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

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May 5, 2021

The Honorable John Yarmuth
Chairman
Committee on the Budget
Washington, DC 20515

The Honorable Jason Smith
Ranking Member
Committee on the Budget
Washington, DC 20515

Dear Chairman Yarmuth and Ranking Member Smith:

In accordance with the requirements of section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of rule X of the Rules of the House of Representatives, we submit the following minority Views and Estimates for fiscal year (FY) 2022 on behalf of the Republican Members of the Committee on Veterans' Affairs (the Committee).

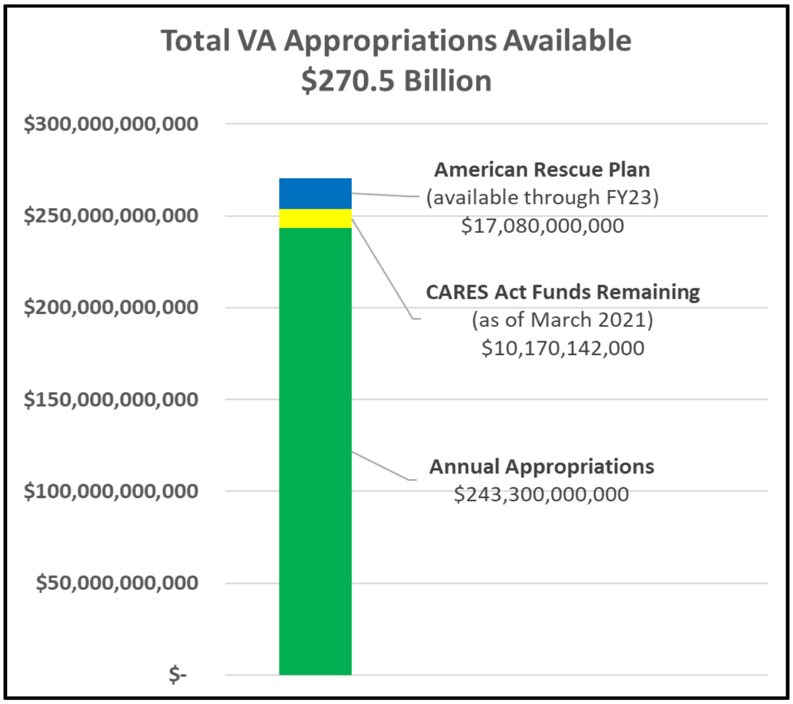
Historical Growth in VA Budget

The Committee noted in its FY 2019 Views and Estimates that the Department of Veterans Affairs (VA) has entered a pivotal time when historic investments must translate into measurable results. This is even more true today.

Since the wars in Afghanistan and Iraq began, nearly two decades of congressional prioritization of veterans' health care and benefits has yielded significant and tangible, if incomplete, improvements in timeliness and quality of services. VA's discretionary appropriations and mandatory outlays have both roughly tripled during this period,[1] with the largest year-over-year increases occurred in FY 2014, FY 2017, FY 2020, and FY 2021. Conversely, the number of

[1] Discretionary appropriations including collections increased from $28 billion in FY 2003 to $109.5 billion in FY 2021, representing a 291% increase. Mandatory outlays increased from $32.4 billion in FY 2003 to $133.8 billion in FY 2021, representing a 313% increase.

veterans utilizing VA benefits and services has increased only modestly,[2] and the total U.S. veteran population is projected to have peaked and begun a gradual decline.[3]



After unprecedented, back-to-back funding increases in VA's FY 2021 appropriation, CARES Act supplemental appropriations,[4] and American Rescue Plan Act supplemental appropriations,[5] VA has more than $270 billion available today.

