

Education, Employment, and Training

During this time of persistent, record unemployment in our country, the veterans community has been hit especially hard. Estimates suggest that the unemployment rate among veterans returning from Iraq and Afghanistan is at least 2 percent greater than the national average. Our veterans have made tremendous sacrifices for our nation, and our leaders must make a concerted effort to ensure that veterans have access to education, employment, and training opportunities to ensure success in an unfavorable civilian job market.

Helping those who have served to secure the right skills, certifications, and degrees so that they can achieve personal success is and should always be central to our support of veterans. People with disabilities, including disabled veterans, often encounter barriers to entry or reentry into the workforce or lack accommodations on the job that make obtaining appropriate training, education, and job skills especially problematic. These difficulties, in turn, contribute to low labor force participation rates and leave many disadvantaged veterans with little choice but to rely on other government assistance programs. At present funding levels, entitlement programs cannot keep pace with the current and future demand for benefits. The vast majority of working-age veterans want to be productive in the workplace, and we must provide greater opportunities to help them achieve their career goals.

Education

In 2009, Congress made history and ensured that today's veterans have greater opportunities for success after their years of voluntary service to our nation. *The Independent Budget* veterans service organizations (IBVSOs) were pleased with the quick passage of the Post-9/11 GI Bill; unfortunately, the swift passage and implementation of this landmark benefit has led to some unforeseen inequities, which must be addressed quickly to keep with the intent of the law.

As it stands, the Post-9/11 GI Bill provides benefits only to service members who served in the active duty armed forces or who were called to service under title 10, United States Code for active duty service and who seek traditional on-campus, public education through an institution of higher education. Unfortunately, this leaves a large percentage of today's veterans ineligible for benefits because they may have served on active duty under title 32 (National Guard) orders. The women and men who are activated under title 32 have to leave their civilian careers and oftentimes their families to serve where our nation needs them. Therefore, we believe chapter 33, title 38, United States Code should be expanded to include certain service under title 32.

In past GI bills, veterans who did not choose traditional education could use their educational benefits for nondegree training and certificate programs. These programs are critical to ensuring that our veterans have the skills to succeed in a competitive job market. Therefore, the IBVSOs also recommend that chapter 33 benefits be expanded to cover nondegree programs.

Inequities also exist for veterans who choose to obtain their degree online or attend private universities or graduate school through the Yellow Ribbon Program. Students who enroll in these kinds of programs should be eligible for benefits comparable to those of their counterparts attending traditional, public universities—whether through living stipends for online learners or baseline tuition and fee reimbursements for private schools and graduate programs.

Also, chapter 31, VA's Vocational Rehabilitation and Education program, must be updated to keep pace with chapter 33 and to account for the unique needs of disabled veterans responsible for the well-being of their family members. The subsistence allowance under chapter 33 is a better benefit than the one our wounded troops are entitled to receive under chapter 31. This may drive them to abandon the program designed specifically to meet their unique needs. Exacerbating this situation is a lack of resources to assist disabled veterans with dependents.

The IBVSOs believe that Congress must make additional resources available to chapter 31 recipients to ensure their families are cared for through the rehabilitation process. We hope Congress will work quickly to remedy these inequities in an effort to ensure that our veterans have access to all of the education and employment training benefits they have earned.

DENIAL OF LIVING STIPENDS FOR NONTRADITIONAL STUDENTS:

Veterans who choose to seek higher education through programs other than on-campus programs should be afforded the living stipend just as their counterparts who attend class on a traditional college campus receive.

Attending online universities and enrolling in online programs from traditional universities have become popular methods of reaching educational goals. Traditional universities are continually increasing the number of courses and programs that are offered online.

Many students choose online education for the convenience it provides, but in many cases veterans choose this option out of necessity. Family, work, and physical limitations caused by service-connected disabilities make attending traditional college settings difficult. Veterans who choose to attend college online should

not be denied the living stipend that veterans who attend on campus receive.

Recommendation:

Congress should enact legislation that will provide a living stipend at a rate that is 50 percent of the Basic Allowance for Housing allowed for an E-5 with dependents within the zip code in which he or she resides.

**ABSENCE OF BENEFITS UNDER TITLE 32:**

Members of the National Guard who are activated under title 32 orders must have their service credited for chapter 33 education benefits.

The men and women of the National Guard and the reserves have answered the call of duty without flinching or hesitation. They have not agreed to serve exclusively overseas or only to assist with our domestic needs at home; rather, they give their all no matter the mission. Unfortunately, their service is not credited equitably under the Post-9/11 GI Bill.

Since the creation of this critical new program, approximately 45,000 service members under title 32 orders have been excluded from its benefits while they have served in uniform to patrol our southern border, to secure our skies in Operation Noble Eagle, and to protect lives and the environment during Hurricane Katrina relief and the Gulf oil spill cleanup efforts, in

addition to other national security requirements. These efforts should be prized, rewarded, and credited toward a good education along with similar active-duty service that originates under title 10 orders.

Recommendation:

Congress should enact legislation that would credit time spent activated under title 32 orders toward Post-9/11 GI Bill eligibility.

INCLUSION OF NONDEGREE-SEEKING TRAINING AND CERTIFICATES:

Chapter 33 must be expanded to include vocational and on-the-job training, apprenticeships, and certification programs.

The original GI Bill provided benefits for more than 8 million World War II veterans and was pivotal in spurring the economic growth that followed. Yet only approximately 2 million of those veterans went to a four-year, degree-seeking college or university. The vast majority of those returning veterans sought career advancement through apprenticeships, on-the-job training, and vocational training.

The Post-9/11 GI Bill does not provide the same benefit, but, instead, constrains the choices of our veterans by limiting usage of the benefit to only a college or university. Veterans who choose to pursue a vocational career

are being penalized by being forced to pay into the Montgomery GI Bill to later receive far less educational assistance. Returning veterans should be able to apply the Post-9/11 GI Bill benefit they have earned to pursue their occupational goals regardless of the nature of the work.

Recommendation:

Congress should enact legislation that would allow the Post-9/11 GI Bill benefit to be used for apprenticeships, on-the-job training, and vocational programs.

**CHAPTER 33 YELLOW RIBBON PROGRAM SIMPLIFICATIONS:**

The Department of Veterans Affairs should establish a national standard for private and graduate schools to ensure predictability and continuity in tuition and fee rates.

The Yellow Ribbon GI Educational Enhancement Program (Yellow Ribbon Program) provides degree-granting institutions of higher learning within the United States the opportunity to enter into an agreement with VA to contribute up to 50 percent of tuition expenses that exceed the highest in-state undergraduate tuition rate. VA, in turn, will match what the institution contributes.

This is a great opportunity for veterans to attend private schools or obtain advanced degrees. However, the complexity and continually changing tuition rates have caused confusion, unpredictability, and an arbitrary baseline for how much assistance a veteran will receive. Because of the complexity, veterans risk being unexpectedly billed as the result of a misunderstanding of the tuition-and-fee-payment system. Universities also routinely change their tuition and fee rates, making it difficult to predict how much assistance will be given from one year to the next. In addition, because of certain high-cost undergraduate programs, the amount of pre-Yellow Ribbon Program contribution for veterans varies from state to state, thus providing a greater amount of assistance to some.

Recommendation:

VA should implement regulations that will fully cover tuition and fees at all public undergraduate schools. Additionally, the Department should establish a national standard for private and graduate schools to ensure predictability and continuity in tuition and fee rates.

