

**STATEMENT OF**  
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**DEPARTMENT OF VETERANS AFFAIRS**  
**BEFORE THE**  
**HOUSE COMMITTEE ON VETERANS' AFFAIRS**  
**SUBCOMMITTEE ON ECONOMIC OPPORTUNITY**  
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Good morning, Mr. Chairman, Ranking Member Bilirakis, and other Members of the Subcommittee. I am pleased to be here today to provide the views of the Department of Veterans Affairs (VA) on pending legislation, including bills pertaining to education and loan guaranty benefits and transition assistance.

VA is unable to provide views on H.R. 95, the Homeless Veteran Families Act; H.R. \_\_\_\_, a bill to amend the United States Housing Act of 1937 and title 38 United States Code (U.S.C.), to expand eligibility for the Department of Housing and Urban Development-VA Supportive Housing (HUD-VASH) program, to direct the Secretary of Veterans Affairs to submit annual reports to the Committees on Veterans' Affairs of the House of Representatives and Senate regarding homeless Veterans, and for other purposes; the discussion draft H.R. \_\_\_\_, the Homes for Our Heroes Act of 2019; and H.R. 2109, the BRAVE Act, at this time, but will provide them at a later date.

## **H.R. 444 – Reduce Unemployment for Veterans of All Ages Act of 2019**

H.R. 444, the Reduce Unemployment for Veterans of All Ages Act of 2019, would eliminate the eligibility termination date (ETD) for access to Vocational Rehabilitation and Employment (VR&E) benefits and services by repealing 38 U.S.C. § 3103.

VA does not support this bill; however, VA does support the objective of this bill, which is designed to reduce unemployment for Veterans of all ages. Currently 38 U.S.C. § 3103(a) generally requires that VR&E benefits and services must be utilized within 12 years of a Veteran being discharged or released from active service. The last day of this 12-year period is referred to as the ETD. Eliminating the ETD would streamline the eligibility and entitlement process and would enable Veterans to benefit from VR&E services at any time, if entitlement to the program is established.

However, VA would prefer to amend § 3103 as opposed to repealing the section. Section 112 of the Harry W. Colmery Veterans Educational Assistance Act of 2017, Public Law 115-48, eliminated the 15-year time limitation for Veterans to utilize their Post 9/11 GI Bill benefits. This provision took effect for Veterans whose last discharge or release from active duty occurred on or after January 1, 2013. Amending 38 U.S.C. § 3103 to eliminate the 12-year ETD for Veterans whose last discharge from active duty was on or after January 1, 2013, would create parity between VR&E and Post 9/11 GI Bill programs.

Benefit costs or savings that would be associated with this bill have not yet been determined.

## **H.R. 1718 – GI Education Benefits Fairness Act**

H.R. 1718, the GI Education Benefits Fairness Act, would amend 38 U.S.C. § 3319(c) to expand the definition of a child applicable for transfer of entitlement under the Post-9/11 GI Bill to include a ward or foster child, by utilizing the definition of dependent in 10 U.S.C. § 1072(2)(I).

VA supports this bill subject to Congress finding appropriate funding offsets. It would ensure that all dependents of individuals eligible to transfer their Post-9/11 GI Bill entitlement are treated equally and are able to utilize VA educational assistance under the transferability program. However, the intent and impact of the applicability provision in section 2(b) is unclear. VA would welcome the opportunity to assist the Committee with technical edits that could remedy this issue.

Benefit costs or savings that would be associated with this bill have not yet been determined.

## **H.R. 1988, Protect Affordable Mortgages for Veterans Act of 2019**

H.R. 1988, the Protect Affordable Mortgages for Veterans Act of 2019, would revise statutory loan seasoning requirements applicable to the origination and securitization of certain VA-guaranteed refinance loans. Loan seasoning requirements set a minimum length of time during which an initial loan cannot be refinanced. In VA's housing program, well-tailored loan seasoning requirements help reduce the likelihood of serial refinancing. Loan seasoning requirements can also help preserve Veterans' home equity, which often proves to be a valuable and sometimes crucial financial asset for Veterans.

