

Supporting Servicemembers, Veterans, and Military Families

Meeting Our Greatest Challenges: The President's Fiscal Year 2017 Budget

Under the President's leadership, we have turned our economy around and created 14 million jobs. Our unemployment rate is below five percent for the first time in almost eight years. Nearly 18 million people have gained health coverage as the Affordable Care Act has taken effect. And we have dramatically cut our deficits by almost three-quarters and set our Nation on a more sustainable fiscal path.

Yet while it is important to take stock of our progress, this Budget is not about looking back at the road we have traveled. It is about looking forward and making sure our economy works for everybody, not just those at the top. It is about choosing investments that not only make us stronger today, but also reflect the kind of country we aspire to be – the kind of country we want to pass on to our children and grandchildren.

The Budget makes critical investments in our domestic and national security priorities while adhering to the bipartisan budget agreement signed into law last fall, and it lifts sequestration in future years so that we continue to invest in our economic future and our national security. It also drives down deficits and maintains our fiscal progress through smart savings from health care, immigration, and tax reforms.

The Budget shows that the President and the Administration remain focused on meeting our greatest challenges – including accelerating the pace of innovation to tackle climate change and find new treatments for devastating diseases; giving everyone a fair shot at opportunity and economic security; and advancing our national security and global leadership – not only for the year ahead, but for decades to come.

Our Nation has a solemn obligation to take care of our servicemembers, veterans and their families. To deliver on this commitment, the Budget provides significant resources to support veterans' medical care, help military families, assist servicemembers transitioning to civilian life, eliminate veteran homelessness, and improve the disability claims processing system and eliminate the backlog.

Improving Health Care for Active Duty Servicemembers and Families.

To continue providing quality health care for the Nation's 9.4 million eligible military beneficiaries, the Budget provides \$48.8 billion for the Department of Defense (DOD) Unified Medical Budget to support the Military Health System (MHS). The primary mission of the MHS is to ensure the readiness of the active duty forces and support the health care needs of beneficiaries who rely on the system for quality health services. The Budget includes health care reform proposals to improve access, choice, and the value of health care to beneficiaries. There are no changes for Active Duty members, who will retain priority access to health care without any cost sharing, but will continue to require authorization for civilian care. The FY 2017 proposals build on the proposals in last year's budget, but make some important adjustments, such as modernizing TRICARE and creating a simpler system that provides beneficiaries with two care alternatives. The current three TRICARE plans would become TRICARE Select, a managed, Military Treatment Facility centric option, and TRICARE Choice, offering greater

choice at a modestly higher cost. Other program changes will provide improved access to care that beneficiaries' requested including a greatly improved referral process and seamless health care experience as beneficiaries move around the globe. These changes will help ensure that TRICARE remains one of the best health benefits in the United States, with comparable or superior benefits and lower out-of-pocket costs compared to those provided by other employers. DOD will continue to invest in programs and services like medical readiness and support to wounded warriors and their families that are critical to sustaining a strong MHS and the All-Volunteer Force.

Addressing Sexual Assault in the Military.

The Department of Defense (DOD) continues its efforts to prevent sexual assault and sexual harassment, as well as support victims. In December 2015, DOD submitted the first comprehensive military justice reform package in more than 30 years to Congress, which includes 37 statutory additions and substantive amendments to 68 current provisions of the Uniform Code of Military Justice (UCMJ). These changes seek to improve the military justice system comprehensively, rather than focusing on sexual assault cases, and would modernize the manner in which the military justice system addresses all alleged offenses, including sex crimes. DOD also continues to conduct comprehensive sexual assault assessments and issue reports to help address the crime of sexual assault within the military. In January 2016, DOD released its tenth Annual Report on Sexual Harassment and Violence at the Military Service Academies. The report provides data on sexual harassment complaints and sexual assault reports involving cadets and/or midshipmen, and identifies progress made to update policies and procedures and implement processes in response to sexual harassment and violence at the academies. The Department's initiatives include the groundbreaking Special Victims' Counsel Program, which provides victims of sexual assault with independent, personalized legal advice and representation, protecting their rights and empowering them to successfully navigate the military justice system. In addition, the Budget funds additional Coast Guard military justice personnel to address complex sexual assault cases and continues the Coast Guard Sexual Assault Prevention Council's efforts to influence service-wide organizational and cultural change as it oversees implementation of the Sexual Assault Prevention and Response Strategic Plan through FY 2017.

