

**U.S. DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INFORMATION AND TECHNOLOGY
BUDGET REQUEST FOR FISCAL YEAR 2025**

HEARING
BEFORE THE
**SUBCOMMITTEE ON TECHNOLOGY
MODERNIZATION**
OF THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
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SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION,
COMMITTEE ON VETERANS' AFFAIRS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, DC.

The subcommittee met, pursuant to notice, at 8:03 a.m., in room 360, Cannon House Office Building, Hon. Matt Rosendale (chairman of the subcommittee) presiding.

Present: Representatives Rosendale, Mace, Self, Cherfilus-McCormick, and Landsman.

**OPENING STATEMENT OF MATTHEW M. ROSENDALE,
CHAIRMAN**

Mr. ROSENDALE. I would like to call this meeting to order, the subcommittee. Going to get started with a statement. Once again, the U.S. Department of Veterans Affairs (VA) delivered its testimony to the subcommittee late, only 3 hours before this hearing. I have mentioned this in hearings before, and I am starting to feel like I am talking to a brick wall or a broken record.

The Congress always solicits testimony from the executive branch agencies and gives it great respect, even when we fiercely disagree. This exchange of views between the legislative branch and the executive branch is fundamental under the Constitution. When the VA's testimony is so late that we may not be able to read it in advance, that is disrespectful and it undermines this process. I urge witnesses and all the people in all the layers of the VA and the White House bureaucracy who wrote the testimony to do better, not just for this committee's sake, but for the benefit of all the veterans who ultimately will be impacted by this.

Good afternoon. Today we will examine the Biden administration's budget request for the VA Office of Information and Technology. I want to thank our witnesses from Office of Information Technology (OIT) for joining us to help understand this request. It is by far the most unusual VA information technology budget that we have seen since this subcommittee was created.

Factoring in all the funding sources, including the Toxic Exposure Fund (TEF), one-time dollars, transfers, reimbursements, and carryover, it constitutes a 3.3 percent cut to \$7.9 billion. I have no doubt there is waste in the VA budget, and there is at least 3 percent of unproductive bureaucracy and padded contracts that should

be cut. However, the administration seems to be proposing the cuts in an incredibly lopsided, damaging way.

Development would take a 99 percent cut. I am all for reducing spending, but even I do not make recommendations about a 99 percent cut, especially in development. Information Technology (IT) modernization, which is one of the top priorities of President Biden's Federal chief information officer (CIO), would take an 81 percent cut. VA's infrastructure readiness program, which we have heard is vital on many occasions, is being proposed a 66 percent cut. Technology for the Veterans Benefits Administration (VBA), which has had serious problems over the last year, would get a 41 percent cut.

Meanwhile, staffing and administrative expenses would increase by 5 percent, and operations and maintenance takes about a 100 million, or a 2 percent, cut in the base budget request, but then gets boosted by more than \$1.3 billion from the Toxic Exposure Fund. It is hard to make sense of what would increase and what would actually be cut.

We may hear that the Fiscal Responsibility Act, which was a top line budget agreement between the President and the former Speaker, forced these cuts, but that explanation does not stand scrutiny. That budget agreement and the current budget agreement specifically exempted veterans' healthcare, which is about 80 percent of the VA discretionary spending. It is true that if the administration decided to spend above the negotiated levels, they would need to make cuts in other areas of the VA. That may be what we are seeing happen right now.

Congress has always met VA's budget requests, but I do not think any Congress should ever appropriate more money than an agency asked for. Therefore, even though I do not have much confidence in this OIT budget, I need to understand in detail how it would be implemented. We need to know whether the special salary rate is accomplishing its objective to recruit superior talent, and we need to understand what kind of pressure it is putting on the payroll at OIT's overall budget.

As we recently saw, with the critical skills incentive payments to the VBA and Veterans Health Administration (VHA) executives, this sort of pay increase can get out of control. The original purpose can quickly be forgotten, and it can be easy to hand out raises with other people's money. I am very concerned that an unsustainable payroll can actually undermine recruitment and retention and drive away top talent.

Strong management will be very important to navigate OIT through the next few years. Once again, I want to welcome our witnesses to discuss these important issues.

With that, I yield to Ranking Member Cherfilus-McCormick for opening statements.

**OPENING STATEMENT OF SHEILA CHERFILUS-McCORMICK,
RANKING MEMBER**

Ms. CHERFILUS-McCORMICK. Thank you, Mr. Chairman. Thank you for holding this hearing to discuss VA's IT budget request for Fiscal Year 2025.

The Department of Veterans Affairs is tasked with providing world-class healthcare and benefits to our Nation's veterans. It is part of the pact that we make with young people when they sign up to serve and defend our Nation. However, given the rapidly increasing cost of community care, I am concerned that we are creating a situation where VA will have to cannibalize other service lines and programs to pay the bills. Unfortunately, in this situation and throughout healthcare, IT is one of the most frequent victims.

IT is the backbone of VA. Pretty much everything VA does happens on computers. It is critical that we ensure that this budget properly reflects our commitment to our veterans. During last month's hearing on VA's overall budget, we heard about the growth in other parts of VA, but it appears that the IT budget is not keeping pace. If we are not ensuring that frontline VA staff have the appropriate tools to do their job, we are not doing right by our veterans.

We have heard horror stories of it taking upwards of 10 minutes for an employee to log into their computers. Ten minutes in this digital era in 2024. Ten minutes. That is totally ridiculous. It is a clear symptom of the long-term neglect of VA's IT infrastructure.

Despite these issues, it appears VA is cutting the budget for its infrastructure readiness program (IRP) by 65 percent. Crucially, the IRP was intended to address VA's technical debt caused by chronic neglect of its IT infrastructure. I am afraid this budget request will only handicap the IRP's efforts. If we are not prioritizing VA's IT infrastructure, none of its other modernization efforts are likely to make any meaningful difference. It is like buying a new sports car and driving it on a dirt road. Eventually it is going to fall apart.

While we are on the topic of modernization, I have noticed that there are near 50 percent cuts to VA IT modernization budget. At a time when there are several major IT modernization efforts underway, this budget cut seems likely to cause major issues. I do not see how the VA can keep projects like modernization of the Veterans Benefit Management System, FMBT, and digital GI Bill moving with this budget cut. I hope to hear from CIO how this is going to work.

Perhaps most importantly, I am concerned about the IT workforce budget. While there was a modest 5 percent increase, I am concerned that it does not keep pace with the OIT's expanded authorities to provide special salary rates (SSR) for its people. I fear supporting those SSRs will force OIT to decrease the number of its people it has. Expecting VA's IT folks to do more work with less people is going to have a lasting impact on retention. The pay raises will not be enough to prevent people from resigning.

On an opposite note, I will say that I am happy to see that the VA is increasing its investment in cybersecurity. Healthcare organizations are a prime target for hackers and other bad actors. It is critical that VA defend the massive trove of veterans' data that it has been entrusted with, but it is also critical that VA protect its ability to provide care and benefits to veterans. This became incredibly apparent in the aftermath of the Change Healthcare cyber attack. VA is still dealing with the fallout of that incident as it and Change Healthcare attempt to identify which Change products are

in use by VA. It has now been more than 2 months since the breach and we still do not know what, if any, veterans data was exposed. I understand that Change wants to be certain, but I am concerned that the risk to veterans and their families grows every day that they fail to disclose the impact. We cannot allow our veterans' financial lives to be decimated by the attack on a VA partner. I expect better from the VA contractors and hope that this gets rectified soon.

With that said, I would like to thank the witnesses for being here today and look forward to hearing your testimony.

Mr. ROSENDALE. Thank you, Ranking Member Cherfilus-McCormick. I will now introduce the witnesses on our first and only panel.

First, from the Department of Veterans Affairs, we have assistant secretary for information and technology, Mr. Kurt DelBene. We also have the principal deputy chief information officer, Mr. Dewaine Beard. Finally, we have the OIT chief financial officer, Mr. Tim Puetz, and the chief people officer, Mr. Nathan Tierney. I ask the witnesses to please stand and raise your right hands.

[Witnesses sworn.]

Mr. ROSENDALE. Thank you, and let the record reflect that each of the witnesses have answered in the affirmative.

Mr. DelBene, you are now recognized for 5 minutes to deliver your opening statement on behalf of VA.