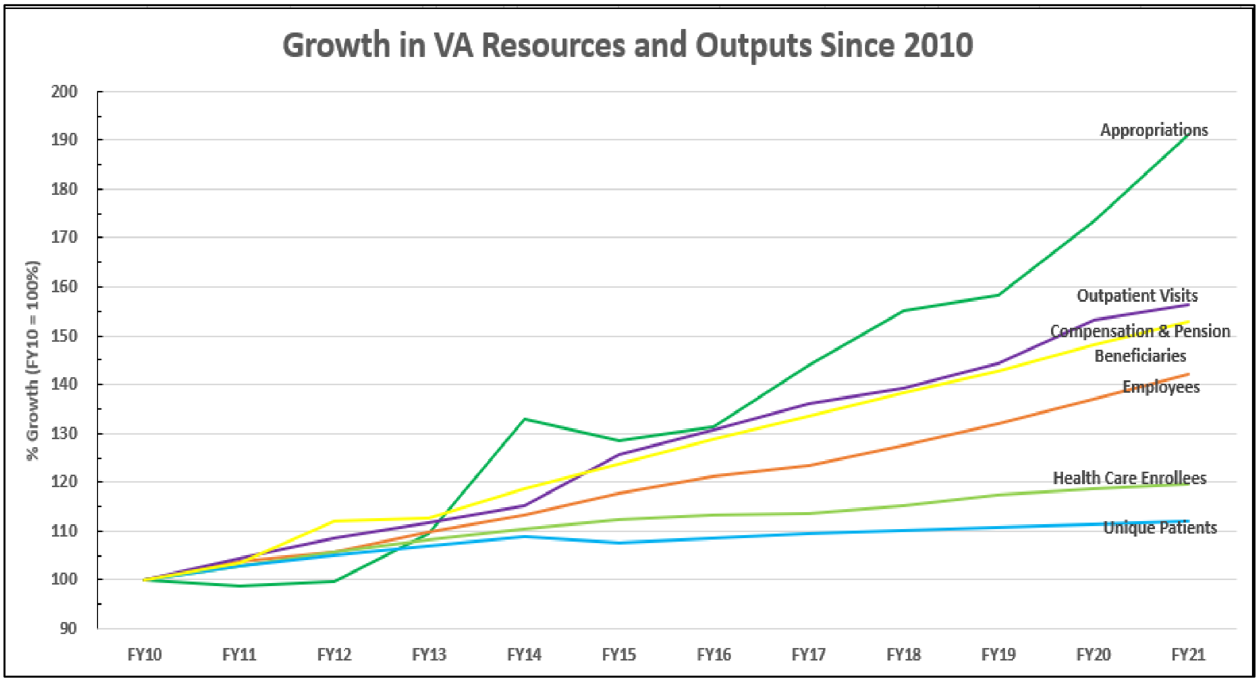
This is roughly $50 billion or 22 percent more than total appropriations available to VA at the beginning of FY 2020.

We believe any future VA funding increases must be supported by demonstrable increases in demand for VA benefits and services. Relatedly, it is important that additional investments target key areas of organizational weakness and prioritize modernization initiatives that can demonstrate success. We believe efficiency has been eroded and bureaucracy has grown during this extended period of budgetary expansion, and it is important that any additional resources improve not worsen this efficiency deficit.

Over the past decade, total VA discretionary and mandatory appropriations have not only increased dramatically in dollar terms but demonstrate an increasing rate of growth, with the average increase in mandatory appropriations more than double the increase in discretionary appropriations. This trend is especially dramatic over the past five years.

[2] National Center for Veterans Analysis and Statistics, VA Utilization Profiles, FY 2016; and VA Office of the Deputy Assistant Secretary for Policy, Number of Unique Veterans Served By VA in FY 2003, Summary Report; finding the aggregate utilization rate of VA services increased from 32% in FY 2003 to 48% in FY 2016, or from 7.9 million unique veterans in FY 2003 to 10.7 million unique veterans in FY 2016.
[3] National Center for Veterans Analysis and Statistics, Veteran Population Projections: 2017-2037; projecting, in part, "The total Veteran Population is predicted to decline from 20.0 million in 2017 to 13.6 million in 2037."
[4] Title X of P.L. 116-136
[5] Title VIII of P.L. 117-2

As depicted in the below chart, the growth rate of VA appropriations has dramatically exceeded the growth in outpatient visits, health care enrollees, unique patients, beneficiaries, or employees since FY 2010.



