert advisor on all matters pertaining to VHA purchasing; including logistics, procurement, and standardization of commodity and equipment.
- The Office of Small and Disadvantaged Business Utilization (OSDBU) is an organizational element within the Office of the Secretary of Veterans Affairs. Its mission is to advocate for the maximum practicable participation of small businesses in VA acquisitions, with special emphasis on service-disabled Veteran-owned and Veteran-owned small businesses.

Recent Accomplishments:

- Obtained unqualified "clean" opinion on financial statements from a private sector auditing firm.
- Established a VA Acquisition Academy with an initial class of 30 acquisition interns.
- Rewrote VA Handbook 7002 to strengthen property management oversight
- Developed and implemented an automated management tool - the Acquisition Dashboard - to improve visibility of acquisition process for program managers and senior leaders and strengthen VA oversight for major acquisitions.
- Achieved 100% Federal Acquisition Certification (FAC)-Contracting (C) Level III certification and 83% FAC-C Level II certification across VA.
- Conducted VA Acquisition and Logistics studies and developed "to be" models for decision by the Secretary.
- Implemented strategic sourcing initiative for Vocational Rehabilitation and Education. Streamlined acquisition process and lowered prices by reducing number of contractors from 240 to 8 (6 of which are Service-Disabled Veteran-Owned small businesses).

SUMMARY OF EMPLOYMENT AND OBLIGATIONS - ANALYSES

| <i>Summary of Employment and Obligations</i> (dollars in thousands) | | | | | |
|--|--------------------|--------------------|---------------------|--------------------|-----------------------------|
| | | 2009 | | | |
| | 2008 Actual | Budget Estimate | Current Estimate | 2010 Estimate | Increase(+) Decrease(-) |
| FTE: | | | | | |
| Field | 249 | 326 | 400 | 430 | +30 |
| Central Office | 158 | 232 | 232 | 232 | 0 |
| Total FTE | 407 | 558 | 632 | 662 | +30 |
| Obligations: | | | | | |
| Personal Services | \$42,591 | \$49,966 | \$52,100 | \$66,254 | +\$14,154 |
| Travel | 2,824 | 5,000 | 6,000 | 7,119 | +1,119 |
| Transportation of Things | 7,202 | 10,346 | 11,562 | 11,622 | +60 |
| Rents, Communications & Utilities | 5,129 | 5,940 | 6,100 | 6,672 | +572 |
| Printing and Reproduction | 12,894 | 13,100 | 13,495 | 13,946 | +451 |
| Other Services | 125,475 | 145,000 | 156,000 | 160,261 | +4,261 |
| Supplies and Materials | 1,176,121 | 1,418,785 | 1,418,785 | 1,432,418 | +13,633 |
| Equipment | 761,214 | 520,952 | 533,460 | 535,808 | +2,348 |
| Total Obligations | \$2,133,450 | \$2,169,089 | \$2,197,502 | \$2,234,100 | +36,598^{1/} |

^{1/}The increases noted on the chart, above, are primarily due to the addition of the Technology Acquisition Center (TAC) and additional acquisition interns at the VA Acquisition Academy.

| <i>Income Statement</i> (dollars in thousands) | | | | |
|---|------------------|--------------------|---------------------|------------------|
| | | 2009 | | |
| | 2008 Actual | Budget Estimate | Current Estimate | 2010 Estimate |
| Income | \$91,376 | \$100,000 | \$90,000 | \$120,000 |
| Expense | 87,519 | 100,000 | 100,917 | 129,860 |
| Net Income | \$3,857 | \$0 | \$-10,917 | \$-9,860 |
| Analysis of Retained Earnings | | | | |
| Retained Earnings, BOY | \$203,280 | 204,109 | \$204,109 | \$193,192 |
| Retained Earnings, EOY | \$204,109 | \$204,109 | \$193,192 | \$183,332 |