STATEMENT OF KURT DELBENE

Mr. DELBENE. Thank you, Chairman Rosendale. The first thing I would like to say is we apologize for the lateness of the testimony. I will assure you it is not through a lack of respect for the committee and that a great deal of work went on to create it, so. You have my apologies for the time—the lack of timeliness of the testimony. I just wanted to say that up front.

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and distinguished members of the subcommittee, thank you for the opportunity to testify in support of the President's Fiscal Year 2025 budget of information technology requests from the Department of Veterans affairs and for your longstanding support of veterans and their families. I am accompanied by Mr. Dewaine Beard, principal deputy secretary of Information technology; Deputy CIO Dr. Timothy Puetz; OIT's chief financial officer and deputy CIO for IT budget and finance; and Mr. Nathan Tierney, OIT's chief people officer and deputy CIO of the Office of People Science.

VA is committed to providing veterans a seamless, secure, and unified digital experience through state-of-the-art technology. Technology has become the very foundation of the VA's ability to deliver on its mission and to continue to provide world-class care and benefits to more veterans than ever before. The President's Fiscal Year 2025 budget provides \$7.6 billion for VA IT systems and telecommunications support, including \$6.2 billion in base discretionary funding. In addition, there is \$1.4 billion in mandatory Toxic Exposure Fund, or TEF funding, to continue the modernization of systems—as authorized under the Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act of 2022.

OIT will make focused IT investments in cybersecurity, the IT workforce, and modernization. The total Fiscal Year 2025 budget for IT is \$49 million—, or 0.6 percent below the Fiscal Year 2024 enacted level. Base discretionary funding for IT is \$169 million, or 2.6 percent, below the Fiscal Year 2024 enacted level, while TEF funding is \$121 million, or 9.7 percent, above the Fiscal Year 2024 enacted level.

The Fiscal Year 2025 staffing and administration support services request of \$1.686 billion funds 8,310 full-time employees, or FTE. That is 160, or 2 percent, above the Fiscal Year 2024 enacted level. The Fiscal Year 2025 budget provides \$670 million for cybersecurity, and VA's Zero Trust acceleration efforts, a \$118 million, or 21 percent, increase in the base funding relative to the Fiscal Year 2024 level. OIT will bridge the Fiscal Year 2024 enacted level and the Fiscal Year 2025 budget request to ensure consistent support of key initiatives. Where practical, OIT will accelerate certain investments in Fiscal Year 2024 based on the operating plan and scale back other investments and technology roadmaps. This ensures we have an investment plan that balances resources with key initiatives to support continuity of veteran healthcare and benefits and represents a consistent strategy across the two fiscal years.

To successfully execute on the Fiscal Year 2025 budget, VA will continue to manage its IT budget with transparency. OIT is taking a critical look at all legacy projects, established projects, and newly proposed programs as well. We are evaluating the value that those projects bring to mission delivery and determining if those funds can better be used elsewhere, especially in areas of IT modernization, cybersecurity, and IT workforce, which are vital in maintaining VA's digital transformation efforts in pursuit of more efficient and impactful service delivery to our veterans.

The TEF funding from Congress is instrumental in furthering VA's IT modernization efforts. OIT is exercising extreme discipline in allocating TEF investments, ensuring a strong relationship between IT and the delivery of healthcare and benefits relative to toxic exposure when modernizing related IT systems. We recognize the necessity of tradeoffs and remain committed to the strategic to strategically scrutinizing where we deploy those investments.

When veterans leverage technology access to VA services, they trust that the underlying digital ecosystem is safe, reliable, and secure. For this reason, OIT has maintained cybersecurity as a priority in Fiscal Year 2025. This will help us to deliver a robust and resilient security posture for the 9 million veterans using VA care and benefits, and hundreds of thousands of VA employees and contractors who access their network every day.

As VA prioritizes key investments, we must also recruit and retain an upskilled current IT workforce of over 8,000 individuals. VA is working hard to modernize its workforce with targeted strategies. These include hiring, cybersecurity, artificial intelligence, continuously talent development incentives, and focused field staff expansion to support veteran health and benefits mission growth. IT modernization is essential for achieving our goals of creating a 21st Century VA, where VA stands at the forefront of delivering veterans seamless digital experience. VA will prioritize these funds in the most essential modernization initiatives that bolster the De-

partment's ability to serve veterans. VA's model of addressing IT improvements incrementally rather than via large system replacement projects will help us manage IT spend, reduce vulnerability to cyber threats, and strategically scale IT modernization.

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and members of the subcommittee, I want to thank you for allowing us to appear today. We remain responsible stewards of our funding and committed to maximizing the effectiveness of our investments through the VA enterprise. I look forward to our continued work with this subcommittee to address the greatest priorities of the digital transformation in Fiscal Year 2025.

That concludes my testimony and I look forward to answering your questions.

[THE PREPARED STATEMENT OF KURT DELBENE APPEARS IN THE APPENDIX]

Mr. ROSENDALE. Thank you, Mr. DelBene. The written statement of Mr. DelBene will be entered into the record. We are now going to proceed to questioning and I will recognize myself for 5 minutes.

Mr. DelBene when everything is factored in, the White House's budget for OIT amounts to a 3.3 percent cut, which I mentioned in my opening statement. Within that development is being cut by 99 percent, operation and maintenance is cut and then plussed up by the Toxic Exposure Fund, and staffing and admin is increasing by about 5 percent. Do you stand by this budget request and what are the consequences of that going to be as far as the, as you said, the integration of the delivery of healthcare and its reliance on OIT?

Mr. DELBENE. Thank you for the question. As you know, and everybody knows from their own family experiences, budgets are challenging things that imagine—that involve tradeoffs, investments here, and modulation there. The Fiscal Financial Responsibility Act certainly creates an overall top level budget cap that we need to respect. We figured there are difficult choices that have to be made across the entire administration. I respect the challenges of making those cuts.

Mr. ROSENDALE. How is that, Mr. DelBene, how is that going to impact the delivery of healthcare and this integration of the information and the benefits that the veterans have earned?

Mr. DELBENE. It will require us—it is a challenging budget for us. I will say that up front. It will require us to be very focused in where we invest. We have taken the initiatives that the administration overall wants to focus on, and we agree with those initiatives. The areas like cybersecurity we are bolstering because that is where—absolutely critical in the complexity of our organization in particular and the growing threat actors' sophistication. At the same time, what we are going to have to do is take the development of modernization funds and judiciously allocate those against the highest priority projects that we have.

My goal, and I think this is accomplishable, is we will not hamper veteran care as a result of this. I will tell you, we are going to have to be very targeted in our investment.

Mr. ROSENDALE. Forty, 60, and 99 percent cuts in the areas of IT that are going to be instrumental in making sure that we have

smooth delivery of those services, I think you have more than a challenge. Again, it seems that we are shifting it over to payroll.

Mr. DelBene, the cuts fall heavily on the development sub-account. How was that decision made? Is that something that you make? Is that you make these recommendations? How was that decision made?

Mr. DELBENE. Thanks for the question. The first thing I would like to address, the question of it moving over to Human Resources (HR). It actually is not a significant move over to the HR.

Mr. ROSENDALE. Okay. Well, we are going to go into that later on.

Mr. DELBENE. I just wanted to be very clear here.

Mr. ROSENDALE. How was the decision made on this funding being stripped away from the development subaccount?

Mr. DELBENE. Well, as you know, we submit a budget to the administration and there is a back-and-forth process that goes on.

Mr. ROSENDALE. The initial submittal that you made to the administration, did it reflect that reduction?

Mr. DELBENE. It did not.

Mr. ROSENDALE. By 99 percent.

Mr. DELBENE. It did not.

Mr. ROSENDALE. Okay. What was the initial reduction that you recommended?

Mr. DELBENE. I would have to take that for the record to make sure I answer that—

Mr. ROSENDALE. Please do. I would like to know what that original reduction was.

Mr. DELBENE. If I may, may I address one point?

Mr. ROSENDALE. Let me move on. I have got a minute and 39. Who decided to spend nearly all the Toxic Exposure Fund dollars on operation and maintenance, but zero on development. Was this another one of your decisions?

Mr. DELBENE. No. I am glad you asked that question because what I wanted to clarify is this distinction between what is development and what is maintenance is actually a little bit more sophisticated than thinking—than the terms apply. We can do a lot of development under what we would—what would be called a maintenance budget because those are programs that are still—

Mr. ROSENDALE. Mr. DelBene, that is great, but I have sheets here, okay, that show where—and I have to go by those spreadsheets. Okay? Again, who decided to spend nearly all the Toxic Exposure Fund dollars on operation and maintenance, but zero on development?