EQUAL SUBSISTENCE ALLOWANCE BETWEEN VOCATIONAL REHABILITATION AND EDUCATION (CHAPTER 31) AND THE POST-9/11 GI BILL (CHAPTER 33) ENROLLEES:

Veterans who choose to participate in the VA Vocational Rehabilitation program should not be penalized by receiving a lesser subsistence allowance than veterans receiving Post-9/11 GI Bill Benefits.

Many service-connected disabled veterans who are eligible for the Post-9/11 GI Bill (chapter 33) also qualify for VA Vocational Rehabilitation and Education (chapter 31) benefits. *The Independent Budget* veterans service organizations are concerned that veterans will base their choice of which program to utilize on the amount of living stipend benefit and not on which program will assist them the most.

Veterans who choose chapter 31 will receive a wide range of services to include personalized career counseling, skills assessment, specialized adaptive training, and job

placement. Veterans should not be forced to choose between the short-term benefit of a chapter 33 living stipend and the long-term benefits chapter 31 can provide.

Recommendation:

Congress should enact legislation to authorize subsistence allowance for veterans participating in chapter 31 at the same rate as those eligible for chapter 33 benefits.



FOR MANY DISABLED VETERANS WITH DEPENDENTS, VR&E EDUCATION TRACKS ARE INSUFFICIENT:

More services are needed to help disabled veterans with dependents rehabilitate while utilizing Vocational Rehabilitation and Employment.

For many veterans with dependents, the Vocational Rehabilitation and Employment (VR&E) educational track provides insufficient support. Veterans with dependents are the second largest group seeking assistance from VR&E and they are often those with the most pressing need to secure meaningful long-term employment. There are many seriously disabled veterans who are unable to pursue all of their career goals due to the limited resources provided to disabled veterans with children and spouses. We must not forget who VR&E is designed to assist—veterans who will live with a life-long disability they incurred in service to our country. Veterans with spouses and/or children tend to utilize VR&E's employment track at a rate higher than disabled veterans without dependents. This is often because immediate employment, while not as advantageous in the long term, is necessary to meet the immediate demands of bills, family, and security in cases where VA assistance is inadequate. VA should recognize that all veterans seeking help have different circumstances and different needs and should always work to help veterans meet their needs as they seek to be productive and prosperous members of society. Assisting these veterans as they labor toward independence and in efforts to secure

a career that will allow them to provide for themselves and their families, will further enable them to enjoy long-term success and an increased quality of life.

Recommendation:

Resources geared toward meeting the essential living requirements need to be allocated to assist veterans with dependents while they receive training, rehabilitation, and education. Particularly, increased living stipends are necessary to assist these veterans with cost-of-living increases to account for the needs of their nuclear family as well. The provision of child care vouchers or stipends would be particularly helpful to these heavily burdened families, as child care is a substantial expense for many of these veterans, and without aid specifically geared to assist with this expense, more favorable long-term educational or vocational rehabilitation will continue to be beyond the reach of many disabled veterans.

Vocational Rehabilitation and Employment

The Department of Defense indicates that each year approximately 25,000 active duty service members are found “not fit for duty” as a result of medical conditions that may qualify for VA disability ratings and eligibility for Vocational Rehabilitation and Employment (VR&E) services. The ability of veterans to access VR&E services has, however, remained problematic. The Government Accountability Office in its report *VA Vocational Rehabilitation and Employment: Better Incentives, Workforce Planning, and Performance Reporting Could Improve Program* noted:

For more than 25 years, we, along with others who have reviewed the program, veterans service organizations, and VA, have found shortcomings in the VR&E program. These reviews generally concluded that the program had not fulfilled its primary purpose, which is to ensure that veterans obtain suitable employment. In 1996, we reported that the program primarily emphasized providing training and did not place enough emphasis on providing employment services. Additionally, the 1999 Congressional Commission on Servicemembers and Veterans Transition Assistance found that VR&E had not achieved its statutory purpose and noted that “employment assistance is the most valuable service the Nation can provide to personnel transitioning from active duty to the civilian workforce.” In 2003, we designated federal disability programs, including those at VA, as high risk because they had difficulty managing their programs and were in need of transformation.¹

In response to criticism of the VR&E Service, former Department of Veterans Affairs Secretary Anthony Principi formed the Vocational Rehabilitation and Employment Task Force. The Secretary’s intent was to conduct an “unvarnished top to bottom independent examination, evaluation, and analysis of the VR&E program.” The Secretary asked the task force to recommend “effective, efficient, up-to-date methods, materials, and metrics, tools, technology, and partnerships to provide disabled veterans the opportunities and services they need” to obtain employment.² In March of 2004, the task force released its report, with 110 recommendations for VR&E service improvements.³

As a direct result of this report, VR&E Service implemented the Five-Track Employment Process, which did strengthen the program’s focus on employment. How-

ever, despite this program realignment VR&E’s incentive structure for veterans remains primarily aligned with education and training programs, with no financial incentive for those seeking immediate employment. Specifically, if a veteran chooses to use the employment services, he or she does not receive a monthly stipend while participating in the employment track of VR&E’s programs.

The President’s Commission on Care for America’s Returning Wounded Warriors in 2007 cited several studies of VR&E conducted within the past decade. It noted that by the end of FY 2007, 89 of the 110 recommendations from the VR&E Task Force had been implemented. The commission, in its own report,⁴ identified a host of ongoing problems with the program, including the following:

- a need for a more aggressive and proactive approach to serving veterans with serious employment barriers;
- limited numbers of VR&E counselors and case managers to handle a growing caseload;
- inadequate and ineffective tracking and reporting on participants;
- employment outcomes that are measured no further than 60 days after hiring; and
- the current 12-year limit for veterans to take advantage of VR&E, which may be unrealistic.

The Independent Budget continues to support the recommendations of the Vocational Rehabilitation and Employment Task Force, as well as the following recommendations of the President’s Commission:

- Expand access to all medically separated service members.
- Make all disabled veterans eligible for vocational rehabilitation and counseling services.
- Screen all applicants for Individual Unemployability for employability.
- Increase VR&E staffing and resources; track employment success beyond 60 days.
- Implement satisfaction surveys of participants and employers.
- Create a monthly stipend for those participating in the employment track of VR&E’s programs.
- Create incentives to encourage disabled veterans to complete their rehabilitation plans.

The Independent Budget veterans service organizations believe that more must be done to ensure that our highly trained and qualified service members do not

face unnecessary barriers as they transition from the military to civilian life. We recommend that the Departments of Defense, Labor, and Veterans Affairs work with employers, trade unions, and licensure and credentialing entities to provide a means for military personnel to receive the necessary civilian equivalency to their chosen career fields when receiving military education and training, thus honoring their military service and allowing them to more easily transition into a civilian occupation without the need for complex and

repetitive training or apprenticeships. We look forward to monitoring the continued implementation of these recommendations and future program changes.

¹ GAO-09-34, *VA Vocational Rehabilitation and Employment: Better Incentives, Workforce Planning, and Performance Reporting Could Improve Program*, 7.

² Department of Veterans Affairs Strategic Plan FY 06-11, Office of the Secretary, Oct 2006. www1.va.gov/op3/docs/VA_2006_2011_Strategic_Plan.pdf

³ GAO-09-34, 1.

⁴ *Serve, Support, Simplify. Report of the President's Commission on Care for America's Returning Wounded Warriors* (July 2007).



VOCATIONAL REHABILITATION & EMPLOYMENT PRODUCTIVITY:

Staffing levels of the VA Vocational Rehabilitation & Employment Service are not sufficient to meet the needs of our nation's veterans in a timely manner.