Table 1: Performance Summary Table

ALL MEASURES

| Measure Description (Departmental Management Measures in bold) | 4-Year Results History | | | | Annual Targets | | Strategic Target |
|--|------------------------|------|------|------|----------------------|-----------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) | Budget Year (Request) | |
| | | | | | 2009 | 2010 | |
| 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.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. | | | | | | | |
| 1) Percentage of protested contracts with VA position sustained | 90% | 90% | 90% | 90% | 90% | 90% | 90% |
| 2) Percentage of eligible service contract dollars converted to performance-based contracts | 35% | 25% | 30% | 35% | 40% | 100% | 100% |
| 3) Number of audit qualifications identified in the auditor's opinion on the VA Supply Fund | N/Av ^{1/} | N/Av | 0 | 0 | 0 | 0 | 0 |

^{1/} N/Av = past history is not available

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Franchise Fund Enterprise Centers

Mission

The VA Franchise Fund is comprised of an administrative office (Franchise and Trust Fund Oversight 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 Information Technology Center formerly known as the Corporate Franchise Data 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.

Functions/Activity

The entrepreneurial organizations of the VA Franchise Fund provide a wide range of functions and activities:

Austin Information Technology Center (AITC). Located in Austin, TX, the AITC provides comprehensive e-government solutions to match the critical needs of VA and other Federal agency customers. The AITC 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 AITC offers a full complement of technical solutions (information technology system hosting, application management, information assurance, customer business continuity, configuration management, and data conversion and data interfacing) 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.

Franchise and Trust Fund Oversight Office (FTO). Located in Washington, DC, the FTO, 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.

| <i>VA Enterprise Center Highlights</i> <i>(dollars in thousands)</i> | | | |
|---|----------------|-----------------|------------------|
| | 2008 Actual | 2009 Current | 2010 Estimate |
| Average Employment | 702 | 828 | 1,062 |
| Appropriation | | | |
| Obligations ¹ | \$284,056 | \$309,202 | \$317,534 |
| Outlays (Net) | \$33,785 | \$0 | \$0 |

Summary of Budget Request

In 2010, the Franchise Fund estimates total obligations of \$318 million and an average employment of 1,062 FTE to support the operations of the VA Enterprise Centers. Total obligations are primarily attributed to increases in personnel services which reflect the salary requirements for 1,062 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.

¹ The total amount of obligations contained in our budget submission exhibits, as reported in SF-133 includes Intrafund transactions.

*VA Enterprise Centers
Summary of Obligations
(dollars in thousands)*

| Parent Organization/Service Activity | 2010 | |
|--|--------------------|--------------|
| | Obligations | FTE |
| Office of Management: | | |
| Financial Services Center | \$156,275 | 609 |
| Debt Management Center | 8,081 | 78 |
| Franchise and Trust Fund Oversight Office | <u>936</u> | <u>4</u> |
| Subtotal | \$165,292 | 691 |
| Office of Information & Technology: | | |
| Austin Information Technology Center | \$133,667 | 325 |
| VA Records Center and Vault | <u>4,252</u> | <u>12</u> |
| Subtotal | \$137,919 | 337 |
| Office of Operations, Security, and Preparedness: | | |
| Law Enforcement Training Center | \$5,700 | 14 |
| Security and Investigations Center | <u>8,623</u> | <u>20</u> |
| Subtotal | \$14,323 | 34 |
| Total | \$317,534 | 1,062 |

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 2010, the VA Enterprise Centers anticipate revenues, including external customers, of \$323 million.

| <i>Revenue, Expense, and Retained Earnings</i> <i>(dollars in thousands)</i> | | | |
|---|------------------|---------------------------|------------------|
| | 2008 | 2009 Current Budget | 2010 Request |
| Sales Program: | | | |
| Revenue | \$231,191 | \$313,246 | \$323,385 |
| Expense | <u>\$255,802</u> | <u>\$309,202</u> | <u>\$317,534</u> |
| Net Income | -\$24,611 | \$4,044 | \$5,851 |
| Reserves, SOY | \$89,533 | \$64,459 | \$54,295 |
| Net Income | -\$24,611 | \$4,044 | \$5,851 |
| Capital Transactions ² | <u>-\$463</u> | <u>-\$14,208</u> | <u>\$841</u> |
| Reserves, EOY | \$64,459 | \$54,295 | \$60,987 |

² Acquisition or improvements to assets with a value greater than or equal to \$100,000.