In addition to protecting Veterans from predatory lending, loan seasoning requirements can help safeguard the financial interests of the United States. When a Veteran obtains a VA-guaranteed loan, VA generally guarantees anywhere from 25 to 50 percent of the loan amount. Thus, as questionable loans accumulate, taxpayers subsidize needlessly risky Government-backed portfolios. Consequences include early loan terminations, increased and guaranty claims for VA. The Government National Mortgage Association (GNMA) guarantees mortgage-backed securities (MNSMBSMNS) that include VA-guaranteed loans. Excessive loan churning puts downward pressure on the price of Ginnie Mae securities, which increases borrowing costs for veterans as well as borrowers with loans from other government programs that are comingled with Ginnie Mae securities.

On May 24, 2018, the President signed into law Public Law 115-174, the Economic Growth, Regulatory Relief, and Consumer Protection Act, a statute that, in part, imposed new requirements on certain VA-guaranteed refinance loans and Ginnie Mae MBS. One such requirement included a loan seasoning period, applicable at two distinct stages:(i) the date of loan origination and (ii) the date that a loan is pooled into Ginnie Mae MBS. Specifically, a new section 3709, title 38, U.S.C., provides that VA cannot guarantee certain refinance loans until the later of (i) the date that is 210 days after the first monthly payment is made on the loan being refinanced and (ii) the date on which the sixth monthly payment is made on the loan being refinanced. The National Housing Act was also amended to explicitly prohibit Ginnie Mae from including unseasoned VA-guaranteed refinance loans in their investment pools. The statute bars VA-guaranteed refinance loans from Ginnie Mae MBS unless the loans being

refinanced have seasoned for at least 210 days, as measured from the date that the first monthly payment was made and unless the borrowers have made six full monthly payments on the loans being refinanced. The new seasoning requirements on VA-guaranteed refinance loans and Ginnie Mae MBS went into effect immediately upon enactment.

Shortly after Congress enacted Public Law 115-174, certain stakeholders realized that the immediate imposition of the Ginnie Mae MBS seasoning requirement inadvertently prevented some unseasoned refinance loans, which were compliant at the time of origination, but not by the time the loans were ripe for sale on the secondary market from being sold into Ginnie Mae MBS. This held true for such loans despite lenders' expectations at the time of loan closing that such loans could be sold into Ginnie Mae MBS. For some smaller lenders, the inability to sell such loans into Ginnie Mae MBS could force them out of business, potentially harming current borrowers and curtailing the availability of future VA-guaranteed loans for Veterans.

Section 2(a) of the bill would remove the statutory imposition of the Ginnie Mae MBS seasoning requirement, thereby restoring Ginnie Mae's authority to securitize what the lending industry is now referring to as "orphan" loans (the approximately 2,500 loans that were closed but not yet pooled when Public Law 115-174 was enacted). VA believes that the primary purpose of section 2(a) of the bill is to make a technical correction to address a discrete issue, one that would allow such loans to be sold into Ginnie Mae MBS. VA does not oppose section 2(a) of the bill. VA has a longstanding history of working with Ginnie Mae to ensure that Veterans enjoy ready access to housing credit and that Ginnie Mae MBS containing VA-guaranteed

loans are sound investments. Ginnie Mae is a valuable partner to VA and to Veterans who might otherwise face higher credit costs without the liquidity that Ginnie Mae provides in the market. VA anticipates continued collaboration with Ginnie Mae to ensure these mutually beneficial outcomes.

Section 2(b) of the bill would amend section 3709(c)(2) to change the date upon which the 210-day seasoning count begins. Under current section 3709(c)(1), the 210-day count begins on the date on which the first monthly payment is made on the loan being refinanced. Section 2(b) of the bill would start the count on the date the first payment is due, not paid. VA does not object to this provision, as it would seem when coupled with the six-consecutive-monthly-payment requirement, to impose a more easily calculable 6-month seasoning requirement. VA does not anticipate any costs associated with this legislation.

## **H.R. 2045, the Veterans' Education, Transition, and Opportunity Prioritization Plan Act (VET OPP)**

H.R. 2045, the Veterans' Education, Transition, and Opportunity Prioritization Plan Act of 2019, or VET OPP Act, would establish in VA the Veterans Economic Opportunity and Transition Administration (VEOTA) to administer programs that provide assistance related to economic opportunity for Veterans and their dependents and survivors. VEOTA would be responsible for the following VA programs: vocational rehabilitation and employment; educational assistance; Veterans' housing loans and related programs; verification of small businesses owned and controlled by Veterans,

including the administration of the database of Veteran-owned businesses; TAP; and any other programs determined appropriate by VA.

The effective date of this draft bill would be October 1, 2020. For FY 2019 and FY 2020, the number of full-time equivalent employees authorized for the Veterans Benefits Administration (VBA) and the new administration would not be allowed to exceed 23,692.