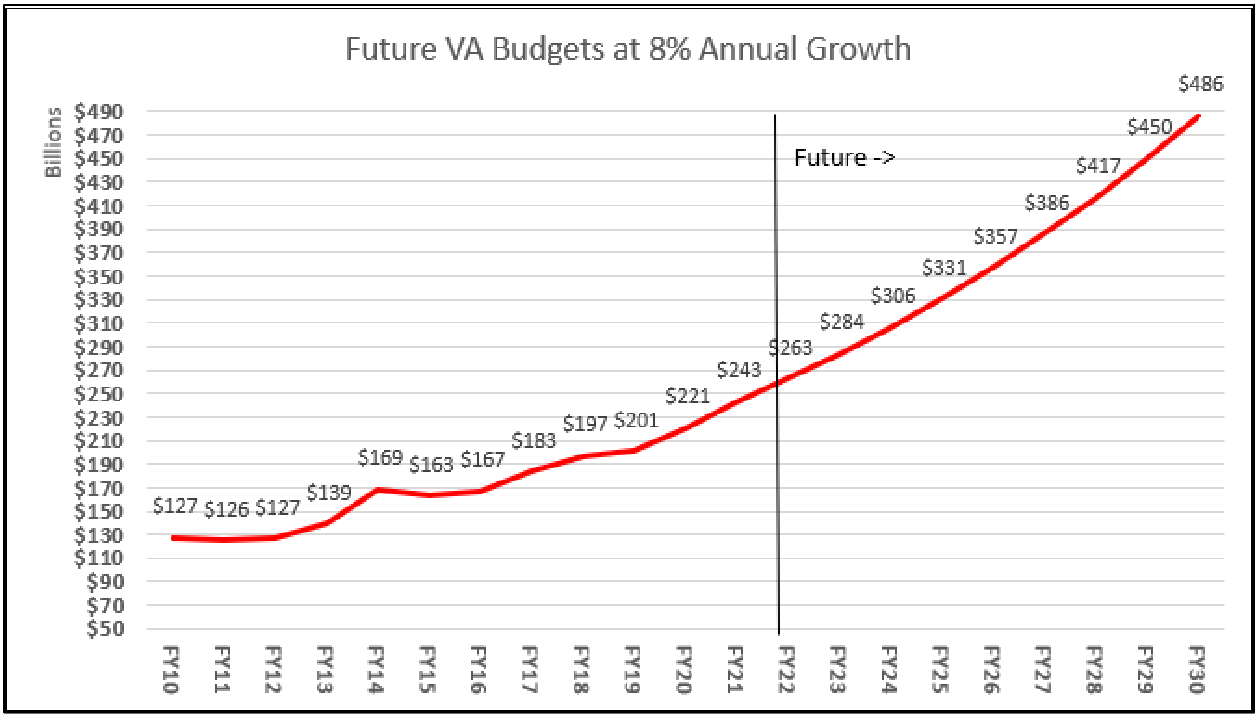
FY 2022 Budget Request

On its face, the Administration's "skinny budget" budget request for $113.1 billion in discretionary appropriations for FY 2022 (excluding collections) requires substantial additional explanation and justification. It represents an increase of $8.5 billion or 8.2 percent over FY 2021. The need for this sizable, additional increase appears less credible given the fact that it comes directly on the heels of the CARES Act supplemental appropriations, roughly half of which are still available, and the American Rescue Plan Act supplemental appropriations, for which VA has still not provided apportionment or allotment information or a detailed expenditure plan.