The VA Vocational Rehabilitation & Employment (VR&E) Service is charged with preparing service-disabled veterans for suitable employment or providing independent living services to those veterans with disabilities severe enough to render them unemployable through its VetSuccess program. Due to the increasing number of service members returning from Iraq and Afghanistan with serious disabilities, VR&E must strengthen its program to reflect these additional needs. Veterans utilizing VR&E require both vocational rehabilitation and employment services. There is no VA mission more important during or after a time of war than that of enabling injured military personnel to lead a productive life after serving their country.

Transition of disabled veterans to meaningful employment relies heavily on VA's ability to provide vocational rehabilitation and employment services in a timely and effective manner. Unfortunately, the demands and expectations being placed on the VR&E Service are exceeding the organization's current capacity to effectively deliver a full continuum of comprehensive programs. The service had been experiencing a shortage of staff nationwide because of insufficient funding, which, as a result, has caused delays in providing VR&E services to disabled veterans, thus reducing veterans' opportunities to achieve successful timely rehabilitation.

The Department of Veterans Affairs is working to increase the awareness of the VR&E services available to veterans. In April 2009, before the U.S. House of Rep-

resentatives Committee on Veterans' Affairs Subcommittee on Economic Opportunity, Ruth Fanning, director, Vocational Rehabilitation and Employment Service, stated:

In order to increase Servicemember and Veteran awareness of the services provided by the VR&E program, VR&E is launching a marketing campaign. This campaign will focus on branding the employment and independent living services provided through the VR&E program as VetSuccess." VR&E Service redesigned its Veteran-focused Web site—VetSuccess.gov. The VetSuccess.gov Web site provides Veterans with access to a variety of program and on-line tools to assist them in achieving their career goals.⁵

The Independent Budget veterans service organizations (IBVSOs) look forward to updates on the results of this branding initiative.

To increase emphasis on employment, the service has begun an initiative called "Coming Home to Work" (CHTW). This program provides transitioning military personnel with expedited entry into the VR&E program, easing their transition into new educational and career paths. Outreach is conducted at Department of Defense facilities, VA medical centers, and special homecoming events. CHTW was expanded in 2009 to provide greater outreach to Guard and Reserve members during Post Deployment Health Reassessment

events and Yellow Ribbon functions. To make sure transitioning military personnel on medical hold have easy access to VR&E services, 13 full-time vocational rehabilitation counselors are stationed at 12 DOD military treatment facilities. VA has also appointed a CHTW coordinator in every regional office. This is an early outreach effort to provide VR&E services to eligible service members pending medical separation from active duty at military treatment facilities. This and other programs will require additional staff to maintain efforts nationwide.

The number of veterans in the various phases of VR&E programs is expected to increase as more service members return from the conflicts in Iraq and Afghanistan. Even though the focus of the VR&E program has changed to career development and employment, it is not clear whether VA is able to meet the current and future demand for employment services. It is just not good enough to say the program's focus is on employment, when the data demonstrate that only 11,000 veterans were placed in employment out of more than 117,000 active cases in fiscal year 2010, according to the Department of Veterans Affairs.⁶

In addition, there are no specific data to demonstrate how long beyond 60 days that a newly employed veteran remains in the workforce. After the veteran has been placed, there is minimal follow-up by VR&E with the employer.

For many years, the IBVSOs have criticized VR&E Service programs and complained that veterans were not receiving suitable vocational rehabilitation and employment services in a timely manner. Many of these criticisms remain a concern, including the following:

- inconsistent case management, with lack of accountability for poor decision making;
- delays in processing initial applications due to staff shortages and large caseloads well beyond the 125 to 1 goal;
- declaring veterans rehabilitated before suitable employment is retained for at least six months;
- inconsistent tracking by the electronic case management information system; and
- failure to follow up with veterans, employers, and referral agencies beyond 60 days to ensure employment placements are appropriate for the veterans.

Recommendations:

VA needs to strengthen its Vocational Rehabilitation and Employment (VR&E) program to meet the demands of disabled veterans, particularly those returning from the conflicts in Afghanistan and Iraq, by providing a more timely and effective transition into the workforce and providing placement follow-up with employers for at least six months.

The VR&E Service needs to use results-based criteria to evaluate and improve employee performance.

The VR&E Service must place a higher emphasis on academic training, employment services, and independent living to achieve the goal of rehabilitation of severely disabled veterans.

⁵ House Committee on Veterans' Affairs, Subcommittee on Economic Opportunity, April 2, 2009, Statement of Ruth A. Fanning, director, Vocational Rehabilitation and Employment Service, Veterans Benefits Administration, U.S. Department of Veterans Affairs, 4.

⁶ Department of Veterans Affairs, *Annual Benefits Report FY 2010, Vocational Rehabilitation and Employment*, 71 http://www.vba.va.gov/REPORTS/abr/2010_abr.pdf.

VOCATIONAL REHABILITATION AND EMPLOYMENT NATIONAL SURVEY AND PERFORMANCE DATA:

The Department of Veterans Affairs should report accurate performance data that include all veterans who participate in the Vocational Rehabilitation & Employment program and initiate a national survey to determine why veterans drop out prior to rehabilitation.

Performance reporting for chapter 31 benefits is the mechanism used by VA and Congress to authorize funding and staffing needs for the Vocational Rehabilitation and Employment (VR&E) program. VA consistently reports rehabilitation rates that reach the 70th percentile, but in reality these rates are much lower. In order to provide a more accurate assessment of the rehabilitation rate, it is imperative that VA also improve its performance reporting.

Performance reporting for the VR&E chapter 31 benefits program that is used by VA and Congress to authorize funding and staffing needs must be improved. For example, in FY 2009, in its Performance and Accountability Report (PAR) and Budget Submission, VA reported 11,022 participants placed in employment, with a rehabilitation rate of 74 percent. However, VA excluded 5,002 veterans who discontinued participation in the program even though these veterans represent a significant portion of veterans served. Recalculating the rehabilitation rate for 2009 by including all participants finds the VR&E success rate to be 45 percent, not 74 percent. As a result of this lack of clarity in analysis and reporting, decision makers and Congress are not totally aware of the overall performance rate when making decisions on needed resources.

The number of veterans in various phases of VR&E programs is expected to increase as more service members return from the conflicts in Iraq and Afghanistan. In fact, participation has increased by 9.4 percent, from 97,100 participants in FY 2008 to 106,200 in FY 2009, according to the FY 2009 PAR. Even though the focus of the VR&E program has drastically changed to career development and employment, it is not clear whether VA is able to meet the current and future demand for employment services. Because the data demonstrate that only 11,022 veterans out of more than 106,200 active cases were placed in employment, it would be inaccurate to conclude that the program's focus is on employment.

Without clear accounting and understanding of why such a high percentage of chapter 31 benefits program participants are classed as "Max Rehabilitation Gained" and what can be done to retain these veterans in a re-

habilitation plan, VR&E will continue to be underfunded and appear deceptive in its reporting.

A greater understanding of the needs of program participants and the accuracy of reporting of program outcomes could be found in the longitudinal study required by Public Law 110-389, section 334, if VA had the necessary funding to launch this study. VA was required to conduct a longitudinal study of its vocational rehabilitation programs, tracking individuals over a 20-year period who began participating in a vocational rehabilitation program during fiscal years 2010, 2012, and 2014. Annual reports are due to the Committees on Veterans' Affairs of the Senate and House of Representatives on July 1 of each year with the first one due in 2011. The focus of the study is to assess the long-term outcomes of the individuals participating in the vocational rehabilitation programs. *The Independent Budget* veterans service organizations are appreciative of Congressional efforts to fully examine this critical program, as the results of such a study have the potential to provide fresh insights into the complex issue of delivery of these services to our nation's veterans. Unfortunately, the necessary funding has not yet been identified.