Mr. DELBENE. Well, that is what I was trying to explain because systems like Veterans Benefits Management System (VBMS) are actually established programs, we are actually enabled to do—what you might see as development—

Mr. ROSENDALE. Are you telling me that you are actually using funds for development that most people are thinking are going to be used for operation and maintenance?

Mr. DELBENE. Not exactly. I am saying that what is defined as maintenance, others might think of as development, because it is an established program.

Mr. ROSENDALE. I am going by the spreadsheet. Does the spreadsheet reflect information that is not accurate and that you are actually moving funds into development that are supposed to go to operation and maintenance?

Mr. DELBENE. It absolutely does not.

Mr. ROSENDALE. Okay. Then we are talking about the same thing. Who made that decision about operations and maintenance and then zero going to development?

Mr. DELBENE. Well, thank you for the question. I actually believe that the investments we are doing on the benefit side, thanks to the TEF funds, are actually very robust and strong, and I feel very good about that. Through the use of the funds in the appropriate way and, as I said in my testimony, we are being very—

Mr. ROSENDALE. Well, Mr. DelBene, your testimony, you are telling me that we do not understand how the funds are being spent. I have got a spreadsheet that says Operation and Maintenance, and I have got a spreadsheet that says Development. You are either spending it on development or you are not. If you are telling me that you are moving some of these funds around, then clearly you are not.

With that—

Mr. DELBENE. I am not.

Mr. ROSENDALE [continuing]. we are going to yield to Ranking Member Cherfilus-McCormick.

Ms. CHERFILUS-McCORMICK. Thank you, Mr. Chairman. My first question is for Mr. DelBene. With almost 10 percent increase in overall funding at VA, how do you explain the decrease in funding for information technology?

Mr. DELBENE. I think that there are requirements across the VA and where money has to be spent. There is an increase in demand in terms of healthcare. There is an increase in demand in terms of benefits. It is a balancing act where we have to figure out where we are going to spend the money and not. We will figure out how to—and we already have planning in place to figure out how to live within the budget that we have. As I said, we are going to have to make some very strict tradeoffs.

I will also say I am very proud of how the team has come together to have a very clear prioritization scheme that they use. Whereas before we may have been allocating to a project that may not have been as high a priority, I feel very good that going into the 1925 budget, we will be able to assiduously assign the dollars to those most pressing needs.

Ms. CHERFILUS-McCORMICK. Do you think that the budget request is sufficient to support VA's IT requirements for today and into the future?

Mr. DELBENE. I do think that we will be able to address the critical projects that we need to address in Fiscal Year 2025 with this budget. I—having said that, I think we are making some tradeoffs which will not work well if we sustain those over multiple years. One of them, if I may, one of them in particular is the modernization fund which you mentioned in your opening statements. That is—we are at a reduced level in this year, but that is going to have to be plussed up in future years because you cannot just continue to be at a lower level in terms of your modernization.

Ms. CHERFILUS-McCORMICK. That is my next question I was going to.

Mr. DELBENE. Okay.

Ms. CHERFILUS-McCORMICK. There are several major IT modernization efforts currently underway at VA. I was quite surprised to see the drastic cuts to the IT modernization budget, especially since we have had a hearing last month discussing yet another major modernization effort in the works. Is this budget request sufficient to keep all of these modernization efforts moving forward at their expected pace?

Mr. DELBENE. I think we are going to have to make some trade-offs and we are going to have to figure out what we are going to reduce the funding in. I think we get a lot of—there is a lot of projects in place, as you say. They also come up every day when you all want the systems to do new things. We have to figure out development plans. I think the only way we are going to get through and the way we will get through is through very strict prioritization of the work that we do.

Ms. CHERFILUS-McCORMICK. Do you know of any projects off-hand that you think would be traded off or deemphasized?

Mr. DELBENE. Well, the one in particular is we—if you take the 4-year typical lifecycle of a computer, that is about \$150 million that it would take the annual spend at our current rate of Personal Computers (PCs). That will be reduced fairly significantly, I think, to the sort of the 15-to \$20 million level. We will replace PCs less frequently as a result. That is where my point is that we cannot continue to do that every year. I feel like with—especially with some of the funding we have got recently and the fact we have—the fleet has been updated, we can do that for 1 year and make that through, but we are going to have to be diligent about it in future years then to make sense.

Ms. CHERFILUS-McCORMICK. What would be the impact on programs such as FMBT? Will this budget cause delays in that project?

Mr. DELBENE. We are looking at that right now. We are—FMBT remains a priority for us and we are going to have to figure out the right funding to get there.

Ms. CHERFILUS-McCORMICK. How will these cuts impact the broader OIT mission?

Mr. DELBENE. I think we intend for it not to impact the broad mission. We intend to be very strict in our allocation of resources so that it does not impact our—the delivery of critical services to any of the agencies underneath the VA.

Ms. CHERFILUS-McCORMICK. My next question is going to be for Mr. Puetz. While I was grateful to see that 20 percent increase in the cybersecurity funding, VA remains among the lowest in cybersecurity funding in the Federal Government. VA also holds a large amount of person health information and personal identifiable information. How can you explain this disparity?

Mr. PUETZ. The investment in cybersecurity from Fiscal Year 2024 to Fiscal Year 2025 resulted, give me one moment, please, resulted in a 28 percent increase, \$169 million. Now, that is a small drop in the bucket of where we need to go with our cybersecurity. As more requirements are coming in from the National Cybersecu-

rity Strategy from the White House, and as we begin to identify how cybersecurity is also part of the way we need to modernize, so they go hand in hand, the intent is to continue to move cybersecurity to the direction it needs to go at the VA.

Ms. CHERFILUS-McCORMICK. I will yield back just because my time has run out, and I will come back in my next questioning. Thank you.

Mr. ROSENDALE. I would now yield 5 minutes to Representative Self.

Mr. SELF. Thank you, Mr. Chairman. I would like to delve into some of the IT issues beyond the budget. Mr. DelBene, we have had the Change Healthcare hack and the Microsoft Exchange hack in the last few years. How familiar are you with the Executive Order 14028, which is basically improving the Nation's cybersecurity?

Mr. DELBENE. I am fairly familiar with that, so.

Mr. SELF. Describe how your office followed that playbook, which is—that is exactly what it is, it is a playbook, following these cyberattacks quickly.

Mr. DELBENE. Sure, let me do it—I will do it quickly. Basically, 14028 prescribes that we should follow a zero trust model. What that says is that you cannot trust your perimeter to be hardened defense against attackers. It has to be a multipronged strategy.

I fervently believe in the zero trust model. We implemented it at Microsoft as well. We have been working on that model for the past 2 years that I have been here and so I would—and not just with Change Healthcare. We have actually been working on that well before. I think Change Healthcare and the Microsoft hacks both do show the vulnerability that the entire industry has, though, and they do draw concern to me.

Mr. SELF. When did both Change Healthcare and Microsoft start reporting and did they report everything required from these two hacks?

Mr. DELBENE. I cannot speak to whether they reported everything required. I will say that in both cases we expressed to leadership of those companies that we are disappointed at the transparency and the speed with which they have delivered information to us.

Mr. SELF. Well, you may remember that Change Healthcare (CHC) said there was a substantial portion of the people in America that may have been impacted. In fact, you notified 15 million veterans that they could have been impacted. I think we have, and you just alluded to it, I think we have the same problem that they had with Watergate some 50 years ago. What did they know and when did they know it? I think today we still do not know what we do not know. Is that a correct statement?

Mr. DELBENE. It is different between CHC and Microsoft, and I say this not having spent a good portion of my career there. Microsoft has actually scanned through all the data, at least in our portion of transactions and emails, and told us what they have found in its entirety. CHC has not done that yet and we have been pushing them very hard. They basically said, as you say, a large portion of Americans, we believe they should be able to tell us what portion

of those folks are and who they are that are veterans, if there are any. We suspect there are.

Mr. SELF. Yes, you mentioned Microsoft. The U.S. Cyber Safety Review Board, which was established in the executive order that we were just discussing, concluded that Microsoft committed a cascade of security failures and the company's security culture needs an overhaul. Did you communicate with anyone at Microsoft about the exchange hack and, if so, what did you discuss?