Modernizing DOD's Compensation and Benefits System.

The Budget continues to support a robust compensation and benefits system that honors the service of our men and women in uniform and their families. For 2017, the Budget provides a 1.6 percent increase to basic pay for military members, which is 0.3 percentage points higher than the 1.3 percent 2016 pay raise. In addition, the Budget proposes to improve the Military Health System and modernize the TRICARE Program. Further, the Budget builds on the newly-created, blended retirement system, which was enacted in the FY 2016 National Defense Authorization Act. The Budget proposes to improve on this new system by 1) providing additional flexibility in the timing and amount of continuation pay, which is critical to implementation of the blended retirement system; 2) increasing government contributions up to 6% of basic pay from 5%; and 3) allowing government matching contributions to start at the beginning of the 5th year of service and continue for the servicemember's entire career. These proposals will ensure that DOD continues to recruit and retain a high-quality All-Volunteer Force, while addressing costs in a responsible and balanced manner.

Helping Servicemembers Transition to Civilian Life and Find Employment.

The Administration continues to leverage the resources and expertise across multiple Federal departments and agencies to support servicemembers as they transition to civilian life. The Budget supports a number of career transition initiatives reaching across multiple federal agencies. Since 2011, the Departments of Defense (DOD), Veterans Affairs (VA), Labor (DOL), and Education (ED), the Small Business Administration (SBA), and the Office of Personnel Management (OPM) have effected a dramatic re-invention of the Transition Assistance Program (TAP); including

- Defining and adopting a common set of Career Readiness Standards for service members and a Capstone process to verify that they have been met.
- Implementing a redesigned TAP curriculum, transition GPS (Goals, Plans, Success), including a core curriculum and additional tracks tailored to service member needs and career aspirations.
- Signing an inter-agency Memorandum of Understanding on January 31, 2014, establishing roles, responsibilities and governance processes; signatories included representatives from DOD, VA, DOL, ED, SBA, OPM and the Military Departments.

The program continues to evolve with the soon-to-be implemented Military Lifecycle TAP model, in which career readiness preparation is undertaken throughout a servicemember's military career – not just in the final months. These changes, which establish both individual and Commander responsibilities for servicemember career readiness, represent a major cultural shift for the military.

To ensure that veterans and their family members receive the benefits of a high-quality education, the Budget continues to support the Post-9/11 GI Bill. It also supports the SBA's Boots to Business program, which provides servicemembers transitioning to civilian life with the training and skills they need to start their own businesses, and the DOL's Gold Card Initiative, which provides unemployed Post-9/11 veterans with the intensive career and supportive services required to succeed in today's job market.

To help our newest veterans transition to civilian life and find good jobs, the Budget continues to invest in DoD's Integrated Disability Evaluation System (IDES) and the VA's VetSuccess on-campus initiatives. IDES is designed to ensure that wounded, ill, or injured Servicemembers begin receiving disability compensation within thirty days after separation from the military. However, prior to separation, they are introduced to a variety of resources that promote a smooth transition to civilian life. VetSuccess counselors ensure that veterans receive timely information about education opportunities, job counseling, and placement.

The Budget also invests in reemployment and eligibility assessments and reemployment services, using an evidence-based approach to speed the return to work of recently separated veterans receiving unemployment insurance and helping them transition to civilian jobs. In addition, DOL provides targeted resources for Wounded Warriors in order to reduce disability evaluation processing time, ensuring that recovering servicemembers have active recovery plans and that those who transition to veteran status will have timely access to the benefits they deserve.