Program Goals, Objectives, and Performance Measures

| Table 1: Performance Summary Table | | | | | | | |
|---|------------------------|-------|-------|-------|------------------------------|-------------------------------|------------------|
| Measure Description | 4-Year Results History | | | | Annual Targets | | Strategic Target |
| | 2005 | 2006 | 2007 | 2008 | Current Year (Final) 2009 | Budget Year (Request) 2010 | |
| 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 Information Technology Center | | | | | | | |
| 1) Ranking in the Information Technology Customer Satisfaction peer database | 12% | 8% | 8% | 12% | 12.5% | 13% | Top 10% |
| Debt Management Center | | | | | | | |
| 2) Total collections per dollar spent on collections activities | \$67 | \$80 | \$80 | \$84 | \$86 | \$86 | \$90 |
| Financial Services Center | | | | | | | |
| 3) Payment processing accuracy rate | 99% | 97.9% | 98% | 98.4% | 98% | 98.2% | 99.1% |
| Law Enforcement Training Center | | | | | | | |
| 4) Class graduation rate | 95% | 96.5% | 96.5% | 98.5% | 95% | 95% | 95% |
| Security and Investigations Center | | | | | | | |
| 5) Percent of investigations that are completed within the established timeframes | 89% | 96% | 98% | 96% | 98% | 98% | 98% |
| Records Center and Vault | | | | | | | |
| 6) Percent of recalled records shipped securely and accurately to requesting facility within established timeframes | N/Av | N/Av | 99.6% | 99.9% | 99% | 99% | 99% |
| Franchise and Trust Fund Oversight Office | | | | | | | |
| 7) Number of audit qualifications for the VA Enterprise Centers | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 2: Performance Measure Supporting Information

Austin Information Technology Center

1) Ranking in the Information Technology Customer Satisfaction peer database

a) Means and Strategies:

- Conduct periodic customer surveys
- Measure performance by application and customer via Service Level Agreements
- Provide monitoring services on critical and essential support servers, as well as offering tiered monitoring services to customers

b) Data Source(s):

- Customer survey designed by Gartner Group

c) Data Verification:

d) Measure Validation: The survey is conducted by an independent third party, thereby ensuring that the results are without bias.

- Quality customer service, and customer satisfaction, is an integral component of a fee-for-service organization

e) Cross-Cutting Activities:

- None

f) External Factors:

- None

Debt Management Center

2) Total collections per dollar spent on collections activities

a) Means and Strategies:

- Maximize use of www.pay.va.gov Web site as a means of collection
- Leverage administrative offset authority

b) Data Source(s):

- General ledger reports and income statements

c) Data Verification:

- Monthly management reviews of performance statistics are reconciled with financial reports

d) Measure Validation:

- Rate of return directly gauges the effectiveness of the collection process

e) Cross-Cutting Activities:

- Use of the Treasury Offset Program (TOP) for collection if applicable

f) External Factors:

- Unanticipated legislation impacting collection activities

Financial Services Center

3) Payment processing accuracy rate

a) Means and Strategies:

- Perform routine analysis of interest penalty and discount data
- Compile and submit regular reports to management outlining key performance measurement data
- Maximize use of Electronic Commerce/Electronic Data Interchange for vendor invoice payments

b) Data Source(s):

- Financial reports from FMS

c) Data Verification:

- Annual audits performed by an independent CPA firm
- Management Quality Assurance Services reviews

d) Measure Validation:

- Payment accuracy rate gauges the effectiveness of the payment product line in meeting customer expectations

e) Cross-Cutting Activities:

- Consult with IKON Office Systems Incorporated and Kofax Incorporated to design and implement Optical Character Recognition software

f) External Factors:

- None

Table 2: Performance Measure Supporting Information

Law Enforcement Training Center

4) Class graduation rate

a) Means and Strategies:

- Collaborate with VA police officers to develop assessment instruments and needs-based training measurement plans
- Emphasize criteria for successful course completion to students

b) Data Source(s):

- Periodic review of automated class records, including student critiques

c) Data Verification:

- Monthly management reviews of class assessments and critiques
- Failure notifications are immediately sent to VA Medical Center Directors and Chiefs of Police

d) Measure Validation:

- A graduate is assumed to have achieved a certain level of knowledge, skills, and competence. Measuring the rate of graduation is an indicator of the quality of our students as well as a way to determine if the curriculum and course work is set at an appropriate level.
- The measure is important to make sure students are grasping the material

e) Cross-Cutting Activities:

- None

f) External Factors:

- None

Security and Investigations Center

5) Percent of investigations that are completed within the established timeframes

a) Means and Strategies:

- Development of a secure electronic request system for initiation of employee background investigations
- Implementation of the OPM E-Qip system across VA.

b) Data Source(s):

- Background initiation documentation provided by employees
- OPM data and reports
- Records and data contained in the security database

c) Data Verification: Monthly review of the security database by management

d) Measure Validation:

- The measure assesses compliance with processing timeframes set forth by OPM
- It also assesses process efficiency which could impact customer satisfaction

e) Cross-Cutting Activities:

- None

f) External Factors:

- Unanticipated new OPM requirements for initiation and adjudication of background investigations

Records Center and Vault

6) Percent of recalled records shipped securely and accurately to requesting facility within established timeframes

a) Means and Strategies:

- Implementation of enhancements to the Records Retrieval Systems (RRS)
- Expansion of the RC&V facility to increase storage capacity

b) Data Source(s):

- Data extracted from the Records Retrieval Systems (RRS) and Federal Express Insight

c) Data Verification:

- RC&V staff conduct random sample audits to authenticate data sources

d) Measure Validation:

- The measure assesses the effectiveness of the records storage and retrieval business line

e) Cross-Cutting Activities:

- None

f) External Factors:

- Delivery delays by the express mail carrier

Table 2: Performance Measure Supporting Information

Franchise and Trust Fund Oversight Office

7) Number of audit qualifications for the VA Enterprise Centers

a) Means and Strategies:

- Leverage the Management Letter provided by independent auditors to improve and enhance internal control processes
- Engage the Franchise Fund Board of Directors to ensure fiduciary responsibility is maintained by the VA Administrations and Staff Offices

b) Data Source(s):

- Audits of the VA Franchise Fund Consolidated Financial Statements

c) Data Verification:

- Annual audits performed by an independent CPA firm

d) Measure Validation:

- The measure assesses the effectiveness of financial reporting and stewardship within the VA Franchise Fund

e) Cross-Cutting Activities:

- None

f) External Factors:

- A material weakness and other reportable conditions that are noted in the VA's consolidated financial statements could potentially impact the VA Franchise Fund



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 of up to 35 years. Two years later, Public Law 103-79 authorized a lease period not to exceed 99 years. On October 20, 1998, the Department leased Pershing Hall for a period of 99 years to the French firm of L.A. Partners. The lease provides for the building's redevelopment as a hotel and the establishment therein of a memorial. In addition to the memorial, the lease also provides for the payment of consideration to VA.

Public Law 102-86 allowed for the transfer to the Pershing Hall Revolving Fund, at such time or times as the Secretary may determine and without limitation as to year, amounts as determined by the Secretary, not to exceed \$1,000,000 in total, from funds appropriated to VA for the construction of major projects. The account from which any such amount is transferred must be reimbursed promptly from other funds as they become part of the Pershing Hall Revolving Fund. Proceeds of the Pershing Hall Revolving Fund are available to be used for two separate activities. First, the Secretary may use up to \$100,000 annually from the Fund to support any VA program or activity the Secretary determines to be in keeping with the mission of the Department. In addition, VA may use the proceeds to fund operating expenses required to maintain Pershing Hall.

From 2010 - 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 is expected to yield \$193,000 in annual receipts. From 2015 - 2097 annual payments have been negotiated at 1.2 million FF (\$180,180). All payments, however, are subject to updating as described in the lease.

| <i>Funding Highlights</i> <i>(dollars in thousands)</i> | | | | |
|--|--------|--------------------|---------------------|----------|
| | 2008 | 2009 | | 2010 |
| | Actual | Budget Estimate | Current Estimate | Estimate |
| Budget authority | \$0 | \$0 | \$0 | \$0 |
| Receipts | \$241 | \$193 | \$193 | \$193 |
| Obligations | \$129 | \$193 | \$193 | \$193 |
| Unobligated balance: | | | | |
| SOY | \$401 | \$401 | \$513 | \$513 |
| EOY | \$513 | \$401 | \$513 | \$513 |
| Outlays (net) | -\$136 | \$0 | \$0 | \$0 |