The Administration's request begs the question: at what point does VA become adequately funded? Sustained annual increases for VA in the Trump Administration's budgets produced significant, tangible improvements in wait times, quality, and claims processing metrics as well as veteran and employee satisfaction and trust surveys. We believe some level of continued annual increases, above general inflation, would be warranted as long as they were supported by demand and demonstrated as necessary to continue this improvement trend. However, the Administration appears to be operating on a wholly different set of assumptions.

If the Administration's FY 2022 budget request, including its 8.2 percent discretionary increase, and the recent growth rate of mandatory spending, which averaged 7.8 percent over the past five years, are indicative of future trends, the VA budget is set for exponential growth over the next decade.

As depicted in the below chart, at an overall 8 percent compounding rate of growth, the VA budget will double by 2030, reaching nearly $500 billion, and potentially crowding out other needs.



Budget Reconciliation

As a foundational matter, we question VA's need for additional supplemental appropriations beyond the CARES Act. We note that, as of April 13, 2021, almost $9.5 billion, or 48 percent of those funds remained unobligated. This is even after VA reprogrammed more than $550 million out of the Medical Services appropriation into other accounts for other purposes, including the Digital GI Bill project and a recapitalization of the Veteran Canteen Service. VA justified several of these transfers because, "projected obligations for VHA's COVID-19 response are not expected to consume all available funds by the end of their availability."[6] These other projects and expenses may be meritorious, but many of them are not related to the pandemic. VA's willingness to fund them anyway suggests the CARES Act funding was more than sufficient. VA has repeatedly indicated its intention to obligate the remaining CARES Act funds by the end of FY 2021. If this proves true, it is important that the Department take care avoid a wasteful end-of-fiscal-year spending spree or fiscal maneuvers such as "parking" funds.

We had serious concerns with the majority's decision to pursue budget reconciliation to enact the American Rescue Plan Act, and we opposed many of the decisions that were made within that process. VA's funding request was never adequately explained, and the majority's decision-making to alter it was never explained at all. The extent of the information provided to the minority was an hour-long conference call on February 5, 2021, with several VA chief financial

[6] VA "Coronavirus Supplemental Appropriations, Obligations, and Paid Expenditures" weekly reports

officers and Office of Management personnel during which only a few round numbers were uttered; the next day, two pages of narrative summary, a one-page spreadsheet and another page showing CARES Act funding execution were provided. Procedurally, the text of the amendment in the nature of a substitute to the Committee print was provided to the minority less than 48 hours before the markup, and it subsequently changed three times after that.

Fundamentally, the budget reconciliation process is a poor substitute for the appropriations process, as it dictates that appropriations are not made to specific accounts and customary policy directives and restrictions are omitted. This means regardless of what the majority's intentions may be as to the purpose of the funding, when passing a budget reconciliation bill, neither the majority or the minority can be sure how funding will ultimately be used, or what needs, if any, it will meet.

On February 4, 2021, before the Committee's markup of the American Rescue Plan budget reconciliation instruction, Ranking Member Bost sent a letter to Secretary McDonough requesting more detail on VA's need for and plans to expend these funds. On March 4, 2021, Secretary McDonough responded, providing a two-page bullet point summary of the expenditure plan. Crucially, this summary did not provide any clarity as to VA's plans for the bulk of the funding, $13.5 billion of Veterans Health Administration appropriations. It reiterated the observation that, "VA estimates a certain amount of care that has been deferred will ultimately return to community and VA facilities…leading to a short-term surge in demand with associated staff, space, and supplies," but failed to quantify any need.

On March 9, 2021, Ranking Member Bost sent a letter to the director of the Office of Management and Budget requesting explanations as to whether the American Rescue Plan funds will go into any existing VA appropriations accounts or a new account(s), whether customary restrictions in annual VA appropriations will be applied despite being omitted from the bill, whether the funds will be apportioned equally across quarters and fiscal years, and whether any line items from VA's request were actually omitted from the bill. The Office of Management and Budget has not responded or acknowledged the letter to-date.