Mr. DELBENE. We did, and I was in that meeting as well and we spoke with our executive representative. Paul Lorimer is who I know from my Microsoft days. I will say that we were very blunt and direct with them about needing information from them on exactly what the exposure was. I am not here to defend Microsoft. I mean, I think for them to get hacked in this way is a very concerning thing.

Mr. SELF. Did you report to—well, we will get into that. I yield back, Mr. Chairman.

Mr. ROSENDALE. Thank you very much, Representative Self. I now yield 5 minutes to Representative Landsman for his questions.

Mr. LANDSMAN. Thank you, Mr. Chair. Thank you all. I will be brief and sort of hand this over to you all as we sort of transition to the next round here.

I just want to give you the opportunity to talk through anything that you felt like was not covered, that you want to make sure was clear. We did not hear from everyone, so please use this time just to clarify and, you know, express, I think, the intent here, which is to make the argument for these investments, understanding, to the chair's point, the real tradeoff and appreciating the tradeoff, which I suspect you all do.

Mr. DELBENE. Well, thank you for the question. I might—well, one, I would say the major theme here is, as I said, folks need to work within budgets. We have a budget. There are things we can do with more funds, but we will work within the budget. I am proud of the fact that we have got a team now that actually can do that kind of math and that kind of prioritization, and actually that is the way we work every day. We always have a one to end list. We publish that one to end list with you all, which says rack and stack. The first highest priority, followed by the 150th, looks exactly like this. That is the capability that allows us to be able to work within an environment that is more fiscally austere. I think there is more we could do. There is more I would like to do, but I respect and understand how—where we are at, and I support it.

I would like to spend some time maybe talking about, and I appreciate the flexibility you have given us, talk about what we have done in the HR space in particular, specifically special salary rate, which has had a significant impact. It is something I am actually proud of, the work we have done there. Maybe I will pass it over to Nate Tierney, our chief people officer, and have him speak a little bit about that.

Mr. TIERNEY. Thank you, sir. Just to take a step back, whether you are in industry or in government, we went and looked at what does it take to get somebody to join the team? What are the attraction and attrition drivers in industry? What we found is govern-

ment is no different than the private sector and that compensation was the top attraction and attrition driver. The second one followed by that is work-life balance, and the third is actually career tracks and development growth.

Armed with that information, right when I became the executive, we partnered with four other Federal agencies to examine is there, in fact, a pay gap between industry and government? What we resulted in was that there was a pay gap of about 66 percent. What this means for all you is if I want to hire a software developer in the Federal Government, I cannot pay them enough to join, to get somebody to come out of your Amazon, your Meta, or whatever other tech organization. We had to do something.

We prepared the analysis, we submitted it to U.S. Office of Personnel Management (OPM) in June 2023. Then on January 11th, the OPM approved our special salary rate with all the data and the tables that they—that we submitted. From that, as Mr. DelBene has said, we implemented, using the PACT Act authorities, the special salary rate. Now, here is why this is important. As mentioned earlier, it is the top attraction attrition driver. As a result of this, in the past 9 months, we have had an 80 percent increase in highly technical applicants for job announcements. We have had 48 percent fewer reannouncements, which means I do not have to pay the cost on that. We have had 64 percent less separations and 46 percent less retirements. This is critically important to us because almost 30 percent of our workforce is retirement eligible today.

When we talk about some of these systems, like Veterans Information Systems and Technology Architecture (VistA) and whatnot, we have to keep those people. Not only has it helped us on the retention front, it is also helped us in the attraction front and recruiting that top tier talent to allow us to be competitive.

Those are just some of the benefits of the special salary rate. We are continuing to monitor and keep that finger on the pulse and see if something else needs to be adjusted. I just want to say thank you for the PACT Act authorities and your support of being the best in government for IT.

Mr. LANDSMAN. Thank you. I appreciate it. I yield back.

Mr. ROSENDALE. Mr. DelBene, you were talking about priorities. I was really glad to hear that, because we all have to prioritize the work that we do and the resources that we dedicate toward that, whether it is time and/or money. You are well aware of the troubles the VA.gov had and related systems over the past year. We have held two hearings about it. This budget request cuts VA.gov funding by \$22 million, or 21 percent. Please explain to me the logic about that and how then do you intend to provide the fixes or the improvements that need to be made?

Mr. DELBENE. Thanks for the question. You know, there is prioritization of the budget overall, but then there is within each project what you choose to focus on. We have talked to you about the challenges we have had in VA.gov, and those become the first and most critical things we do. I think I have been super consistent with the team that anything you have around quality, anything you have in terms of things like tracking applicants through the

system, cybersecurity, you do those as a baseline before you think about adding new features. As we——

Mr. ROSENDALE. The problem that we have had was not in cybersecurity. I truly do appreciate——

Mr. DELBENE. But——

Mr. ROSENDALE. I truly do appreciate the investments that are being made in cybersecurity to make sure that we protect our veterans privacy and all of their data and information. What I am saying is we have been hearing massive problems about VA.gov.

Mr. DELBENE. Right.

Mr. ROSENDALE. Okay. It has very, very necessary needs for fixes and improvements.

Mr. DELBENE. Sure.

Mr. ROSENDALE. Explain to me how we are going to do that with a 21 percent cut.

Mr. DELBENE. Yes, that is—I was trying to explain is that we think of certain things as must haves. Cybersecurity is just an example of another must have. In the case of VA.gov, the remediations around tracking, around making sure we do not have those problems again, those are must haves. What it will impact is the speed with which we deliver new features and new capabilities into that project. We will have to reduce by the budget that amount.

Mr. ROSENDALE. Basically, you are going to take the remaining part of that budget and focus that on actually repairing the system, make sure it functions properly.

Mr. DELBENE. We will make sure, first and foremost, that it functions properly and it is secure. Our rate of delivery of new features we will have to reduce——

Mr. ROSENDALE. The budget request seems to prioritize employee salaries over everything else. In black and white that is what it looks like to us. That is our perception. I want to get into that. First, are the contracts or contractors taking any cuts under this budget request and, if so, who and how much?

Mr. DELBENE. When we do a contract, there are established hourly rates based on the function of those contractors. Those are already in place and they are based on what the market will bear. I do not think we would be effective in getting strong contractors if those rates were not successful, were not at the right place. You would have to——

Mr. ROSENDALE. Are you telling me that you are not proposing any reductions in the contracts or contractors?

Mr. DELBENE. I did not say that. What I am saying is the——

Mr. ROSENDALE. Well, that is what I am trying to get at, because we need to have plain language here. Are you proposing any reductions in the contracts or contractors and, if so, who and how much?

Mr. DELBENE. As you know, we use contractors quite a bit. It will be a necessity that the amount that we get—the work that we get from those contractors will have to reduce in order for us to meet the level of the budget in each of those projects.

Mr. ROSENDALE. Will you be able to provide to this committee the contractors that you propose reductions to and who and how much you propose those reductions on?

Mr. DELBENE. We need to be engaged in, which we are with your staff, in a back-and-forth of exactly where our dollars are going

from—or going to across the year. We are happy to provide that on an ongoing basis. It is going to be decisions that are made day to day, week to week, month to month, where we say this particular project, it is—we cannot do all this, we are going to have to do this much. We—but we are happy to share all that with you. I believe in radical transparency.

Mr. ROSENDALE. I really do not have a yes or no out of that, if we are going to have reductions in spending for contracts and contractors.

Mr. DELBENE. I am confident there will be reductions in spending.

Mr. ROSENDALE. Okay. I would look forward to seeing those reductions and who they are actually being proposed to.

Mr. Tierney, you got approval for a special salary rate for OIT employees in late 2022. Please explain what that entails. How many people were covered, how were they chosen, how large is it, the amount that was awarded out, and how much does it cost, and what is the purpose for it?

Mr. TIERNEY. Thank you very much for the question. First, the purpose behind the special salary rate was, as I mentioned, was to close that pay gap between industry and Federal Government in order to be able to attract and retain top tier talent. That would be able to recruit, like, your Artificial Information (AI) specialist, cybersecurity, software developers, et cetera. That is what the purpose of it was.

On average, it closed that pay gap, that 66 pay gap, by half, so it closed by about 30 percent. Each employee of our 2210 IT specialist series received a special salary. That is how it was designed to do. On average, that was, I believe, a 17 percent pay increase for those IT specialists that we had on board.

Mr. ROSENDALE. This is the existing staff?