While VA appreciates the Committee's focus on improving services and resources offered by these programs, we do not support this bill. The current VBA structure appropriately reflects the Under Secretary for Benefits' overall responsibility for Veterans benefit programs to support economic opportunity and transition, by providing vocational rehabilitation, education assistance, and housing programs, as well as compensation, pension, survivors' benefits, and insurance.

In 2018, VBA created the Office of Transition and Economic Development (TED) to support seamless transition from military service to civilian life and accelerate economic empowerment and development for transitioning Servicemembers, Veterans, and their families. TED is leveraging enterprise-wide programs and services to prioritize military-to-civilian transition and has oversight and management responsibility for VA's transition services, including VA's portion of TAP.

Further, VA underwent modernization through the entire organization. VBA accomplished organizational restructuring that fundamentally changed the way it operates. This included delayering oversight offices and concentrating resources on front-line Veteran-facing and Veteran-serving positions. The addition of another

administration would increase oversight for programs that are currently in place, contrary to the modernization efforts that took place.

The Office of Small and Disadvantaged Business Utilization (OSDBU) currently reports directly to the Secretary or Deputy Secretary. OSDBU's mission is to advocate for the maximum practicable participation of small, small-disadvantaged, Veteran-owned, women-owned, and Historically Underutilized Business Zone businesses in contracts awarded by VA and in subcontracts awarded by VA's prime contractors. This bill would move OSDBU's Center for Verification and Evaluation (CVE) program to the new administration. CVE administers the verification program required for service-disabled Veteran-owned small businesses and Veteran-owned small businesses and maintains the Vendor Information Pages database. We are concerned that moving this major aspect of the program from OSDBU to a new administration may result in a redundancy of efforts.

Section 3(a) of the bill would add a new section 306A titled "Under Secretary for Veterans Economic Opportunity and Transition" to title 38, United States Code. New section 306A(a) would make the Under Secretary for Veterans Economic Opportunity and Transition a Presidential appointee position, requiring the advice and consent of the Senate. The Under Secretary would be appointed without regard to political affiliation and solely based on demonstrated ability in information technology and the administration of programs within VEOTA or similar programs.

New section 306A(b) would state that the Under Secretary for Veterans Economic Opportunity and Transition is directly responsible to the Secretary of Veterans Affairs for the operations of VEOTA.



New section 306A(c) would state that the Secretary of Veterans Affairs shall establish a commission to recommend individuals to the President for appointment to the new Under Secretary position when a vacancy arises. The commission would recommend to the Secretary at least three individuals for appointment to the position. The Secretary would forward the recommendations to the President and the Committees on Veterans' Affairs of the House of Representatives and Senate with any comments. The Assistant Secretary or Deputy Assistant Secretary of Veterans Affairs who performs personnel management and labor relations functions would serve as the executive secretary of the commission.

Section 3 would establish the same procedure used to fill the positions of Under Secretary for Benefits, Under Secretary for Health, and Under Secretary for Memorial Affairs. If this bill is enacted, VA agrees this should be the procedure for selecting the new Under Secretary for Veterans Economic Opportunity and Transition.

No mandatory costs would be associated with the bill. While there would be no benefit costs associated with the bill, the appropriation language for the Readjustment Benefits account and the Credit Reform account would have to change to reflect the title of the new administration.

**Discussion Draft, H.R. \_\_\_\_, Jumbo Loans and Waiver of Fees for Purple Heart Recipients**

Section 1(a) of H.R. \_\_\_\_, Jumbo Loans and Waiver of Fees for Purple Heart Recipients, would amend 38 U.S.C. § 3703(a)(1) to adjust the maximum guaranty amount available under the VA home loan program. It would also make conforming amendments to entitlement calculations to ensure the increase in guaranty amount

would not decrease the amount of entitlement currently available to certain Veteran borrowers.

Under current law, the maximum guaranty amount for certain VA-guaranteed loans is calculated as a percentage of the Freddie Mac conforming loan limit. Lenders typically require VA's guaranty to cover at least 25 percent of the loan amount before they will make a zero-down payment loan. When VA's guaranty is less than 25 percent, lenders expect Veterans to make a down payment to cover the difference. In effect, the maximum amount a Veteran can borrow without a down payment is capped at the Freddie Mac conforming loan limit. This bill would eliminate the effective cap and make the maximum guaranty amount 25 percent of the loan amount, subject to previously-used entitlement.