VR&E continues with a reengineering analysis of current practices and procedures and the future state they hope to achieve as they seek to expand program outreach and enhance capability. Now that this phase of analysis has been completed, VR&E has have brought back a consultant to develop a strategy in order to achieve that future state.

Recommendation:

Congress should provide the necessary funding to carry out the longitudinal study as required by Public Law 110-389, section 334, part of which should reveal the reasons veterans discontinue participation in the Vocational Rehabilitation and Employment program, and use the information to design interventions to reduce the probability of veterans dropping out of the program.

The VR&E Service needs to report the true number of veterans participating in the program and accurate performance data in order for Congress to determine the sufficient level of funding to be allocated to the program.

VOCATIONAL REHABILITATION & EMPLOYMENT ELIGIBILITY:

Congress needs to change the eligibility requirements for the VA Vocational Rehabilitation and Employment program.

The period of eligibility for Vocational Rehabilitation and Employment (VR&E) benefits is 12 years from the date of separation from the military or the date the veteran was first notified by VA of a service-connected disability rating. Unfortunately, many veterans are not informed of their eligibility to VR&E services or do not understand the benefits of the program. In addition, veterans who later in life may become so disabled that their disabilities create an employment barrier would benefit from VR&E services well beyond the 12-year delimiting date. Eliminating VR&E's delimiting date would allow veterans to access the VR&E program on a needs basis for the entirety of their employable lives.

Veterans would still have to be approved by VR&E as having an employment handicap resulting from their service-connected disability and would still be subject to the total cap of services. However, dropping the arbitrary delimiting date would ensure rehabilitation for veterans should their service-connected disability negatively progress over time.

Furthermore, the current VR&E program can take up to several months to begin a program of training. This occurs primarily because VR&E is required to validate that entitlement is present. It is extraordinarily rare that entitlement is not found for the VR&E program. If a veteran has proven eligibility for VR&E, the entitlement should be assumed, thereby minimizing veterans' time in gaining access to VR&E programs.

Recommendation:

Congress needs to change the eligibility delimiting date for VA Vocational Rehabilitation and Employment services by eliminating the 12-year eligibility period for chapter 31 benefits. Congress should allow all veterans with employment impediments or problems with independent living to qualify for VR&E services for the entirety of their employable lives.



**MAXIMUM LENGTH OF PARTICIPATION AND ANNUAL CAP
IN THE INDEPENDENT LIVING PROGRAM:**

Congress should eliminate the 30-month maximum program participation for Independent Living Services and the statutory cap of 2,700 new, per annum, Independent Living program participants.

The Independent Living (IL) Program, established by Congress in 1980, focuses on providing services to veterans with severe disabilities. The program's goal is to provide the necessary services to veterans to enable them to achieve maximum independence in daily living. Recently, Vocational Rehabilitation and Employment (VR&E) has made improvements to the program by hiring a national IL coordinator and establishing standards of practice in the delivery of IL services.

With the passage of Public Law 107-103, the "Veterans Education and Benefits Expansion Act of 2001," the limit on the number of new IL cases per year increased from 500 to 2,500. It was modestly increased again in FY 2008 from 2,500 to 2,600. Most recently,

P. L. 111-275, the "Veterans Benefits Act of 2010," increased the cap to 2,700.

The VR&E Service monitors newly developed IL cases monthly to track total IL cases in comparison to the legislative cap. On average, 2,300 new cases have entered IL services each of the past several years. Unfortunately, current statute limits the time a veteran can receive IL services to a 30-month maximum and forces the VR&E to abide by an arbitrary cap of 2,600 new cases each year. The consequence of this cap is that as VR&E approaches the cap limit each year it must slow down or delay delivery of independent living services for new cases until the start of the next fiscal year. While VR&E may not reach its cap of 2,700 partici-

pants per year, VA personnel responsible for admission keenly monitor total admissions. As admissions approach this maximum allowed cap, veterans with severe disabilities who have been determined eligible and entitled to the VR&E program in mid- to late summer have had to wait until October to receive full services. *The Independent Budget* veterans service organizations (IBVSOs) recommend that VR&E be given additional professional full-time employment slots for IL specialist counselors who are fully devoted to delivering services to those individuals determined to have serious employment handicaps. Moreover, we strongly oppose the arbitrary IL cap of 2,700 veterans.

Furthermore, the IBVSOs anticipate that the continued military efforts in Iraq and Afghanistan will unfortunately result in greater numbers of service members who sustain serious injuries; therefore, the need for IL services will likely increase beyond current demand.

Recommendations:

Congress should eliminate the 30-month maximum program participation for Independent Living (IL) services and the statutory cap of 2,700 new, per annum, Vocational Rehabilitation and Employment (VR&E) IL program participants. The effect of the cap, with the increasing veteran demand for services, will delay needed IL programs to severely disabled veterans.

With the removal of the IL cap and a greater focus on serving veterans with severe disabilities, VA should establish additional professional, full-time employment slots for IL specialist counselors in VR&E who are fully devoted to delivering services to those individuals determined to have serious employment handicaps.



CENTRALIZATION OF VETERANS' EDUCATION, EMPLOYMENT, AND BUSINESS PROGRAMS ACROSS VA INTO A NEW VETERANS ECONOMIC OPPORTUNITY ADMINISTRATION:

In order to achieve better outcomes for veterans, VA programs designed to enhance economic security, such as those focused on employment, education, and business assistance, should be centralized into a single new administration inside the Department, commensurate with the Veterans Health Administration, the Veterans Benefits Administration, and the National Cemetery Administration.

To assist veterans in achieving economic security—both those transitioning out of the military and those already separated from it—the Department of Veterans Affairs provides education, training, employment, entrepreneurship, homelessness, and housing assistance through a number of programs and offices. However, despite this array of services and benefits, veterans continue to face significant challenges in today's weak economy.

While all Americans face challenges during economic downturns, veterans have been particularly hard hit. Statistics clearly illustrate the struggle that veterans face while transitioning from military service to civilian life. Unemployment statistics for July 2010 from the Labor Department's Bureau of Labor Statistics

showed the overall unemployment rate for all veterans rose to 8.4 percent, up from May's 7.8 percent. For veterans from the Iraq and Afghanistan conflicts, the unemployment rate rose to 11.8 percent, an increase over June's rate of 11.5 percent and May's 10.6 percent. While there is some improvement from March 2010, when the unemployment rate was 14.7 percent for this group, it is still higher than the national average. Moreover, younger veterans, those ages 18–24, are at times twice as likely to be unemployed as their civilian counterparts.

On any given night there are 107,000 homeless veterans—while a decrease in recent years, still a number that is too high. Congress approved a historic new GI Bill for Post-9/11 veterans, but VA has struggled im-

plementing this program and delivering this benefit. Vocational rehabilitation programs for disabled veterans have failed to achieve adequate success rates despite improvements in recent years. VA programs designed to provide assistance to veteran entrepreneurs have fallen short of expectations, in part due to the lack of funding and proper organization.

In order to achieve better outcomes for veterans, *The Independent Budget* veterans service organizations (IBVSOs) believe that VA programs that effect veterans' economic status should be housed under a new and separate administration—the Veterans Economic Opportunity Administration (VEOA) within VA, commensurate with the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), and National Cemetery Administration (NCA). The VEOA would be headed by an under secretary for veterans economic opportunity who would administer all VA programs of economic opportunity assistance to veterans and their dependents and survivors. This new administration would be responsible for vocational rehabilitation and employment, educational assistance, veterans' entrepreneurship, home loan programs, and homeless veterans' programs. The VEOA would also serve as the single point of interagency exchange regarding programs that are administered for veterans outside of VA, such as the Department of Labor's Veterans' Employment and Training Service (VETS), and other such programs in other departments.