Mr. TIERNEY. Yes, sir.

Mr. ROSENDALE. Okay.

Mr. TIERNEY. Yes, sir.

Mr. ROSENDALE. Just clarifying.

Mr. TIERNEY. Yep. I do want to mention, though, that there is a cap. The Federal compression of pay still limits them. If you are bringing in like a GS-15, step 10, they are still capped at the max.

Mr. ROSENDALE. How many of the staff received that pay increase?

Mr. TIERNEY. I can take that number for the record, sir, and get it for you, but not—if I can give you an estimate, it is about 7,000 employees.

Mr. ROSENDALE. Clearly that was not used for recruitment. That was the folks that were already there. These are existing employees?

Mr. TIERNEY. Yes, sir. Now, right now, we have about just over 8,000 on board. The thousand that we have been able to—

Mr. ROSENDALE. My time has expired. I will now yield to Ranking Member Chertoff-McCormick.

Ms. CHERTOFF-McCORMICK. Thank you. I would like to redirect my question, my previous question to Mr. DelBene.

Mr. DelBene, pretty much what I am asking is that the 20 percent increase for cybersecurity is, you know, impressive and we are

happy about that. That is still the lowest funding throughout the whole Federal Government for cybersecurity. VA holds large amounts of personal information and personal identifiable information. What is your explanation for the disparity between how much we are funding VA, even though it is holding such information?

Mr. DELBENE. Well, thanks for the question. I do not think I can speak to the path of how we got here. I will say a couple of things. One, I am happy about the increase, as you mentioned. The second thing is, since I arrived, we have been really focused around two aspects of our cybersecurity program, all of it consistent with zero trust.

The first thing is just to do better in terms of our certification. When a system comes up for review, for an ATO, authority to operate, making sure people really do a good analysis of—

Ms. CHERFILUS-McCORMICK. Well, I think, I am sorry to interrupt you—

Mr. DELBENE. Yes.

Ms. CHERFILUS-McCORMICK [continuing]. but my question really is, if we are looking at other government agencies, this is still the lowest amount of funding for cybersecurity. With the nature of VA holding all this personal information—

Mr. DELBENE. Right.

Ms. CHERFILUS-McCORMICK [continuing]. what is the disparity between other agencies and the VA? That is still a low number. As you are answering that, I guess I might give you my second question, also, do you think that it is adequate or do you think we are moving toward a more adequate number?

Mr. DELBENE. I think we are definitely moving toward a more adequate number. I do not think any person in my position is going to tell you they think that what they are spending on cybersecurity is adequate. It is probably the biggest concern I have in my role as CIO. I have a very healthy concern for cybersecurity.

I cannot speak to how others are using it. What I was trying to—using it in other parts of the government. I will say we are kind of laser-focused on doing a risk-based analysis. We do exercises to figure out—to do red team and we figure out how people can actually attack ourselves. We look at if you look at this risk versus this risk, which is the one you are really worried about? That is something you have to drive in every employee, and I, in fact, spent time in the staff meeting today of saying this is everybody's responsibility to make sure that the systems that you review and that you manage are secure, which means you should be paranoid about where are the points of vulnerability, and you need to raise those to the team at large so that we can fix them.

Ms. CHERFILUS-McCORMICK. Do you feel that the current funding request for VA, for cybersecurity, is adequate to address the issues with securing veterans' personal health information and protecting the critical IT programs?

Mr. DELBENE. Well, as I said, I do not think anybody in my position says in security that they would not want more money, and I would certainly want more money for cybersecurity as well. I will also say, we do not put that investment everywhere in the same way. We look at places where there are things like veterans' data,

and we focus there, as well as one of the high risk areas, because that is——

Ms. CHERFILUS-McCORMICK. Do you feel it is adequate, is my question?

Mr. DELBENE. Do I believe it is adequate? I believe we will be able to work within the funding that we have been—that is in the budget.

Ms. CHERFILUS-McCORMICK. How have the recent impacts on ransom attacks changed your perception on the need for increased cybersecurity spending for VA IT systems?

Mr. DELBENE. They have reinforced that with me. I am not new to the industry and I have seen these kinds of attacks before. I think it just brings home the importance of us having a very structured and sophisticated cybersecurity program.

Ms. CHERFILUS-McCORMICK. I was glad to see data prioritized as a key priority of the CIO in the Fiscal Year 2025 budget. However, I was concerned to see that only dedication of funds for data efforts would be directed toward standard operations and maintenance. I worry that this is keeping the lights on budget will actually be more destructive and delay the modernization of VA healthcare benefits delivery and IT infrastructure. With this budget, how is VA working to bring groundbreaking technology to benefit veterans while also balancing veterans' privacy?

Mr. DELBENE. Well, let me—the one investment I would highlight, and I will probably pass it over to Mr. Beard because he is been focusing on our data efforts in particular with the folks and with our chief data officer as well. I think we are investing and the budget has money set aside for AI. I think there are huge opportunities for us to transform the experience for veterans in the AI space, particularly on the healthcare space and aiding doctors and being more effective with their time, for example. Let me pass it over to Mr. Beard on the data question more broadly.

Mr. BEARD. Sure. Thank you for the interest in data, because it is a passion of mine. What we are focusing on in VA is really reuse of data, and we have a lot of data assets, but traditionally they have been stove piped within the Department. We are really focused on data sharing and making sure our systems talk to each other.

As part of our ongoing development, modernization, and sustainment efforts, we are focusing on those key infrastructure portions that support our data strategy. Platforms, data lakes, data bricks, these are all investments that have already been in our budget and we are sustaining those, so those trajectories continue in our budget. We will not be able to do amazing modernization efforts in Fiscal Year 2025, but we will be able to sustain the work we are doing on data interoperability and consistent definition of authoritative data and reuse within our environment.

Ms. CHERFILUS-McCORMICK. Thank you so much. I yield back.

Mr. ROSENDALE. Thank you very much. Representative Self, I recognize you for 5 more minutes.

Mr. SELF. Thank you, Mr. Chairman. Mr. DelBene, because of your long history with Microsoft you had an ethics waiver to take your current position. Now that you have served for 2 years, are there any restrictions in your waiver that no longer apply?

Mr. DELBENE. Thank you for the question. I am able to speak to members of Microsoft in a place that I—while not strictly part of the ethics restriction, we thought was good practice of me not reaching out to anybody in Microsoft. We still believe that I should do that with other folks involved, such as our strategic sourcing organization. Then I will not be involved in discussions around business relationships with Microsoft. Mr. Beard takes over on those mostly or—

Mr. SELF. Okay, so—

Mr. DELBENE [continuing]. exclusively.

Mr. SELF [continuing]. let us dive into the words. The waiver allows you to participate in particular matters of general applicability. It does not allow you to participate in particular matters involving specific parties affecting Microsoft. That is some pretty dense language.

Mr. DELBENE. Yes.

Mr. SELF. Can you quickly explain to us what that means?

Mr. DELBENE. I can tell you what I believe it means and I actually think we have over exercised beyond that as well. I have mostly not spoken to my past colleagues at Microsoft over the past 2-plus years. We have just said that is the safest thing for us to do.

What it does say is that in general compute capability—questions, like how the desktop software, that Windows functions, that is a general thing. Like we have a fleet of hundreds of thousands of PCs, I could engage in a discussion around what—where should that go in terms of a particular capability. I would never engage in a question like should we purchase this software from Microsoft or another one? That would be a specific situation where I would absolutely not be involved.

Mr. SELF. Who decides if it is a particular matter of general applicability or the other where you need to recuse yourself? Who makes that determination?

Mr. DELBENE. Well, in most cases, as I said, we have overperformed. I have just not been involved at all and—but generally speaking, OGC would, Office of General Counsel.

Mr. SELF. Okay. So—

Mr. DELBENE. We would, if I may, just to finish, we have an Office of Strategic Sourcing with Ms. Luwanda Jones, who runs that organization, and she is very diligent about making sure that I am following the confines with consultation from OGC.

Mr. SELF. How many times have you recused yourself?

Mr. DELBENE. I have not officially recused myself, but I have—I have basically said I am staying away from anything business-related to Microsoft.

Mr. SELF. Go ahead.

Mr. BEARD. Thank you, Congressman.

Mr. SELF. One more question before you—so you have no documentation of any recusals?