A Veteran's entitlement is generally limited to \$36,000 for loans amounting to \$144,000 or less, or to 25 percent of the loan for certain loans that exceed \$144,000. A Veteran who is using the home loan benefit for the first time or who has used the benefit, but has had all previous entitlement restored (e.g., the Veteran has sold his/her property and repaid the VA-guaranteed loan in full), enjoys the full amount of entitlement. One who has an outstanding VA-guaranteed loan or who has not otherwise repaid previously-used entitlement must subtract from the full amount that which has not been restored. The amount of entitlement available to a Veteran is important because it is another factor, along with the maximum guaranty amount, in determining whether a Veteran must contribute a down payment when obtaining a VA-guaranteed loan.

The zero-down payment loan is a cornerstone of VA's home loan program and provides an incentive for Veterans to choose VA's home loan product. While VA generally supports efforts to preserve the zero-down payment feature, VA has two major concerns with this bill.

The bill lacks a provision that would set forth how to calculate entitlement for certain Veterans. Specifically, there is not any instruction for calculating entitlement for Veterans who would use their full entitlement to obtain a loan exceeding \$144,000. The bill does provide how to calculate entitlement for Veterans whose loans would not exceed \$144,000, both in circumstances where entitlement has been used and when it has not. It also provides how to calculate remaining entitlement for a "covered Veteran," which would include Veterans whose loans would exceed \$144,000 and for whom their entitlement is currently in use. It leaves a gap, however, with regard to Veterans who do not fit into either of these categories, meaning those Veterans who (i) are obtaining a loan of more than \$144,000 and (ii) have never used their benefits or have used them and had their full entitlement restored (e.g., a Veteran who has repaid a loan in full after selling his or her home). VA would welcome the opportunity to assist the Committee with technical edits that could remedy this issue.

VA also has concerns about costing section 1(a)(1) of the bill. Due to limited loan data on non-conforming loans, VA's estimate of benefit costs ranges anywhere from tens of millions of dollars to hundreds of millions of dollars, depending on how quickly Veteran demand for the new, higher loan amounts would outstrip the loan fees VA collects as a result. A conservative estimate projects new benefit costs of \$6.3 million, \$33.6 million, and \$77 million over one, five, and ten years, respectively, based

on loans to 64,594 new borrowers, representing additional lending guaranty coverage of \$9.3 billion.

VA also estimates that the coverage expansion could boost average default claims by 54 basis points or 0.54 percent, compared with the baseline workload of the Fiscal Year (FY) 2020 President's Budget Submission. Given the uncertainty of the budgetary impacts, VA cannot support the change in this section of the legislation at this time.

Section 1(a)(2) of the bill would amend 38 U.S.C. § 3762(c) to remove the current loan amount limit applicable to Native American Direct Loans (NADL). Under current law, VA cannot make a NADL with a total loan amount that exceeds the maximum loan amount for VA-guaranteed loans as set forth by 38 U.S.C. § 3703(a). Under section 1(a)(1) of the bill, certain VA-guaranteed loans would no longer be capped at the Freddie Mac conforming loan limit. Section 1(a)(2) of the bill would allow Native American Veterans living on trust land to obtain NADLs that exceed the Freddie Mac conforming loan limit, provided they can afford the loan. This provision would help ensure that Native American Veterans have similar access to zero-down payment loans as Veterans participating in the VA-guaranteed loan program.

Section 1(a)(2) of the bill could slightly expand VA direct loan lending, mostly in Hawaii. The expansion could result in approximately \$6.8 million in loan volume over 10 years, as compared with the baseline workload of the FY 2020 President's Budget Submission. This legislation would not alter the baseline workload volume or subsidy rates in the future. The baseline direct loan program has negative subsidy rates from the Budget model. Applying these assumptions to the Budget model, section 1(a)(2) could result in first-year cost savings of \$55,000 and cost savings of \$237,000 and

\$380,000 over 5 and 10 years, respectively. If Congress were to enact section 1(a)(1) of the bill, VA would not oppose removing the loan limit for NADLs, as this would align the NADL benefit with the VA-guaranteed loan program.