Currently, these programs within VA are administered by the VBA, which includes five separate service lines: Compensation and Pension (C&P), Vocational Rehabilitation and Employment (VR&E), Education, Insurance, and Home Loan Guaranty. As currently organized, the C&P service dominates the budget, resources, staff, and attention of the VBA. As a result of the significant challenges facing VA's disability compensation program outlined earlier in this *Independent Budget*, it is understandable that both VA and VBA senior leadership would be so focused on the transformation of the C&P claims-processing system. As a result, the remaining services have a more difficult time addressing their own inadequate staffing levels, insufficient information technology (IT) systems, and other management problems. Centralization of the management of veterans' employment, education, and business programs under one single office headed by an under secretary solely focused on providing greater economic opportunities for veterans could provide greater focus and stronger oversight and accountability for these vital programs. The IBVSOs believe that reorganizing these economic-related programs into a

single entity will not only create new opportunities for greater collaboration among them, but will also relieve some of the burden on the VBA, which is already facing significant challenges in reforming a broken claims process.

The IBVSOs propose that the new Veterans Economic Opportunity Administration be composed of the following existing programs within the VBA:

- Vocational Rehabilitation and Employment Service;
- Education Service (GI Bill);
- Office of Small and Disadvantaged Business Utilization (OSDBU);
- Homeless Veterans Program Office (HVPO); and
- Home Loan Guaranty.

The Vocational Rehabilitation and Employment Service focuses on providing individualized services to veterans with service-connected disabilities in an effort to assist them in achieving functional independence in daily activities, becoming employable, and obtaining and maintaining suitable, quality employment. VR&E refers to their program as the "VetSuccess" Program, which assists veterans who have service-connected disabilities to prepare for, find, and keep suitable employment. For veterans with service-connected disabilities so severe that they cannot immediately consider seeking employment, VetSuccess offers services to build upon and improve their ability to live as independently as possible. As noted elsewhere in this *Independent Budget*, VR&E has focused more on the vocational rehabilitation aspect and less on employment. For example, VR&E only conducts a 60-day follow-up on individuals recently employed as a measure to determine if they are "fully rehabilitated." Even more disturbing is the fact that if a veteran discontinues the use of VR&E services, regardless of the reasoning, VR&E reports it as a successful case of "full rehabilitation." It is imperative that programs designed to prepare veterans for employment, both vocational rehabilitation and education programs, be better integrated with programs designed to secure veterans' employment.

The VBA Education Service provides eligible veterans, service members, guardsmen and -women, and reservists, survivors, and dependents the opportunity to achieve their educational or vocational goals. Education programs also assist the armed forces in their recruitment and retention efforts, as well as assisting veterans in their readjustment and transition back into civilian life. These benefits serve to enhance the nation's competitiveness through the development of a

highly educated and more productive workforce. VA administers a number of education programs, including the Montgomery GI Bill and the Post-9/11 GI Bill, a new education program that provides financial support to individuals with at least 90 days of aggregate service on or after September 11, 2001, or individuals discharged with a service-connected disability after 30 days. Enactment of the Post-9/11 Educational Assistance Act on June 30, 2008, gave the VBA approximately 14 months to develop a new, highly complex system to ensure eligibility and payments are made for hundreds of thousands of claimants who would be eligible to receive benefits under the new program beginning August 1, 2009. Unfortunately, the VBA's failure to fully implement this complex new law results in thousands of veteran students not receiving their education benefits in time for fall 2009 enrollment in colleges and universities. Additionally, when an individual does have the opportunity to complete his or her education under the Post-9/11 GI Bill, Montgomery GI Bill, or other educational programs, there is little to no assistance with job placement after the degree is earned. While the VBA has begun to address the staffing and IT problems that have plagued the Post-9/11 GI Bill program, the IBVSOS believe that this program could be even further improved by placing it inside a Veterans Economic Opportunity Administration.

The Office of Small and Disadvantaged Business Utilization (OSDBU), which consists of the Center for Small Business Programs (CSBU) and the Center for Veterans Enterprise (CVE), serves as and advocate for veteran-owned small businesses (VOSBs), service-disabled, veteran-owned small businesses (SDVOSBs), historically underutilized business zone businesses, and woman-owned small businesses. The OSDBU provides outreach and liaison support to business (small and large) and other members of the private sector concerning small business acquisition issues. The OSDBU is responsible for monitoring VA implementation and execution of socioeconomic programs. It works with contracting officers and monitors prime and subcontracting plans for compliance with their subcontracting goals. CVE maintains VA's database of SDVOSBs and VOSBs. The database www.VetBiz.gov, the vendor information pages (VIP), lists businesses that are 51 percent or more owned by veterans.

Given the almost 30 percent influx of VOSBs and SDVOSBs, it is vital that the CVE be ready and able to meet the growing demand for their services. However, the IBVSOs do not believe that the CVE is serving the needs of the veterans it was originally designed to help. As the result of a lack of leadership over the past year,

we have seen the CVE slowly move from the role of assisting and advocating for VOSBs and SDVOSBs to that of an information and referral agency for other federal and state agencies. The CVE must be brought back up to par with what it was originally tasked to do: assist our veteran population in all aspects for their entrepreneurship endeavors. In order to effectively accomplish this, it must be properly staffed, trained, and funded.

While the OSDBU is charged with the responsibility to serve as advocates for small business owners, its ability to effectively manage VIP remains problematic. Concern continues over the lack of transparency in the application process; the backward logic of restricting veterans to owning a single business; a current wait time of 10 months for an annual certification, which hampers veterans' ability to develop their businesses; and continued delays in processing applications.

VIP was originally established to act as a single-source database of certified SDVOSBs and VOSBs. The database was intended to supply all federal agencies and prime contractors with a continually updated and verified source of SDVOSBs and VOSBs intended to assist the federal government with achieving the minimum 3 percent goal of set-aside contracts for SDVOSBs and/or contracts being awarded to SDVOSB or VOSB concerns, as mandated in Public Law 106-50, enacted August 17, 1999. Furthermore, P. L. 109-461 (subsection 8127) required verification of veterans' ownership of listed SDVOSBs and VOSBs, as well as verification of the service-disabled status of SDVOSBs. Requisite resources, contract officer training, and proper oversight of the SDVOSB/VOSB program are just a few examples of necessary policies and procedures needed to effectively carry out the mandates. However, all of the federal agencies tasked with ensuring set-asides and timely, comprehensive verification have failed to do so.

The CVE is funded by an internal revolving fund called the "VA Supply Fund." The supply fund is controlled by an internal board of directors. This is the same board that approved expansion of the resources dedicated to the CVE to enhance the VIP database. However, these resources have been slow in distribution and intended use as they were originally appropriated for: the improvements to VIP and the verification process. In the current economic environment, rapid progress and strong oversight are essential in securing the financial well-being of our SDVOSB and VOSB communities. The IBVSOs strongly believe this can be properly achieved through the realignment of the OSDBU under a newly formed Veterans Economic Opportunity Ad-

ministration. The consequences occurring as a direct result of the broken verification system and procedures are hurting all veterans choosing to pursue federal awards. The realignment would provide and allocate the strict oversight and resources necessary to ensure the integrity of the entire federal procurement system, as well as finally providing veterans all of the proper resources and protections in federal procurement.