We expect a full accounting of the American Rescue Plan funds, in an equivalent level of detail as is customary for annual appropriations, in the Administration's forthcoming full budget request. Inability or unwillingness to provide this information would be a significant cause for concern.

The VA Transparency and Trust Act of 2021 would provide more visibility into how COVID-19 relief funds are being used. This legislation would require a weekly expenditure plan for Families First Coronavirus Response Act,[7] CARES Act, and American Rescue Plan Act funds as well as quarterly Office of Inspector General spending audits, and a retrospective Government Accountability Office when all such funds have been expended. Bipartisan support for this legislation underlines the need for greater transparency.

Although the Administration's forthcoming second supplemental appropriations request for infrastructure addresses a different category of VA spending and presents a different set of facts,

[7] Public Law 116–127

we continue to believe budget reconciliation would be an inherently flawed and partisan process by which to appropriate. The same procedural lack of transparency, imprecision, and limitations continue to exist.

National Cemetery Administration

The Administration's budget request includes $394 million for National Cemetery Administration (NCA) operations, which is a $42 million (12 percent) increase over NCA's FY 2021 enacted discretionary budget authorization of $352 million. According to the FY 2021 budget request, NCA expected to maintain over 4 million gravesites in 2021, which is a 5.2 percent increase from the 3.8 million gravesite VA managed in 2019. Additionally, VA estimated that interments would increase to 137,600 for 2021, an increase of 2.1 percent from the 134,833 interments in 2019. While targeting access goals, both urban and rural, NCA has sustained a record of excellent service to veterans and their families. However, we are concerned that the Administration's request may outpace recent trends in the utilization of national cemeteries. We look forward to receiving more information explaining how the increased funding aligns with the projected burials needs of veterans and their families.

Veterans Benefits Administration

We recognize that mandatory spending on VA benefits programs has grown faster than discretionary appropriations over the past decade, and VA's total balance sheet liabilities now top $4 trillion.[8] The long-term trajectory and cost of benefits obligations demand better planning and budgeting. We also prioritize expanding access to VA care and benefits for veterans who have experienced toxic exposures during their service. Therefore, we are committed to undertaking such policies in a responsible way by offsetting their costs.

Veterans have raised concerns in recent years about exposure to burn pits or other toxic substances during their military service, causing negative health effects, particularly pulmonary and respiratory issues, later in life. Currently, VA does not have a presumption of service connection for conditions linked to toxic exposures that could entitle veterans to receive monthly disability compensation. These veterans are also not eligible to seek care from VA to treat any illnesses that may result from toxic exposures unless they are otherwise eligible to enroll in the VA healthcare system.

H.R. 2127, the Toxic Exposure in the American Military (TEAM) Act, would allow toxic-exposed veterans to enroll in the VA health care system and develop a consistent process for VA to establish presumptions of service connection for current and future toxic exposures. A presumption of service connection simplifies the disability claim process for veterans who develop conditions linked with exposure to toxic substances but have difficulty proving their exposure. Additionally, this policy reduces the time and expense for VA to gather evidence of service connection on a case-by-case basis. The Committee has not yet reported this legislation but the Congressional Budget Office (CBO) has preliminarily estimated its impact on mandatory outlays at a minimum of $100 billion over the 10-year budget window. We are determined to

[8] Department of Veterans Affairs: FY 2020 Agency Financial Report, p. 38.

work with the Department and veterans service organizations to identify an appropriate offset to ensure that toxic-exposed veterans receive the care and benefits they have earned.

We are concerned the Administration's budget request does not provide sufficiently detailed information on the need for an additional $40.3 million to hire 334 new claims processors to address the workload related to three new Agent Orange presumptive conditions. We seek more information as to the number of additional claims anticipated, the number of claims that can be completed with existing resources, how the requested employees will reduce the claims backlog, and VA's metrics as to whether new employees increase the timeliness and quality of claims decisions.