Section (b) of the bill would amend 38 U.S.C. § 3729 to exempt certain recipients of the Purple Heart from paying the statutory loan fee generally required to obtain a housing loan guaranteed, insured, or made under VA's home loan program. Under current law, the loan fee, which is based on a percentage of the loan amount, is waived for certain Veterans and active-duty Servicemembers who have service-connected disabilities. A loan fee is not required from a Veteran who, for example, is receiving compensation as the result of a pre-discharge disability examination or rating or based on a pre-discharge review of existing medical evidence that results in the issuance of a memorandum rating. Additionally, an active-duty Servicemember who is awarded the Purple Heart and is eligible for VA home loan benefits can receive a waiver of the loan fee if he or she would be in receipt of compensation but receiving active duty pay. The current exemption from the loan fee is not available to a recipient of the Purple Heart unless his or her injuries result in the receipt of disability compensation.

If section (b) of the bill were enacted, the Secretary would waive the loan fee for a Purple Heart recipient, regardless of whether such recipient's injuries are compensable by VA, as long as such recipient is serving on active duty, and the recipient's Purple Heart has been awarded at the time the loan is to be guaranteed or insured. VA does not oppose enactment of section (b) of the bill.

One question the bill presents is how to ensure that Purple Heart recipients are adequately served when, according to a recent Congressional Research Service report,

the Purple Heart is sometimes awarded without any formal reporting or recordkeeping. The same report also states that the Department of Defense does not maintain a comprehensive record of Purple Heart recipients. If section (b) of the bill were enacted, a rulemaking would be necessary to establish various ways a recipient could show eligibility for a loan fee exemption. Therefore, unless the bill is amended to address evidentiary standards, VA would recommend a delayed effective date to allow time for a rulemaking.

Section (b) of the bill could increase by 2 percent annually the number of VA-guaranteed loans that do not require a loan fee, compared with the baseline workload of the FY 2020 President's Budget Submission. VA estimates that the 2-percent increase of section (b) could result in new benefits costs of \$482,000 in 2020, \$2.7 million over 5 years, and \$5.9 million over 10 years.

#### **Discussion Draft, H.R. \_\_\_\_, Justice for Servicemembers Act of 2019**

H.R. \_\_\_\_, the Justice for Servicemembers Act of 2019, would clarify the scope of procedural rights of Servicemembers with respect to their employment and reemployment rights under the Uniformed Services Employment and Reemployment Rights Act of 1994. Because this bill concerns procedures and protections that largely fall under the purview of the Department of Labor (DOL), VA defers to the views of DOL and other agencies on this proposed legislation.

#### **H.R. \_\_\_\_, Veteran Employment and Child Care Access Act of 2019**

H.R. \_\_\_\_, the Veteran Employment and Child Care Access Act of 2019, would create a new section, 38 U.S.C. § 3123, that would require VA to provide child care assistance to certain Veterans receiving certain training or vocational rehabilitation. Section 3123(a)(2) would limit the provision of child care assistance to once per child, and not to exceed 6 months but would also allow the Secretary to waive these limitations as appropriate. Section 3123(b) would impose limitations on eligibility, including that the Veteran be the primary caretaker and family adjusted gross income requirements. Section 3123(c) would establish the four options for the provision of child care services, and section 3123(d) would require VA to coordinate with other agencies and entities when possible. Section 3123(f) would define three terms applicable to the section, i.e., “child,” “licensed child care center,” and “primary caretaker.”

VA does not support this bill, as currently written. VA supports efforts to provide access to or reimbursement of child care services to Veterans receiving training or vocational rehabilitation. However, the bill duplicates services already available to VR&E participants and also contains ambiguities.

38 U.S.C § 3104(a)(16) states VR&E may provide services “necessary to accomplish the purpose of a rehabilitation program on an individual basis.” As such, VR&E currently allows reimbursement of child care expenses for chapter 31 participants if the Vocational Rehabilitation Counselor (VRC) determines child care is necessary for the implementation or continuation of the Veteran’s rehabilitation program. Child care assistance is generally limited to one semester, or the equivalent, which is consistent with the language proposed in § 3123(a). The VRC and Veteran work together to identify appropriate long-term child care solutions. Part of this coordination is to explore

child care options that are available under other Federal, state, or local entities, as outlined in § 3123(d). Ordinarily, the cost for child care assistance is limited to \$1,250 per year, or 5 percent of training costs for any 12-month period, based on 38 Code of Federal Regulations (CFR) § 21.156. Therefore, the services and practices outlined in § 3123(a) and (d) are already available to and in use for chapter 31 participants. Additionally, the waiver provision in § 3123(b) is also addressed in VR&E regulation and policy as any authorization more than this amount requires higher level approval from the VR&E Officer in the office of jurisdiction. Lastly, § 3123(b)(1) would state a Veteran is eligible to receive this service if he or she needs training on a full-time basis but cannot participate at that level due to the lack of child care services. Since VR&E currently can provide direct reimbursement for the cost of child care services on a limited basis, it would be difficult to state that the lack of child care services is the reason the Veteran is not attending training on a full-time basis.