Mr. DELBENE. I have—these business relationships have never been in my hands. They have always been moved in Mr. Beard's hands, so I have had no need to actually officially recuse myself on paper. I have been involved in no business with Microsoft since I joined this organization.

Mr. BEARD. That is correct, sir. I am the agency official that handles all matters related to Microsoft procurement, sales, and our relationships with those teams. Only if there is an operational issue in the morning, something is broken overnight, Mr. DelBene leads all of those operational calls and talks about break-fix engineering issues. Anything that veers anywhere close to sales or the relationships with our contract, our usage of contract service, or commitment of dollars, those are exclusively mine. I handle them completely.

Mr. SELF. Would you say that you can cause directly or indirectly, Mr. DelBene, the purchase of any Microsoft product?

Mr. DELBENE. I would say I cannot and I have been very disciplined about it. I will tell you that the main thing I have done over the past 2-1/2 years has been very hard on Microsoft whenever they have had an operational issue.

Mr. SELF. Meaning what?

Mr. DELBENE. Meaning they are in these morning meetings and I call them to task when they have not performed in the way we expect them to.

Mr. SELF. Ah. A couple of scenarios. We have got—let me see, where do I want to go here? What is a Microsoft Governance Council?

Mr. BEARD. Mr. DelBene actually has very little knowledge of that because I run that. Each of the executives that report to me and our Chief Technology Officer (CTO) Charles Worthington are part of a board of experts that consider how we use Microsoft products and other vendor products to deliver outcomes for VA and for veterans.

Mr. SELF. Okay. Mr. DelBene, have you ever participated in any meetings or conversations referenced the Microsoft Governance Council?

Mr. DELBENE. No.

Mr. SELF. Then—

Mr. DELBENE. Wait. That have referenced the Microsoft or have been—not on any business whatsoever. I may have been in a meeting where somebody said there is a Microsoft Governance Council, I do not want to be unclear there. I have not been involved in any of the business relationships with Microsoft at all.

Mr. SELF. Mr. Chairman, I yield back. My time is up.

Mr. ROSENDALE. Thank you, Mr. Self. I will now recognize Representative Landsman.

Mr. LANDSMAN. Thank you, Mr. Chair. I want to go back to the HR piece. Mr. Tierney, you talked about the pay inequities and we are seeing this across Federal agencies and government in general, just having a hard time keeping pace with private sector wages and, as a result, just not being able to get the workforce that we need, and you mentioned the work that you all have done. When you reached out, obviously compensation matters, work-life balance matters, I think you said growth was up there.

We have heard that one of the issues has to do with the time it takes when somebody applies for a job to when you ultimately make the offer. I do not know if this is true or not, but in my head I have 6 months. If you could imagine if you are an engineer or you are somebody who has multiple, you know, opportunities, that

is going to be an issue. Right? Pay is a piece, but if it takes 6 months to hear back, you may have lost a lot of talent in that period of time.

I guess two questions. One is, is that an accurate assessment? If not, please set the record straight. If it is an issue, whether it is 6 months or shorter or longer, what can we do to be helpful? What are you all doing that should give us hope and/or do you need this committee to take some action to expedite that so that that is not issue if, in fact it is?

Mr. TIERNEY. That is a great question. I read a Gartner article about 6 months ago, and it said for a technologist who is actually looking for a job, within 10 days they have three job offers. Our average time to hire was 146 days. That means I cannot be competitive, right?

Recently, OIT did not have their HR authorities and we are about to get our HR authorities under 40 U.S.C., which is what the CIO has for IT resource management. That helps us in our ability to attract and retain talent. Let me be specific. My other title is as the chief myth-busting officer and here is why. I go on LinkedIn for some live events, and I say, hey, here is why you want to come work for us. I leverage our competitive brand. I mean, I am a retired veteran, and we have the opportunity to deliver quality IT products and services to veterans like myself and Tim. That matters. I go on there and I debunk the myths of salary, of time off, of the products we are working on, the data, all the healthcare data, et cetera, the cybersecurity. You build some excitement. Then I field questions, and I get about 40 to 50 questions in about a 30-minute block. That is optimizing our offer and capitalizing on our value prop.

The second thing we've done is we have optimized our search criteria, to your point. We leverage data now like LinkedIn talent insights and whatnot to source candidates into either a virtual or an in-person hiring event. We have led that with OPM and other Federal agencies with their Tech to Gov events, and that is yielded how we have grown our staff by about 1,000 as a result of this.

Mr. LANDSMAN. Those are pretty stark numbers. If—very helpful. Sorry, I did not mean to over—

Mr. TIERNEY. No problem, no.

Mr. LANDSMAN. The 10 days for the average engineer versus 140 in the VA, will what you just talked about get that 140 down? If so, to what? Is there a way to get it down to 10? I mean, I am just, you know, for—

Mr. TIERNEY. Actually, I think so, sir. With these, you know, these HR authorities, the deal is I lose credibility. If I source you to a job event and I cannot give you a job offer on the spot, that is not cool.

Mr. LANDSMAN. Okay.

Mr. TIERNEY. Right? I think I can get this reduced down significantly. Give me an opportunity to try and I will—you can judge me by my results over this next fiscal year.

Mr. LANDSMAN. I think it would be very helpful for the committee to track this with you. I mean this, it seems to me, salary is tough. Obviously we have to be competitive, but there are budget restrictions and work-life balance. That is obviously something that

you have to be able to sell. Growth is also, you know, more complicated, but getting that number down should be doable. I think it would be very helpful for, A, us to just see where we are every 90 days maybe, whatever you think is appropriate. If it is 140 now, what will it be in 90 days? Then what we could be doing to help.

With that, I yield back.

Mr. ROSENDALE. Thank you very much, Representative Landsman. Mr. DelBene, you started a campaign in 2022, which we have been touching on, during the tech slump to hire employees from Silicon Valley companies. I believe you said in the press that you hope to hire as many as 1,000 employees. How many of those people were hired through this campaign?

Mr. DELBENE. Go ahead.

Mr. TIERNEY. Sir, we have about 434 hired. I would like to caveat that with we did not have our HR authorities and we are only recently regaining them, so that was substantially tough on our team. What I mean by not having HR authorities, sir, is, is that meant I cannot post my own job announcement. I cannot do my own technical evaluation of the person to determine, yep, they are qualified.

Mr. ROSENDALE. That was a process that was in place when Mr. DelBene made his statement about what his goal was.

Mr. TIERNEY. Yes, sir.

Mr. ROSENDALE. Okay. It was not changed. The process was not changed as you began this. It was the process was in place. You set your goal at 1,000. We have got 434. Okay.

Mr. Tierney, what is the current average tenure of your OIT employees?

Mr. TIERNEY. Sir, I believe the average tenure is 16 years right now.

Mr. ROSENDALE. Sixteen years. Okay. How many employees does OIT have today?

Mr. TIERNEY. We have about 8,000 on board. I can provide you the exact number this evening—

Mr. ROSENDALE. Appreciate it.

Mr. TIERNEY [continuing]. or tomorrow, if you do not mind.

Mr. ROSENDALE. How many of those employees were hired since 2022, when the special salary rate was created?

Mr. TIERNEY. Total, I believe this Fiscal Year has been 464 in totality. I think we have been at 1,000. I can get that exact number for what we have hired from July 17 of 2023 to present.

Mr. ROSENDALE. Let me make sure I understand this. The increased compensation was put in place to attract new talent from Silicon Valley. However, to date, the funds were used to provide 85 percent of the existing staff with pay raises.

Mr. DELBENE. If I may—

Mr. ROSENDALE. Is that accurate? Before we go off on some rabbit hole, is that accurate? Eighty-five percent of the current, roughly, employees received the increases?

Mr. DELBENE. I do not want to check the math here, but it is roughly correct. The point I wanted to make, though, is there is no way for us to increase the salary of just new employees within the confines—

Mr. ROSENDALE. That is fine.

Mr. DELBENE. Okay.

Mr. ROSENDALE. I just want to make sure that we are really clear that 85 percent of the existing folks who have a tenure of about 16 years received a 17 percent increase. Mr. DelBene, I understand your objective to use the special salary rate to make OIT a more attractive place to work and recruit new talent. Get it. Does that not seem—it does not seem to be what happened. We brought in 400 people.

Mr. DELBENE. It is a journey.

Mr. ROSENDALE. The average tenure is still 16 years.