VA has set out an ambitious plan to eliminate all veteran homelessness within five years. The Homeless Veterans Programs Office is charged with this responsibility and ensuring proper oversight of all programs and resources allocated to help achieve this huge and necessary undertaking. All veterans identified as at risk for becoming homeless or attempting to gain assistance so they are no longer homeless must have easy access to programs and services, as well as the proper outreach and education to the homeless veteran population to inform them of the resources available to them. VA and private sector agencies will be required to design, develop, and implement an entirely new outreach campaign, in order to meet the special needs of this diverse and underserved population. VA must be sensitive to the perspective of homeless veterans, many of whom may feel as though the agency and their country have failed or forgotten them, thus making them less likely to actively seek out the resources available to them. If we truly aim to end veteran homelessness within the next five years, we are going to have to provide the strongest of oversight of all of the programs working together to achieve this goal.

Efforts to assist homeless veterans are provided through a variety of programs. The National Call Center for Homeless Veterans ensures that homeless veterans or veterans at risk for homelessness have free, 24/7 access to trained counselors. The Health Care for Reentry Veterans Program is designed to address the community reentry needs of incarcerated veterans. The program's goals are to prevent homelessness; reduce the impact of medical, psychiatric, and substance abuse problems upon community readjustment; and decrease the likelihood of reincarceration for those leaving prison.

The Veteran Justice Outreach initiative seeks to avoid the unnecessary criminalization of mental illness and extended incarceration among veterans by ensuring that eligible justice-involved veterans have timely access to VHA mental health and substance-abuse services when clinically indicated, as well as other VA services and benefits that may be needed. The Supportive Services for Veteran Families program is a new

VA program that will provide supportive services to very low-income veterans and their families who are in or transitioning to permanent housing. These programs have been more successful under the current Administration than many others as a result of the concerted efforts of Secretary Shinseki to coordinate a multiagency approach. In order to achieve long-term success for homeless veterans, these programs must also remain coordinated and integrated with programs for education and employment, which will be better accomplished within the framework of the new VEOA.

Home loan guarantees from VA helps veterans become fully reintegrated into their communities with minimal disruption to their lives. Despite problems in the nation's housing market, VA-backed mortgage loans had a lower foreclosure rate than any other type of home loan in the industry, as of June 2010, the latest available data. Currently, about 1.4 million active home loans were obtained using VA's Home Loan Guaranty Program. The program makes home ownership more affordable for veterans, service members, and some surviving spouses by protecting lenders from loss if the borrower fails to repay the loan. In 2010, VA guaranteed 314,000 loans for either the purchase of a home or to lower the interest rate on an existing home loan.

More than 90 percent of VA-guaranteed loans are made without a downpayment. Despite this, VA has the lowest serious delinquency rate in the industry, according to the Mortgage Bankers Association. Furthermore, VA's percentage of loans in foreclosure is the lowest of all measured loan types—lower even than prime loans, which require high credit scores and a 20 percent downpayment by the borrower. Much of the program's strength stems from the efforts of VA employees and loan servicers nationwide, whose primary mission is to help veterans stay in their homes, avoid foreclosure, and protect their credit lines from the consequences of a foreclosure, Shinseki said. Since 1944, when home-loan guarantees were offered under the original GI Bill, through the fiscal year that ended September 30, VA has guaranteed more than 19 million home loans worth \$1.1 trillion. Inclusion of Home Loan Guaranty Service as a component of the new VEOA would provide an essential tool in fighting homelessness and well as aiding others in providing shelter as they transition from military service.

As veterans' programs have become more complex over the years, the dispersed nature of these programs has challenged VA's senior management to effectively monitor the delivery of each program. The VEOA would be responsible for the administration of all VA

economic-related programs, including vocational rehabilitation and employment; educational assistance; and entrepreneurship, home loan, and homeless veterans programs. Creation of the VEOA would also allow the overburdened VBA to focus on the monumental task of reforming the disability compensation claims-processing system.

Recommendation:

VA programs designed to enhance economic security, including all programs focused on employment, education, and business assistance, should be centralized into a single new Veterans Economic Opportunity Administration inside the Department, commensurate with the Veterans Health Administration, Veterans Benefits Administration, and the National Cemetery Administration, headed by an under secretary for veterans economic opportunity.



VOCATIONAL REHABILITATION AND EMPLOYMENT COUNSELING PARTNERSHIPS:

The Department of Veterans Affairs needs to continue improving its coordination with non-VA counselors and vocational programs to ensure that veterans are receiving the full array of benefits and services to which they are entitled in a timely and effective manner.

Under the VA Strategic Plan for FY 2006–2011, the agency has acknowledged that it plans to continue the utilization of non-VA providers to supplement and complement services provided by Vocational Rehabilitation and Education (VR&E) staff. Many state vocational rehabilitation agencies have memoranda of understanding with their state departments of veterans' services to coordinate services for veterans with disabilities, and some state agencies have identified counselors with military backgrounds to serve as liaisons with VA and veterans' groups. Moreover, the Department of Veterans Affairs is increasingly engaged with state vocational rehabilitation agencies in outreach to the business community to promote veterans with disabilities as a valuable talent pool. In addition, numerous nonprofit vocational rehabilitation providers have served veterans with disabilities for many years in partnership with VA.

These partnerships, however, create challenges that VA needs to address. Whereas qualified providers can partner easily with most state vocational rehabilitation agencies, VA's national acquisition strategy is viewed as overly cumbersome by private providers wishing to serve veterans with disabilities. As a result, private non-VA providers that could address some of the demand by veterans with disabilities for employment assistance are shut out by complicated contracting rules. At the same time, state vocational rehabilitation agency staff may not

always be familiar with veteran-specific disability issues related to traumatic brain injury, post-traumatic stress disorder, and other combat-related injuries and conditions. In addition, because of funding and staffing shortages experienced by state vocational rehabilitation agencies, veterans with disabilities seeking employment could bounce between VA VR&E and state vocational rehabilitation agencies without being properly served.

Even as it seeks to strengthen its engagement with the broader workforce development system, VR&E must maintain its responsibility to the veterans it serves by monitoring the quality and impact of vocational rehabilitation services delivered by these non-VA agencies.

Recommendations:

The VA Vocational Rehabilitation and Employment (VR&E) Service should improve its national acquisition strategy to make it easier for qualified vocational rehabilitation providers to offer services to veterans with disabilities.

State vocational rehabilitation and VA VR&E programs should offer joint training to their staffs on traumatic brain injury, post-traumatic stress disorder, and other veteran-specific disability issues to improve cross-agency coordination.

VA leaders should continue to work with the leadership of the Rehabilitation Services Administration to promote nationwide adoption of memoranda of understanding between their respective regional and local offices and to address any policy or programmatic barriers that may unnecessarily deny services to these veterans.

Until such time as the VR&E Service's resources can accommodate the full range of services needed by veterans with disabilities, better coordination by VA with state vocational rehabilitation programs, One-Stop Career Centers, and private sector vocational rehabilitation programs can help prepare veterans for interviews, offer assistance creating résumés, and develop proven ways of conducting job searches.

VR&E Service staff must improve the oversight of private non-VA counselors to ensure veterans are receiving the full array of services and programs in a timely and effective manner.

The VR&E Service should improve case management techniques and use state-of-the-art information technology to track the progress of veterans served outside VR&E.

The VR&E Service should follow up with rehabilitated veterans for at least six months to ensure that the rehabilitation and employment placement plan has been successful.



NATIONAL VETERANS TRAINING INSTITUTE INADEQUATELY FUNDED:

The National Veterans Training Institute lacks adequate funding for its important mission of preparing veterans' employment representatives.

The National Veterans Training Institute (NVTI) is a contracted program administered by the U.S. Department of Labor's Veterans' Employment and Training Service (VETS) through the University of Colorado at Denver. Each state sends new veterans' representatives for intensive training to further develop and enhance the professional skills of state employment representatives, which include the Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representatives (LVERs). VETS also sends their staff members to the NVTI for training in the details of the Uniformed Services Employment and Reemployment Rights Act and the Transition Assistance Program.