The COVID-19 pandemic has had a significant impact on the U.S. economy over the past 14 months, including a near doubling of veteran unemployment. We prioritize programs to help veterans achieve gainful employment in the post-COVID-19 economy. One program of particular interest is the newly enacted Veteran Rapid Retraining Assistance Program (VRRAP) which targets in-demand occupations. While we were pleased to see this program included in the American Rescue Plan, we believe the number of unemployed veterans who will be allowed to use it fails to meet the needs of the half-million unemployed veterans in this country today. During the Committee's markup of the American Rescue Plan budget reconciliation instructions, we supported an amendment that would have doubled the number of available slots the VRRAP program offers, from 17,250 to 35,000. That amendment was rejected. We will continue to promote legislation to make this important and necessary increase. With veteran unemployment at almost twice the level it was a year ago, and with millions of jobs potentially not returning in the post-COVID economy, we must do all we can to help veterans retrain and thrive.[9] We expect our legislation will cost $386 million in mandatory appropriations over 10 years and are committed to offsetting it in a reasonable fashion through, for example, extensions and potential increases in the home loan funding fees paid by non-disabled veterans.

We are also seeking new ways to tackle veteran homelessness and plan to continue oversight of the homelessness programs that VA administers. While there was a slight increase in the number of homeless veterans reported from 2019 to 2020 in the U.S. Department of Housing and Urban Development's Point in Time Count, we expect there to be a much larger increase in the number of veterans living on the streets despite supplemental appropriations throughout the fiscal year.

We continue to prioritize the creation of a Veterans Economic Opportunity and Transition Administration at VA, responsible for programs under the economic opportunity and transition umbrella, with the goal of better aligning all education, transition, home loan, rehabilitation, and job placement functions. We believe this would strengthen coordination and oversight while reducing duplication and deliver better results for veterans, stakeholders, and taxpayers. We believe the Veterans Economic Opportunity and Transition Administration should be pursued without creating any new costs by capping maximum appropriations for both the Veterans Benefits Administration and the new administration. We note that the existing offices within VBA altogether have budgets of over $800 million annually and there could be significant efficiencies gained.

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[9] https://www.washingtonpost.com/road-to-recovery/2021/02/17/unemployed-workers-retraining/

Under current law, eligible participants in the Post-9/11 G.I. Bill program who are taking classes fully online receive half the national average monthly housing allowance (MHA) compared to students who attend at least one course in-person. During the COVID-19 pandemic, many schools converted to 100 percent online learning. While we were pleased to authorize temporary authority for these students to receive their full MHA, we understand that when the pandemic ends these students will likely be shortchanged. Therefore, we will promote legislation that would provide students participating in online courses the full national average MHA level in order to create parity. We expect this bill to cost around $50 million in mandatory appropriations over 10 years and we are committed to offsetting it in a reasonable fashion through, for example, extensions and potential increases in the home loan funding fees paid by non-disabled veterans.

First created via the Harry W. Colmery Veterans Educational Assistance Act of 2017,[10] the successful Veteran Employment Through Technology Education Courses (VET TEC) pilot program has helped over 2,100 veterans use G.I. Bill-style benefits to learn high-tech skills from more than a dozen approved training providers. Since its launch in April 2019, VET TEC has seen consistently high demand and resulted in meaningful employment in the technology sector for 80 percent of participants. Congress has continued to increase VET TEC funding to enable more veterans to participate. We will promote legislation to ensure the VET TEC funding does not run out and we hope to make it a permanent benefit among the suite of G.I. Bill benefits available at VA. We expect this to cost $60 million in mandatory appropriations in FY 2021, $300 million over five years, and $300 million over 10 years. We are committed to offsetting this in a reasonable fashion as previously described.