VA defers to DOL regarding the impact of these provisions on their programs under 38 U.S.C. §§ 2021, 2021A, and chapter 41.

VA is unable to estimate the readjustment benefit costs associated with this proposal due to the inability to predict either the increased utilization of this benefit or the average cost of child care due to variance in the array of child care services offered, the number and age of children, and the location of facilities. In addition, this proposal does not specify whether funds shall be used for full-time child care or child care only while the Veterans is attending class.



## **H.R. \_\_\_\_, Navy SEAL Chief Petty Officer William "Bill" Mulder (Retired) Transition Improvement Act**

H.R. \_\_\_\_, the Navy SEAL Chief Petty Officer William "Bill" Mulder (Retired) Transition Improvement Act, would provide additional authorities that would help improve the effectiveness of the Transition Assistance Program (TAP). Section 3 of the bill would mandate access to the National Directory of New Hires for VA and DOL. This access would allow the Departments to better track employment outcomes of transitioned Servicemembers and understand the effectiveness of TAP. VA further supports the other TAP partner agencies getting access as well. Section 4 would reauthorize and expand DOL's pilot program for off-base transition training for Veterans who have already transitioned and their spouses. VA defers to DOL with respect to this section of the bill. Section 5 would authorize VA to make grants to eligible organizations to assist transitioned Servicemembers and their spouses in areas related to resume assistance, interview training, and job recruitment training. VA notes that grant programs related to employment are generally under the purview of the Secretary of Labor; therefore, placement of this grant program at DOL would be most appropriate. This would help to ensure that services are complementary and not duplicative of those available through DOL's workforce system.

Finally, sections 6 and 7 would mandate studies of TAP. Section 6 would require a 1-year independent assessment of TAP effectiveness, and section 7 would require a 5-year longitudinal study. VA has already begun development of a post-transition longitudinal study which will survey Veterans over time to gain detailed information about their outcomes and their evaluations of how the TAP program helped them to prepare for the transition to civilian life.

VA does not anticipate any cost implications related to sections 3, 4, and 5. For section 6, VA anticipates a cost of \$2.2 million for FY 2020 based on estimated levels of effort using the existing contract vehicle. For section 7, VA anticipates a cost of \$2.2 million over 5 years, based on the total cost of a contract awarded by VA in October 2018 to conduct VA's 5-year longitudinal study.

### **Discussion Draft, H.R. \_\_\_\_, Flight Training**

H.R. \_\_\_\_, Flight Training, would make certain improvements to the use of educational assistance provided by VA for flight training programs.

Section 1(a) of the proposed legislation would amend 38 U.S.C. § 3034(d) to require that flight training be required for a course of education being pursued in order to be approved for use of educational assistance and to remove the requirement for an individual receiving Montgomery GI Bill-Active Duty (or Chapter 30) benefits to possess a valid private pilot certificate and meet the medical requirements for a commercial pilot certificate before qualifying to receive benefits for flight training. Therefore, individuals who do not possess a valid private pilot certificate or meet the medical requirement could qualify for flight training under chapter 30.

Section 1(b) of the proposed legislation would add a new subsection (k) to 38 U.S.C. § 3313, which would allow an individual receiving Post-9/11 GI Bill benefits to elect to receive accelerated payments for tuition and fees for flight training pursued at institutions of higher learning (IHL) when the flight training is a requirement for the degree being pursued. The amount of each accelerated payment would be equal to twice the amount for tuition and fees otherwise payable to an individual. The amount of

monthly stipends (i.e., monthly housing allowance, kickers, etc.) would not be accelerated. Two months of entitlement would be charged for each accelerated payment.

Section 1(c) of the proposed bill would amend subsection (c)(1)(A) of 38 U.S.C. § 3313 to limit the benefits paid for pursuit of flight-related degree programs at public IHLs. First, it would limit the amount of tuition and fees payable for a program that requires flight training to the same amount per academic year that applies to programs at private or foreign IHLs. Second, it would prohibit the payment of tuition and fees associated with non-required (i.e., elective) flight training.