Of the 2,557 DVOP/LVER positions nationwide, historically, the turnover rate exceeds 20 percent annually. This turnover rate is attributed to veterans who initially enter a state's employment system through the DVOP and LVER positions eventually applying for other positions within the state that have a higher salary. This turnover consequently requires new candidates to receive necessary training from the NVTI.

Often these state employment representatives will be the first support contact the newly discharged service

member will have as he or she begins to make the difficult transition to civilian life. Each state has DVOP representatives who are trained to provide intensive services to assist the disabled veteran and veterans with barriers to employment in finding suitable work. The LVER positions work with nondisabled veterans, informing them of employment opportunities in their community, and perform outreach to businesses in their community to locate employment opportunities.

Because of inadequate funding, the NVTI has performed its responsibilities over the past two years with a staff shortage of at least two to three full-time staff members. This has limited its ability to fulfill additional training requests of VETS and to travel to select locations to conduct training in the field. Currently all classes for FY 2011 are scheduled and have staff assignments. Under Public Law 109-461, the NVTI is required to provide training to all DVOPs and LVERs within a minimum of three years of initial employment. This requirement has filled their training calendar completely. P. L. 111-175, the "Veterans Benefits Improvement Act of 2010," changed this requirement to 18 months. Consequently, the NVTI will not be able to meet the requirement without additional funds. Also,

VETS has designed a totally new version of the Transition Assistance Program, replacing the old program developed more than 20 years ago. This new program will require additional training and support from the NVTI. As the VETS program continually searches for new avenues for assisting veterans with employment, having the option of requesting support from NVTI would be a valuable asset. However, as long as the NVTI remains underfunded, this option is not available.

Recommendation:

Congress must provide sufficient funding for the National Veterans Training Institute to ensure the professional training programs can be available for state and federal employment representatives on a timely basis. With additional funding above minimal operating levels NVTI staff could travel to various regions to present their programs to employment personnel as the need arises.



VETERAN ENTREPRENEURSHIP:

Accountability in meeting the federal procurement goals of Executive Order 13360 is needed.

Supporting service-disabled, veteran-owned small businesses (SDVOSBs) contributes significantly in restoring veterans' quality of life while aiding in their transition from active duty to civilian life.

Now, more than ever before, federal agencies must be held accountable to meeting the federal procurement goals outlined by Executive Order 13360 and sections 15(g) and 36 of the Small Business Act. As more and more service-disabled military members begin to transition into civilian life, they are choosing to start their new lives as entrepreneurs. Recent studies of our newly returning and current veteran population show a 33 percent increase in the formation of new business entities over the past five years. Currently there are more than 13,500 SDVOSBs registered in the Central Contractor Registration database. Astoundingly, this number does not accurately reflect the true number of SDVOSBs and veteran-owned small businesses that may not yet be registered, have their statuses verified, or even be familiar with how to register for inclusion in federal procurement databases.

Recommendations:

There must be stronger oversight and outreach to all federal agencies by the U.S. Department of Labor, Office of Small Business Programs, Small Business Administration, and all other federal agencies tasked with protecting and promoting service-disabled, veteran-owned small businesses, to assist in the development and implementation of stronger strategies/plans to reach the 3 percent goal.

Congress must ensure that adequate resources are available to effectively monitor and recognize those agencies that are not meeting the 3 percent goal and hold them accountable for why the goal is not being met. The annual reports filed by all federal agencies, reporting the prior fiscal years' actual percentage of goal achieved, should serve as guidance on which agencies need the most assistance in the development and implementation of stronger contracting plans.

CENTER FOR VETERANS ENTERPRISE:

The Center for Veterans Enterprise must assist veterans with all entrepreneurship endeavors.

The Center for Veterans Enterprise (CVE) was established to assist veterans with all aspects of establishing and maintaining a small business. The CVE is a subdivision of the Office of Small and Disadvantaged Business Utilization that extends entrepreneurial services to veterans who own or who want to start a small business. The CVE also aides other federal contracting offices with identifying veteran-owned small businesses that are working to comply with Executive Order 133600. In the past, VA faced many obstacles, from a lack of leadership to lack of best practices with its entrepreneurship programs, which prevented the success of veteran-owned businesses. For this reason, VA established the CVE as a response to the passage of Public Law 106-50, the “Veterans Entrepreneurship and Small Business Development Act of 1999.” Furthermore, on December 22, 2006, President Bush signed P. L. 109-461, the “Veterans Benefits, Health Care, and Information Technology Act of 2006,” in an effort to successfully identify and grant status to service-disabled, veteran-owned small businesses (SDVOSBs). Effective June 20, 2007, this legislation authorized a unique “Veterans First” approach, specific to VA contracting.

As we move through the 21st century, during a time of war, the veteran-owned small business (VOSBs) and SDVOSB population continues to rise at a rate not seen since the end of World War II. As America’s veterans transition back into civilian life, many are choosing to pursue lives as entrepreneurs. Given the almost 30 percent influx of VOSBs and SDVOSBs, it is vital that the CVE be ready and able to meet the growing demand for their services.

Recommendations:

The Center for Veterans Enterprise has slowly moved from the role of assisting veteran-owned small businesses and service-disabled, veteran-owned small businesses to that of an information and referral agency for other federal and state agencies. The CVE must be brought back up to par with what it was originally tasked to do: assist our veteran population in all aspects for their entrepreneurship endeavors. Furthermore, Congress must provide VA with dedicated funding, properly trained staff, and oversight to ensure the success of the CVE.

VA VENDOR VERIFICATION DATABASE:

All federal agencies should utilize a continually updated, single centralized source database in the verification of all businesses claiming preferred status as a veteran-owned small business or service-disabled, veteran-owned small business.

At present, vendors desiring to do business with the federal government must register in the Central Contractor Registration database, and those who indicate they are veterans or service-disabled veterans, self-certify their status without verification. Public Law 109-461 required the Department of Veterans Affairs to establish a Vendor Information Page database to accurately identify businesses that are 51 percent or more owned by veterans or service-disabled veterans. This database was originally designed to act as a reliable, centralized database enabling all federal agencies a single source in the identification of possible service-disabled, veteran-owned small businesses and veteran-owned small businesses for consideration during their procurement processes. As of April 15, 2009, approximately 18,000 SDVOSBs were registered in the Central Contractor Registration. As the result of a lack of oversight and uninformed, inconsistent status verification processes, many nonveteran-owned businesses are receiving protections they not are entitled to under the law.

Recommendations:

All federal agencies should be required to certify veteran status and ownership through the VA's Vendor Information Page program before awarding contracts to companies claiming veteran status.

Congress should take the necessary actions to require all federal agencies to use a single-source database in all verifications of veteran-ownership status before awarding contracts to companies on the basis of a claim of service-disabled, veteran-owned small business or veteran-owned small business preference. Furthermore, internal promotion and education on proper usage of the database should coincide with implementation of databases use.

**PROTECTING VETERAN SET-ASIDES WITHIN THE FEDERAL PROCUREMENT SYSTEM:**

The Department of Veterans Affairs must increase personnel training for the federal procurement process.

Public Law 109-461, the "Veterans Benefits, Health Care and Information Technology Act of 2006," was signed December 22, 2006, and went into effect on June 20, 2007. The law allows VA special authority to provide set-aside and sole-source contracts to small businesses owned and operated by veterans and service-disabled veterans. This legislation is codified in title 38, United States Code, sections 8127 and 8128. After more than three years since its enactment, no significant change has been implemented with regard to how federal contracting officers are trained. VA personnel involved in the acquisition process need to be trained and familiarized with all current and new authorizations and responsibilities under P. L. 109-461, and all other procurement directives regarding veteran-owned small businesses and service-disabled, veteran-

owned small businesses. Our service-disabled veterans who own small businesses cannot afford to wait any longer for VA to enforce compliance with the law.