Mr. DELBENE. It is a journey. We need to—we have made progress in 1 year, we will make progress in the next as well. The point I want to make, also, is—

Mr. ROSENDALE. Have we also implemented, though, like a freeze and when people leave, that we are not bringing new employees in?

Mr. DELBENE. What we do is, because of the tightness of headcount, we evaluate every position as it becomes available. If I may, I want to make sure it is clear the employees at the—in OIT deserve that increase as well. These are people that are committed to serving—

Mr. ROSENDALE. Mr. DelBene, not arguing that.

Mr. DELBENE. Okay.

Mr. ROSENDALE. Okay? What I am trying to do, though, is make sure that the general public that is watching this understands that there are things that are being done to drive a lot of your budget into the HR department. Mr. DelBene, please.

Mr. DELBENE. It is just not that much of the budget.

Mr. ROSENDALE. A lot of money is being driven into the HR department and we are starting to starve the very, very purpose of your department, which is technology. Okay? I am afraid, as I am looking forward, because I have seen this scenario play out, that what you are doing is betting on Congress. You are betting on your increases coming through. You are going to go and what we are seeing here in this budget is a starving of the actual purpose of your department, technology, and we are plussing up HR, and that is creating a long-term problem.

With that, I am going to yield to—

Mr. DELBENE. If I may?

Mr. ROSENDALE [continuing]. Ranking Member Cherfilus-McCormick.

Ms. CHERFILUS-McCORMICK. Mr. DelBene, you may continue.

Mr. DELBENE. Thank you. The SSR is not a significant portion of our budget in the absolute terms. I would do it again because we need the best. The most important resource we have as an organization, bar none, is our people.

Ms. CHERFILUS-McCORMICK. Thank you, Mr. DelBene. My question goes back to my concerns about this keep the lights on budget, especially since we are focusing on the standard operations and maintenance budget. Now, how are you going to—is there enough money in this budget? Do you believe that it is adequate for mitigating and preventing against future attacks for the VA and also its partner systems, like the one we saw with Change Healthcare in February?

Mr. DELBENE. I do not think, and I am not trying to avoid the question, I do not think there is ever—you cannot take an amount and say, as a result of that amount, we have barred every—that we have prevented every potential incursion. Some of the stuff we do does not actually require incremental investment. I will say, and I think most CIOs in this position would say they would like more for cybersecurity, and I would say that, too. I am very happy that we are making the incremental investments. I was just telling my team before, as I mentioned before, the first thing you need to do, and do not do any new features until you make sure that you are secure as an organization.

Ms. CHERFILUS-McCORMICK. Well, I guess—

Mr. DELBENE. Regardless, it is the top priority.

Ms. CHERFILUS-McCORMICK. Well, I guess my question really is, since the budget is really focusing on maintaining and keeping everything intact, if there is a cyber attack, how would you—is there any money there to mitigate for not just the VA, but also—

Mr. DELBENE. Oh, to mitigate.

Ms. CHERFILUS-McCORMICK [continuing]. yes, to mitigate any cyber attacks?

Mr. DELBENE. We would shift people off of what they are doing to mitigate as the absolute highest priority. There is nothing higher than if you are in the middle of an incident, it is all hands on deck. That is all you worry about.

Ms. CHERFILUS-McCORMICK. There is funding that you can shift for those situations?

Mr. DELBENE. We would basically—we would stop a lot of stuff. We would—in this one to end list, a bunch of stuff would fall down the list, and the cyber, the mitigation work would be the number one thing we would do. Absolutely.

Ms. CHERFILUS-McCORMICK. What is preventing the VA from making improvements in standing on the Federal Information Security Modernization (FISMA) audits?

Mr. DELBENE. Oh, that is a complicated question. I think FISMA as a process is very broad and more of a compliance exercise than it is a risk-based analysis of the places where you have the greatest risk. I have talked to everybody who will listen about this question. It needs to get more focused on where the biggest risks are. In that kind of world, where it is compliance-based, it becomes super easy to find those places of “weakness” by the numbers.

What we focus on, and I have a very good relationship with Office of Inspector General (OIG) in this area, I look through what they found and say, which are the ones I really care about that impact our security in particular? Those are the ones that we focus on for the team. There is a bunch of other stuff that it is like, yep, strictly speaking, you have got me.

I will also say that, historically, we have been an organization that has a lot of—that did security by policy, not by risk analysis. What you get when you have an organization that does that is you get a lot of policy and not all that policy actually can be implemented universally and not all of that policy is necessary in terms of being the highest risk things. We have shifted toward doing analysis of real risk that could potentially lead to an attack.

Ms. CHERFILUS-McCORMICK. What resources do you need to gain ground in this area?

Mr. DELBENE. It is a mixture of resources. What is called the ISSO, the information security officer, is probably the boots on the ground that need to look at each and every system. I need to upskill those folks and they are energized to do so. They need to be the first point of contact that says, I understand my system, I understand the gaps in my system.

I think the other place that I have really pushed hard on is having external people try to come into the system. Against our knowledge, we will be monitoring everything as we do. These what are called red teams, I believe a lot that red teams are an important part of your security posture. Those are typically best done by external folks. They are also very expensive resources. We just have to make the money and the funds available in the budget for things like red teams.

Ms. CHERFILUS-McCORMICK. How would you evaluate the risk right now for a cyber attack to the VA?

Mr. DELBENE. It is a hard one to answer. I am never happy with our cyber posture and any good CIO would tell you the same thing.

Ms. CHERFILUS-McCORMICK. Do you feel that it has increased or decreased?

Mr. DELBENE. Do I feel that is increased or decreased? I think under—hard to say. It is a subjective measure. I think we have improved our cyber posture over the past couple years.

Ms. CHERFILUS-McCORMICK. Thank you. I yield back.

Mr. ROSENDALE. Thank you very much, Ranking Member. I will now recognize Representative Self.

Mr. SELF. Thank you, Mr. Chairman. Mr. DelBene, so you have told us that there are Microsoft executives in morning meetings. You have told us that you have been tough on Microsoft on actual contract performance. You have told us that there has been no official recusal. You have told us that there is no documentation of any official recusal. I remind you, sir, that you are under oath. How in heaven's name is not that at least indirect, if not direct, influence over actual Microsoft contracts from what you have told us this afternoon?

Mr. DELBENE. I am highly confident I have had no influence on Microsoft's—acquisitions of Microsoft products from the VA. Highly confident.

Mr. SELF. You are narrowly saying acquisition. I am talking about influence over contracts.

Mr. DELBENE. The presumption that I spent my career in Microsoft and would not be objective, relative to the commitment I have made to this organization, I just do not accept. They are my previous employer.

Mr. SELF. It is not presumption, Mr. DelBene. You have testified to this committee to that effect.

Mr. Chairman, I yield back.

Mr. ROSENDALE. Mr. Tierney, how much has OIT ceiling for full-time equivalent employees (FTE) been reduced since the special salary rate went into effect?

Mr. TIERNEY. Sir, the number we are using, and, Tim, please confirm, for this Fiscal Year is 8,150 FTE is what we are looking

for this year. As I mentioned, we have about 8,000 on board. With the Fiscal Year 2025 budget, we believe that number goes to 8,310. Tim, do you want to confirm that?

Mr. PUETZ. That is correct.

Mr. ROSENDALE. Walk through that again. You are——

Mr. TIERNEY. I apologize. Maybe I am not understanding the question, sir, in terms of whether the headcount reduced.

Mr. ROSENDALE. I am trying to figure out where the—what you are doing with your FTEs. Your ceiling for full-time equivalent employees, your ceiling, has been reduced since the special salary rate went into effect, has it not?

Mr. TIERNEY. Yes. Yes, it has. Let me get the numbers.

Mr. PUETZ. Let me answer your question, Congressman. We reduced approximately 800 people based on what the equivalent cost of the special salary rate would be. It was approximately \$140 to \$160 million for the SSR, as we talked about, 7,000 employees to drive that 17 percent increase.

Mr. ROSENDALE. I am just trying to get the FTEs that you have reflected in your budget before the awards went into place and where they are now. Before they went into place, the FTEs, the ceiling for your FTEs. I understand what is actually there at any given day fluctuates, but your ceiling, you have asked for a reduction in the ceiling, correct?

Mr. BEARD. Congressman, if I could, please. At the time that we made the determination to implement the special salary rate, we did not have the—we had a ceiling number based on funds' availability. We decided as an executive team at a strategic offsite, all 40 executives in the Office of Information and Technology talked through the tradeoffs, and intentionally we decided as a team that we were going to go for implementation of the special salary rate and intentionally reduce our available headcount. We did not have bodies in those billets, so no one was riffed. We did that strategically as a leadership team in order to recruit better talent and to reward the talent we had on board.