Section 1(d) of the bill would further amend 38 U.S.C. § 3313(c)(1)(A)(ii)(II), as added by subsection (c)(2)(E) of this bill, to add a new item (cc) that would limit the amount of tuition and fees payable for certain programs at IHLs, specifically those that involve a contract or agreement with an entity (other than another public IHL) to provide a program of education, or a portion of a program of education, to the same amount per academic year that applies to programs at private or foreign institutions.

VA supports the intent of section 1(a) concerning the requirement that flight training be required for a course of education. However, VA has concerns about removing the requirement for individuals to possess a valid private pilot certificate and meet the medical requirements, as this would allow certain individuals to pursue flight training as an avocation versus a vocation. VA notes that this provision would also apply to individuals pursuing flight training under both Chapter 30 and Chapter 33, since the same approval criteria govern both education programs.

VA does not support section 1(b). Under this provision, individuals would exhaust their entitlement prior to completing their program of education. This would specifically impact individuals who elect to receive accelerated payments for flight training while pursuing a standard 4-year Bachelor's degree program. Consequently, VA could pay more funding than required for certain enrollments. In addition, the proposed charge against entitlement is confusing since only payments associated with tuition and fee charges may be accelerated. These payments, however, are paid in a lump sum, not on a monthly basis.

This section would require VA to make changes to the current rules for determining payment amounts that are programmed into the Long Term Solution (LTS). LTS is not currently programmed to process accelerated payments. VA estimates that it would require 1 year from the date of enactment to make the necessary information technology system changes.

Lastly, VA supports sections 1(c) and 1(d), which would limit the amount of tuition and fee payments for enrollment in flight programs and certain programs at IHLs that are a part of a contract agreement with other entities (other than another public IHL). However, VA is concerned that this limitation would only apply to certain VA educational programs and recommends that these sections be extended to include programs offered under the authority of Chapter 31. VA is concerned about high tuition and fee payments for enrollment in degree programs, especially those involving flight training at public IHLs. Education benefit payments for flight programs increased tremendously with the implementation of Public Law 111-377.

There has been a significant increase in flight training centers, specifically those that offer helicopter training, that have contracted with public IHLs to offer flight-related degrees. Sometimes these programs charge higher prices than those that would be charged if the student had chosen to attend the vocational flight school for the same training.

The proposed legislation would remedy this situation. VA would like to note that information technology changes would also be necessary to implement section 1(c) and (d). VA estimates that it would require 1 year from enactment to develop, test, and implement this functionality. Manual processing would be needed in the interim. Benefit costs or savings that would be associated with this bill have not yet been determined.

#### **Discussion Draft, H.R. \_\_\_\_, Improvements to STEM Scholarship**

H.R. \_\_\_\_, the Improvements to Science, Technology, Engineering, and Math (STEM) Scholarship, would amend 38 U.S.C. § 3320(b)(4)(A)(i) to eliminate the requirement for an individual to be enrolled in a program of education leading to a post-secondary degree that, in accordance with the guidelines of the applicable regional or national accrediting agency, requires more than the standard 128 semester (or 192 quarter) credit hours for completion in a standard undergraduate college degree to qualify for additional months of Post-9/11 GI Bill educational assistance benefits under the STEM Scholarship program.

VA supports, if amended the proposed legislation as a large number of states do not have STEM programs greater than 128 semester hours. However, as currently

written, the proposed legislation would remove the credit hour requirement for eligible STEM scholarship programs and would open the program to individuals enrolled in a program of education leading to a graduate degree instead of being restricted to only individuals enrolled in an undergraduate degree. Additionally, the proposed legislation would indirectly remove the selection priority under section 3320(c)(1), which currently requires VA to select eligible individuals to receive additional benefits under this section by giving priority to individuals who require the most credit hours. VA also has concerns as it relates to the authorized appropriation of funding in section 1(b) because it would restrict VA with two-year funding for the STEM program. Currently, VA has indefinite carryover authority for funding within the STEM program, allowing any unobligated balance from one fiscal year to be obligated in addition to the statutory funding cap in a subsequent fiscal year, rather than each academic year.

No costs or savings to the Readjustment Benefits account are associated with this proposed legislation. However, VA would prefer indefinite carryover authority, making funding available for the STEM program until expended, rather than 2-year funding. This would greatly simplify administration and financial management for the program.