Recommendations:

VA must develop and implement a uniform preliminary and continued education program for all personnel involved with the federal procurement process, with special focus on contracting officers.

VA must develop and implement systems to identify the strengths and weaknesses in its procurement processes, as well as regular internal evaluations of contracting staff and compliance in efforts to successfully identify weaknesses within the program as a whole.

OUTREACH TO LOCAL AND NATIONAL EMPLOYERS:

Educating employers on how to connect with the veterans community, on the local and national levels, is vital in ensuring the success and increased employment opportunities to veterans nationwide.

Recent studies indicate an overwhelming number of employers want to hire veterans. However, these studies also indicated that most potential employers were not clear on how to connect with veterans to offer employment opportunities. Given the disproportionate unemployment statistics for veterans in 2010, immediate actions must be taken to address this very serious issue. Additionally, a critical issue facing veterans and employers is the translation and transfer of military skills and experience into relevant civilian employment qualifications and expressing this in employment applications and on résumés. This certainly should not be a barrier to veterans' employment. With proper tools, veterans would be able to highlight their skills and offer employers the opportunity to bring dynamic, motivated, and very skilled veterans into their workforce.

With regard to federal procurement, the Office of Federal Contract Compliance Programs' 2007 rules and regulations do not address federal contractors' requirements to actively reach out to the veterans community. Employer

relations are a pivotal component to successful veteran entrepreneurship and employment.

Recommendation:

The Department of Labor, Small Business Administration, Office of Federal Contract Compliance Programs, and Employment and Training Administration must collaborate in developing and implementing a single-source database and employer outreach program for the promotion of veterans' entrepreneurship at local and national levels. This system must allow all employers to locate veterans for employment as well as provide an updated listing of employment opportunities. There needs to be a resource available to all veterans that would allow for the transformation of military skills into required civilian qualifications and résumé language. Additionally, all veterans must have equal access to federal subcontractors held by larger prime contractors, and there needs to be stronger oversight of compliance and consistently enforced penalties for noncompliance.

**VETERAN-OWNED SMALL BUSINESS SET-ASIDE PROGRAMS:**

For veteran-owned small business success, there must be better oversight and stronger enforcement of the set-aside program.

In 1978, Congress passed the Small Business Act, creating 3 percent small business set-asides for federal contracts. The objective of the set-aside program was to act as a tool for achieving economic and national security policy stated in the Small Business Act's preamble. In addition to this law, Congress has passed several laws granting service-disabled, veteran-owned small business (SDVOSB) and veteran-owned small business (VOSB) preference in many procurement processes. However, the Small Business Administration Office of the Inspector General and the VA OIG have conducted numerous investigations that have indicated that an alarmingly large number of procurement awards, designated as set-asides for SDVOSBs and VOSBs have been awarded to large nonveteran businesses, yet these agencies are still receiving credit as having awarded the contracts to veterans.

Recommendation:

VA, the Department of Labor, the Small Business Administration, and the Office of Federal Contract Compliance Programs must exercise better oversight and stronger enforcement of consequences for any government agency or nongovernment business claiming to be awarding set-asides to veteran-owned businesses when, indeed, they are not. There needs to be an immediate focus on proactive measures to eliminate untruths, such as "rent a vet," and cease exercising only "reactive" strategies. VA, the DOL, SBA, and OFCCP should pool all their resources and successful strategies to ensure swift action and nonduplication of measures.

FEDERAL IN-SOURCING AND THE EFFECT ON VETERAN-OWNED BUSINESSES:

Definitions left open to interpretation can have a very negative effect on service-disabled, veteran-owned small businesses and veteran-owned small businesses.

In an attempt to reduce the federal deficit, there has been a proposed rule change to the Code of Federal Regulations by the Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB) regarding “inherently governmental” functions and the insourcing of thousands of federal contracts. On March 31, 2010, the OFPP issued a proposed policy letter on inherently governmental functions and other “work reserved for performance by federal government employees.” The Administration’s proposed guidance for agencies determining if something is inherently governmental is (1) whether particular functions are inherently governmental and (2) when functions closely associated with the performance of inherently governmental functions and critical functions should be performed by government personnel.

Under existing law, agencies cannot contract out inherently governmental functions, and they must give “special consideration” to using government personnel in performing functions closely associated with the performance of inherently governmental functions (48 C.F.R. § 7.503(a)). In keeping with section 321 of Public Law 110-417, the “National Defense Authorization

Act for Fiscal Year 2009,” which tasked the OMB with developing a “single consistent definition” of “inherently governmental function,” the proposed policy letter adopts the definition of “inherently governmental function” in the Federal Activities Inventory Reform Act. The act defines an “inherently governmental function” as one that is “so intimately related to the public interest as to require performance by federal government employees.”

Recommendation:

In order to refrain from causing undue burdens and hurdles to the service-disabled, veteran-owned small business and veteran-owned small business communities, it is critical that all terms included in the final definition and rule are clearly delineated in the final published rule. Until all terms, such as “critical function” and “reasonably identified,” are provided clear, concise definitions, *The Independent Budget* recommends no immediate action be taken. Definitions left open to interpretation can have a very negative effect on SDVOSB and VOSB success in the federal procurement process.

**VA PENSION WORK DISINCENTIVES:**

VA pension work disincentives should be removed.

Many veterans who serve this country honorably and are discharged in good health later acquire significant disabilities. If their income is low enough, they will qualify for a VA pension. The Veterans Pension Program is often likened to Supplemental Security Income (SSI) under Social Security. However, unlike SSI, VA pensioners face a “cash cliff,” in which benefits are terminated once an individual crosses an established earnings limit. Because of a modest work record, many of these veterans or their surviving spouses may receive a small Social Security Disability Insurance (SSDI) benefit that supplements their VA pension. If these individuals attempt to return to the workforce, however, not only will their SSDI benefit

be terminated but their VA pension benefits will be reduced, dollar for dollar, by their earnings.

More than 20 years ago, under Public Law 98-543, Congress authorized the Department of Veterans Affairs to undertake a four-year pilot program of vocational training for veterans awarded a VA pension. Modeled on the Social Security Administration’s trial work period, veterans in the pilot were allowed to retain eligibility for pension up to 12 months after obtaining employment. In addition, they remained eligible for VA health care up to three years after their pension terminated because of employment. Running from 1985 to 1989, this pilot program achieved some mod-

est success. However, it was discontinued because prior to VA eligibility reform most catastrophically disabled veterans were reluctant to risk their access to VA health care by working.

The VA Office of Policy, Planning, and Preparedness examined the VA pension program in 2002 and, though small in number, 7 percent of unemployed veterans on pension and 9 percent of veteran spouses on pension cited the dollar-for-dollar reduction in VA pension benefits as a disincentive to work.⁷ Now that veterans with catastrophic nonservice-connected disabilities retain access to VA health care, work incentives for the VA pension program should be reexamined and policies toward earnings should be changed to parallel those in the SSI program.

Recommendation:

Work disincentives in the Veterans Pension Program should be reexamined and consideration given to changes that would parallel Social Security work incentives, such as a trial work period and reduction in benefits as earned income rises.

⁷ Department of Veterans Affairs, *FY 2011 Budget Submission, Benefits and Burial Programs and Department Administration, Vol. 3 of 4* (February 2010), 4E-10, 4E-5.