We also prioritize a review of the Veterans Benefits Administration's owned and leased real property, including regional offices (ROs). Using the National Work Queue, generally, claims are routed to the RO with the capacity to handle the case rather than the RO closest to the veteran. Even before the COVID-19 pandemic, most RO employees teleworked, with compensation and pension processors required to attain a certain accuracy rate before being permitted to telework. Since the onset of the pandemic, more RO employees are teleworking, even if they do not meet the accuracy requirement. Additionally, some employees work "virtually" at the Seattle and St. Petersburg RO decision review operations centers. These employees may reside in other parts of the country but report to their respective ROs. Given these facts, we support a review of whether all current square footage across the 57 ROs is necessary and whether VA assets and resources are appropriately allocated.

According to the FY2021 budget request, the Veterans Benefits Administration owned 16 buildings (815,322 sq. feet) and maintained 182 operational leases (4,449,239 sq. feet). The chart on the next page presents VA's estimates for renewing leases of the Buffalo, New York, Muskogee, Portland, and Philadelphia ROs, as well as the impact to total and average cost per RO if lease expenses were reduced by 25 or 50 percent.[11]

[10] P.L. 115-48

[11] Vol. IV, p. 133

Regional Office	Est. Replacement Lease Cost	(25% Reduction)	(50% Reduction)
Buffalo	$2.8 million	$2.1 million	$1.4 million
New York	$5.7million	$4.3 million	$2.9 million
Muskogee	$2.2 million	$1.7 million	$1.1 million
Portland	$3.4 million	$2.6 million	$1.7 million
Philadelphia	$8.1 million	$6.1 million	$4.1 million
Total	$22.2 million	$16.8 million	$11.2 million
Average	$4.4 million	$3.4 million	$2.2 million

Based on these figures and assuming that the average cost to renew a lease for each of the 57 ROs is $4.4 million, VA could reduce discretionary spending by $57 million or $125 million, if it reduces expenses incurred by leasing facilities through the General Services Administration by 25 percent or 50 percent, respectively.

Veterans Health Administration

The bulk of the Administration's discretionary request falls within "medical care" appropriations, which is a category consisting of the Medical Services, Medical Support and Compliance, Medical Community Care, and Medical Facilities accounts. VA budget officials indicated that, of the $97.5 billion medical care request, the amounts requested for Medical Services, Medical Support and Compliance, and Medical Facilities are flat relative to the FY 2022 advance appropriation which has already been enacted, and the amount requested for Community Care represents an approximately $3.3 billion increase above the advance appropriation. We look forward to receiving more detail in the full budget submission.

Our first oversight and budgetary priority will be ensuring that the VA health care system is appropriately resourced to provide veterans with timely, high-quality care either in Veterans Health Administration facilities or through the consolidated community care program that was established in the MISSION Act.[12] Central to that care are VA's mental health, substance use, and suicide prevention efforts, particularly the new programs established in 2020 with the Commander John Scott Hannon Veterans Mental Health Care Improvement Act[13] and the Veterans Comprehensive Prevention, Access to Care, and Treatment (COMPACT) Act.[14] VA must act expeditiously to implement these programs with the additional funding provided and accelerate the creation of the Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program, which is targeted toward at-risk veterans who are currently outside VA's reach. VA recently realigned the White House PREVENTS Task Force under the Veterans Health Administration. We are concerned that this will dilute the effectiveness of the Task Force's interagency focus, under the guise of eliminating duplicative activities. Funding allocated for suicide prevention must include the continuation of efforts by the Task Force to engage all relevant government agencies in addressing this national problem.

[12] P.L. 115-182
[13] P.L 116-171
[14] P.L. 116-214

VA is in a unique position to support a growing body of research in genomic medicine and pharmacogenetic approaches to disease treatment with the wealth of genetic data presented through the Million Veteran Program. The proposed FY 2022 investment in research should not only be focused on advancing understanding and treatments for traumatic brain injury and toxic exposures, but we would like to see an increased emphasis on the impact of military service on women veterans' health, to include issues of infertility, heart disease, and muscular-skeletal long term debilitation. Any investment in research must also consider the ability to collaborate with partners, whether through clinical trials, commercial institutional review boards, or improved data security requirements.