Under the current statute, VA estimates the cost of the STEM program would be equal to the full annual funding limitations currently stated in 38 U.S.C § 3320 (\$25 million in FY 2019, \$75 million for FY 2020 through FY 2022, and \$100 million for FY 2023 and each subsequent fiscal year). While the proposed legislation may expand eligibility to individuals whose program would not have otherwise qualified, it would not increase the amount VA plans to obligate for this program each year.

### **H.R. \_\_\_\_, Fry Scholarship Eligibility Expansion**

H.R. \_\_\_\_, Fry Scholarship Eligibility Expansion, would amend 38 U.S.C. § 3311(b)(9) to expand eligibility for the Marine Gunnery Sergeant John David Fry Scholarship to a child or spouse of a member of a reserve component of the Armed Forces who dies from a service-connected disability not later than 4 years after the date of the last discharge or release from active duty. The proposed legislation would apply to a quarter, semester, or term beginning on or after August 1, 2020.

VA supports the intent of the proposed legislation, subject to Congress finding appropriate funding offsets, but notes several concerns. First, the proposed legislation does not require the reserve member to have served on or after September 11, 2001, which would create an inconsistency with the Post-9/11 GI Bill. Second, the proposed legislation could create disparate treatment of similarly situated Veterans because it does not limit the service-connected disability to only those incurred while on reserve status. While the proposed bill would grant Fry Scholarship eligibility to children and spouses of members of the reserve components of the Armed Forces who die from service-connected disabilities, it does not extend this same eligibility to dependents of non-reservist Veterans who die from service-connected disabilities.

Therefore, two Servicemembers can sustain the same injury while on active duty and both separate from service at the same time. One Veteran continues to serve in a reserve component while the other Veteran does not. If, within the next 4 years, both Veterans die due to their service-connected disabilities, the reserve Veteran's

dependent would receive Fry benefits while the non-reservist Veteran's dependent would not simply because one Veteran chose to remain in the reserves. The practical impact of the law would be an incentive for a Veteran with a service-connected disability to remain in the reserves rather than the law merely putting an injured member of the reserves on par with an injured active duty member. The proposed legislation would thus create substantial inequity between dependents of reservist Veterans and dependents of non-reservist Veterans when both Veterans die due to conditions related to active duty service unrelated to reserve duty.

Benefit costs or savings that would be associated with this bill have not yet been determined.

#### **H.R. \_\_\_\_, In-State Tuition**

H.R. \_\_\_\_, In-State Tuition, would amend 38 U.S.C. § 3679(c)(2)(A) to change the definition of "covered individual" by which VA must disapprove a course of education offered by a public IHL if the institution does not charge the in-state tuition and fees for covered individuals who are training under Chapter 30 or 33. The amendment would remove the current requirement that the covered individual have been discharged from service less than 3 years before the date of enrollment in the subject course. The proposed legislation would also require VA to make publicly available online a database explaining the residency requirements for each public IHL in order for an individual to be charged the in-state tuition and fee rate and allow VA to disapprove a course of education provided by a public IHL if the institution does not provide VA certain information.



VA supports the intent of the proposed legislation, subject to Congress finding appropriate funding offsets, but notes several concerns. First, the bill would only allow VA to disapprove a program of education at a public IHL for qualifying covered individuals under Chapters 30 and 33. As such, the bill would not allow for the disapproval of a program for beneficiaries receiving educational assistance under other VA educational assistance programs, such as those under Chapters 32 and 35.

Second, the bill outlines VA's authority to disapprove a course of education provided by a public IHL if the institution does not initially provide their "residency requirement" and update VA of any changes or updates to their policy within 90 days. However, as written, it does not provide VA the authority to waive the new disapproval requirement as the Secretary considers appropriate. Additionally, proposed subsection (c)(4)(B) refers to a public IHL having "residency requirements," but "residency requirements" are inconsistent with the provisions of current subsection (c)(4) which limits additional requirements to "demonstrat[ing] an intent to establish residency in the State. . . or to satisfy other requirements not relating to the establishment of residency." The essential principle underlying the safeguards in section 3679(c) is the fact that in many states a student is prohibited by law from satisfying the residency requirements to be charged in-state tuition; however, the current wording of proposed subsection (c)(4)(B) implies that a school may require a student to become a resident of the state in order to qualify for in-state rates under 38 U.S.C. § 3679.

Benefit costs or savings that would be associated with this bill have not yet been determined.

**Conclusion**

This concludes my statement, Mr. Chairman. We would be happy now to entertain any questions you or the other Members of the Subcommittee may have.