Ending Veteran Homelessness.

In 2010, the President set the ambitious goal of ending homelessness in America. Since then significant progress has been made, especially in the area of veteran homelessness, which the Administration, Congress, local leaders, and nonprofit partners have committed to ending. As a result of this commitment, the overall number of veterans experiencing homelessness on a single night has

declined by 36 percent since 2010. Moreover, the number of homeless veterans on the streets has been nearly cut in half. Over 850 mayors, governors, and county executives have committed to ending veteran homelessness in their communities through the Mayors Challenge to End Veteran Homelessness. In the past year, communities across the country have successfully ended veteran homelessness – putting in place systems that ensure veterans and their families can get back into housing quickly and permanently. The Budget continues to make investments in VA homeless programs and programs funded through the Department of Housing and Urban Development to sustain this effort and prevent veterans from becoming homeless in the future.

Providing Critical Funding for VA Medical Care.

The Budget requests \$65 billion for VA medical care in 2017, a 6.3 percent increase above the 2016 enacted level. To ensure the delivery of high-quality and timely health care services to veterans and other eligible beneficiaries, this funding level includes a request of \$1.7 billion above the advance appropriations for 2017 enacted in the 2016 appropriations bill. These services include innovative programs to educate and support veterans' caregivers; enhance veterans' access to care via telehealth technologies; support equitable, high-quality care for women veterans in an appropriate and safe environment; deliver effective mental health care services; and offer advanced care for the treatment of Hepatitis C. In addition, the Budget proposes \$66.4 billion in advance appropriations for the VA medical care program in 2018, an increase of 2.2 percent above the 2017 request, which will provide timely and predictable funding for VA's medical care to prevent our veterans from being adversely affected by any potential delays in appropriations.

Addressing VA Claims Backlog and Appeals Modernization.

Improving quality and reducing the length of time it takes to process disability compensation claims are integral to VA's mission of providing the care and benefits that veterans have earned and deserve. VA has reduced the claims backlog from a peak of over 611,000 in March 2013 to an historic low of about 74,000 at the end of 2015 – an 88 percent reduction from its peak. The Budget provides additional funding to continue the progress. VA has processed an unprecedented number of claims in recent fiscal years (nearly 1.4 million since 2015, and over 1 million per year for the last 6 years), and done so while maintaining the highest levels of accuracy. At the same time, though, this success has resulted in other unmet workload demands. The addition of 300 full-time employees (FTEs) along with on-going successful process improvement efforts will mitigate this. The Budget also continues to support innovative approaches to increase the accuracy and efficiency of claims processing by funding the Centralized Mail and National Work Queue initiatives.

The next step in ensuring that veterans receive the benefits they have earned is fixing our broken appeals process. Unfortunately, under current law today, the VA appeals framework is not serving the needs of our veterans. The current process – which has built up over the past 80 years – is complex, ineffective, and opaque, and leaves veterans waiting on average 5 years for final resolution of an appeal. Fundamental legislative reform is essential to ensure that veterans receive timely and quality appeals decisions. The 2017 Budget supports the development of an Appeals Modernization Plan – legislation and resources (i.e., people, process, and technology) that will provide veterans with a simple, fair, and streamlined appeals process in which the vast majority would receive a final appeals decision within one year from filing of an appeal by FY 2021. The Budget provides funding to support over 900 FTEs for the Board and proposes a legislative change that will improve an outdated and

inefficient process which will benefit all veterans through expediency and accuracy. This is a down-payment on a long-term, sustainable plan to provide the best services to veterans.

Improving Veterans Experience and Interactions with the VA.

The Budget supports VA's "MyVA" transformation efforts to turn VA into a high performance organization. It is a catalyst to make VA a world-class service provider by modernizing VA's culture, processes, and capabilities to put the needs, expectations and interest of veterans and their families first. Every contact between veterans and the VA should be predictable, consistent, and easy. To achieve this transformation, the Budget provides for training and support to enable VA employees to better serve veterans, improvements to internal VA support services and information technology systems, enhancements to strategic and community partnerships, and the establishment of the VA Veterans Experience Office.