Within the MISSION Act, Congress required the establishment of a continuous market review process that informs make-versus-buy decisions related to health care delivery as well as an independent commission, the Asset and Infrastructure Review (AIR) Commission, charged with assessing and making recommendations related to the Veterans Health Administration's long-term infrastructure needs. Both of these mandates face critical deadlines this year. VA must continue to fully fund the process behind assessing its vast and aging capital asset portfolio through extensive data analysis and market assessments. We note that while not included in the FY 2022 budget request, the Administration proposes to invest approximately $18 billion in VA infrastructure as part of a larger national infrastructure bill. It is imperative that any future investment in VA's physical footprint be done within the constructs of any recommendations to be reviewed by the AIR Commission.

H.R. 2082, the VA Supply Chain Resiliency Act, would include VA in the Department of Defense's Warstopper program, which pays contractors to hold emergency inventories on the government's behalf. Whereas VA entered the COVID-19 pandemic with limited sources of personal protective equipment and other vital medical supplies, the Department of Defense benefitted from being able to draw on the Warstopper program. We believe this policy is the most efficient and cost-effective way to build redundancy into VA's medical supply chain. VA's likely costs to participate in the Warstopper program, which we believe would be between $20 million and $40 million annually, compare favorably to VA's cost estimate for its regional readiness centers, which exceed $750 million in start-up costs alone. While we do not oppose the regional readiness center concept, we continue to have questions about its viability. At a minimum, VA should coordinate its participation in the Warstopper program with the regional readiness centers to obtain each category of emergency medical supply through the optimal channel and reduce overall costs.

Office of Information and Technology

The Administration has requested $4.8 billion "in total resources" for the Office of Information and Technology (OIT). This represents an approximately $100 million cut from the FY 2021 appropriation. While OIT received $2.15 billion in supplemental appropriations in the CARES Act, which represented a significant resource infusion, these funds must be expended by the end of FY 2021. Due to the procedural uncertainties of the budget reconciliation process used to enact the American Rescue Plan, it is unclear how much funding would be devoted to OIT and for what purposes. We believe any cut to aggregate information technology funding is shortsighted, especially given that fact that nearly all other VA accounts continue to increase rapidly, and additional employees, programs, and systems inevitably create costs for OIT. However, it is unclear whether aggregate information technology funding would increase or decrease as a result of the Administration's budget request. VA budget officials have indicated that within the "transformation fund," which is a newly operative authority to expend expiring appropriations, over $600 million will be made available for OIT in FY 2022. We seek clarity in the Administration's budget justification documents whether these "transformation fund" dollars are part of or in addition to the $4.8 billion requested.

Electronic Health Record Modernization

The Administration has requested $2.7 billion for the Veterans Electronic Health Record account. This is in-line with VA's cost estimate and spend plan for the Electronic Health Record Modernization (EHRM) program. However, the cost estimate and spend plan were developed several years ago, before successive delays in the Mann-Grandstaff medical center's "go-live" date, a reshuffling of the sequence of facilities for future "go-lives," and the commencement of a strategic review of the program. We believe the $2.7 billion request is unjustifiable on its face. VA has defended its request as necessary to support an increasingly rapid series of "go-lives" which will begin in the next several months. VA made a similar argument in FY 2021 to justify the previous $2.6 billion request. The EHRM program did not reach this level of maturity and activity in FY 2021, and it remains to be seen whether it will do so in FY 2022. We believe the FY 2022 request should be substantially reduced, and these appropriations should be redirected to other needs. VA should adopt a posture of limiting expenditures, until the strategic review demonstrates success, in order to conserve as many resources as possible to be better used in the program's later years.

MIKE BOST
Ranking Member

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