Advancing Medical and Prosthetic Research.

The 2017 Budget includes \$663 million for development of innovative and cutting-edge medical research for veterans, their families, and the Nation. For example, the Budget includes funds to continue the Million Veteran Program (MVP), a groundbreaking genomic medicine program, in which VA seeks to collect genetic samples and general health information from one million veteran volunteers in the next five years, aligning with the Administration's Precision Medicine Initiative. MVP will help provide answers to many pressing medical questions and lead to improvements in care and prevention for veterans and the Nation. In addition to VA's direct research appropriation, medical research will be supported through an additional \$1.2 billion from VA's medical care program and grants. As part of the largest integrated health system in the United States, VA's research program benefits from clinical care and research occurring together, allowing research to be directly coordinated with veterans' care.

Supporting and Encouraging Veteran-Owned Small Businesses.

The Budget continues to waive upfront fees on loans less than \$150,000 in the Small Business Administration's (SBA) loan program to promote lending to small businesses that face the greatest constraints on credit access. For veteran-owned businesses, upfront fees are fully waived on Express loans up to \$350,000 and waived by 50 percent for all non-Express loans up to \$500,000 to support the entrepreneurial efforts of veterans, a group often underserved in the credit market

The Budget funds training to launch and sustain small businesses, such as through SBA's Boots to Business initiative that provides veterans transitioning to civilian life with the training and tools they need to start their own businesses, and SBA's Entrepreneurship Education initiative that helps small business executives access education, connect to capital, and build a business support network in their local community.

Supporting Military Families.

Supporting military families continues to be a top priority for the Administration. The Administration continues to seek effective and innovative ways to provide consistent and predictable services to military families, including non-medical counseling; deployment and relocation assistance; child care and youth programs; military spouse employment programs; and morale, welfare and recreation

programs. The Budget provides the robust funding to ensure that servicemembers can have strong family lives while maintaining the highest state of readiness and that family members can live fulfilling lives while supporting their servicemembers. This includes providing high quality housing and leveraging programs, such as the Military OneSource outreach and engagement platform, to provide servicemembers and their families access to non-medical and financial counseling and information and assistance through its website and call center, 24/7, 365 days a year.

Supporting Veteran Farmers.

The Budget provides an increase in funding of approximately \$12 million that will support military veterans in helping them join the next generation of new and beginning farmers and ranchers. The increase includes approximately \$9 million in subsidy budget authority that will provide loan fee waivers for veterans and access to approximately \$208 million in farm program loan funding. In addition to helping veteran farmers overcome credit barriers, the increase also includes approximately \$3 million in funding to support additional targeted outreach and technical assistance from multiple USDA agencies, and a certified training program for veteran farmers.

Reducing Unnecessary Occupational Licensing.

The Budget builds on the investment provided in the FY 2016 Omnibus and provides a total of \$10 million for grants to support groups of States to identify areas where occupational licensing requirements create unnecessary barriers to labor market entry or mobility, to expand reciprocity for a range of occupational licenses, and to reduce excessively burdensome licensing barriers.

Supporting Veterans' Employment Transitions.

The Department of Labor's Veterans' Employment and Training Service (VETS) prepares transitioning service members and military spouses for civilian employment and protects service members and veterans' rights to employment and reemployment. The Budget includes \$286 million for VETS, including a \$12 million increase to fund the Homeless Veterans' Reintegration Program at its authorized funding level. The budget includes a proposal to lower the amount of revenue a for-profit educational institution can get from federal sources from 90 to 85 percent and counts veterans' educational benefits toward that total, ensuring that these institutions have to provide a quality education and attract students willing to spend their own resources to attend. The budget also includes funding for veterans' education programs and other readjustment benefits to help ensure successful transitions to civilian life.