As you know, all the money in the world that brings in new equipment, printers, computers, they do not deploy themselves at hospitals and clinics around the country. We need talented staff out in the field in order to do that. Starving salary for staff in order to do modernization, we have to do a balance between that, and that is what we do as a leadership team. We think through these issues and we work very hard to make solid tradeoffs that support services.

Mr. ROSENDALE. I understand that. This committee, what our understanding was is that there was going to be a demand for additional staff, not higher compensation for the existing staff, but there was going to be a high demand for additional staff in order to implement all of this administrative process that was going to be generated by the PACT Act. That is what we were told. That is what we were told. Meanwhile, what I see is that we have got a ceiling FTE cap at 8,150 now. Mr. Tierney, you issued a memo on November 16, 2023, setting a headcount of 8,270 and instituting several procedures to restrict new hiring.

What was the authorized headcount when the special salary rate went into effect? What was the headcount at that point?

Mr. TIERNEY. For that Fiscal Year in July 2023, and I can confirm the number, we were shooting for, 8,668, I believe, was the authorized headcount we were trying for.

Mr. ROSENDALE. 8,668.

Mr. TIERNEY. Yes, sir.

Mr. ROSENDALE. Okay. Again, this is where I am trying to peel this onion back. We are being told as a committee that we are going to need these additional sales. I understand compensating people properly. I understand trying to attract talent. What we are being told is that we have to have these additional FTEs to make sure that this process is working. What is the authorized headcount for OIT employees today? What is it?

Mr. TIERNEY. 8,150, sir.

Mr. ROSENDALE. Okay. The OIT budget request, total full-time equivalents for 2024 are 8,243 plus 139 from the Toxic Exposure Fund. That is 8,382. It also says for 2025, there are 8,405 plus 139 from the Toxic Exposure Fund. That is 8,544. That is what is in the budget request. How do you reconcile those numbers with the authorized headcount in your memo that is asking for 8,150?

Mr. DELBENE. If I may, I suggest let us go back and work with your staff to get you the numbers that you are looking for. I mean—

Mr. ROSENDALE. I would appreciate that because the budget request, again, is looking at 8,382 and what you are saying—and we have a memo that shows that you are trying to hold it at 8,150.

Mr. DELBENE. Again, we are probably better off if we get you the exact numbers that you are looking for. 8,150 is the current number, 83 whatever that number is, is what is in the budget per se. We can—let us work with your staff and get you the numbers that you are looking for.

Mr. ROSENDALE. Mr. DelBene, it appears that rather than expanding the workforce, that your office is struggling to afford the special salary rate and is throttling back hiring and cutting the workforce. The payroll is continuing to grow as the workforce itself is shrinking and, again, as we get these demands saying we have to have the additional staff.

Mr. DELBENE. Well, the request for additional staff is fairly modest in this budget. I will say that the staff has not shrunk and that is why you mentioned the memo that Nate put out that basically went through the process of how you get a position reapproved. That is—the goal there is to shape the organization and put that headcount where it is most impactful to the mission. I do think we have an opportunity to take some particular roles that are less impactful and, as they turn over, put them on jobs that are more impactful for the organization.

I will also say I would do the special salary rate again even if we have to find room for it. As you mentioned and as others have mentioned, you have to pay people appropriately and based on at least trying to get things closer to the marketplace.

Mr. ROSENDALE. Mr. DelBene, I appreciate that. I am well over my time and I apologize. The fact of the matter is I am very concerned that you are directing all these funds into HR. You are starving these other sections and then you are going to come back

and ask for a supplemental or use some of these fungible funds that you are describing.

With that, I yield to Ranking Member Cherfilus-McCormick.

Ms. CHERFILUS-McCORMICK. Thank you, Mr. Chairman. Mr. DelBene, this subcommittee has been paying close attention to VA's efforts to address this tech debt. I am concerned when I saw the 65 percent cut to the infrastructure readiness program. It is hard to see this lack of prioritization return. How is the aging infrastructure impacting the work of the frontline staff?

Mr. DELBENE. I think—as I said earlier, I do not think the reduction that we have done to the infrastructure readiness program can be sustained over multiple years. I actually think we will be okay to do that for this 1 year of the budget because we have made investments in the IRP over multiple years leading up to that.

There was a comment made earlier about 10 minutes for a PC to boot. We have statistics on the boot time of all PCs every day in the VA. That, I do not even know that that is—when we talk about long times for boot, we talk about 5 minutes, which I am unhappy with, but they are not as significant as what was implied. We do that because we have invested in technology that monitors the performance of end users.

Right now, end users are pretty happy with the PCs and the compute experience. They give us very high marks for that in terms of their customer satisfaction. I think we will be okay in this year of execution. I do not think it is sustainable over multiple years.

Ms. CHERFILUS-McCORMICK. How will this cut impact VA's effort to address the years of neglect of its IT infrastructure?

Mr. DELBENE. With this, we will have to push out some of that IT infrastructure modernization. I think that is a challenge we are going to live with.

Ms. CHERFILUS-McCORMICK. What is your plan to get the IRP back on track, and how many years will that take?

Mr. DELBENE. Well, as I said, I think because we have had multiple years where it is been in good shape, I think we are okay. I think I will have to come to you all with the next budget and say that is a number that we cannot cut again. You have my commitment that you will—that I will come back to you with that sort of an ask.

Ms. CHERFILUS-McCORMICK. If we had approximately how many years do you think, would that be next year's budget? The following year?

Mr. DELBENE. Well, we are talking about the 2025 budget here. I think we cannot—I do not think I would support a sustainment of that kind of a cut over multiple years.

Ms. CHERFILUS-McCORMICK. Just for this year then?

Mr. DELBENE. I think we can—I think we can deal with it with this year. Yes.

Ms. CHERFILUS-McCORMICK. Thank you. I yield back.

Mr. ROSENDALE. That brings us to the conclusion of our hearing. Would you like to, Mrs. Cherfilus-McCormick, go into your closing statements?

Ms. CHERFILUS-McCORMICK. Thank you, Mr. Chairman. I appreciate the testimony and answers from our witnesses this afternoon.

Our time today has been important to highlight an expansive, but often under-recognized aspect of providing high-class healthcare to veterans, VA's IT infrastructure. I have serious concerns that the budget we have discussed today, when primarily focused on keeping the lights on, will diminish VA's ability to be effective in its mission. I worry that by not prioritizing VA's aging IT infrastructure, we are doing a disservice to veterans as well as those faithful servants dedicated to VA's numerous ongoing modernization efforts, like VBMS, FMBT, and digital GI Bill. I look forward to working with the chairman and VA to ensure that VA is well prepared for the future.

Last, I would like to add something to the chairman's remarks regarding the timeliness of VA's testimony. I do not want to speak out of turn, but I think one common goal among all party here is to strive for collaboration and transparency. Receiving the testimony for this hearing a mere 3 hours before we begin is not productive to a collaborative or transparent conversation. I hope we can work forward in improving this communication moving forward.

Thank you so much, and I yield back.

Mr. ROSENDALE. Thank you very much, Ranking Member. I want to thank our witnesses for joining us this afternoon. I do not think that anyone in this room believes the VA information and technology budget requests would be helpful or improve service for our veterans. The administration decided to reallocate a modest amount of money away from OIT to other parts of the VA. I can understand that, but it is extremely disappointing that whoever wrote this budget request designed the cuts in the most lopsided, damaging way possible. This is not a haircut. This is a lobotomy to a few of the office's core capabilities. I would like to see a successful project get rewarded and failing projects be terminated. Slashing half the funding for some of the key systems that have been struggling is a recipe for disaster.

It is also disappointing that the Toxic Exposure Fund is merely being used to plug budget holes when the bureaucracy finds it convenient, not to boost the VA's ability to serve toxic exposed veterans as Congress intended. I have already been in conversations with my colleagues over in the Senate to have that conversation.

I am very concerned that the special salary rate, which may have been well intended, will become completely unaffordable when combined with this budget and undermine the organization. This situation risks spinning out of control. I am not going to tolerate the VA workforce being hollowed out while the contractors escape untouched, so I will be waiting to hear that information from you as well, Mr. DelBene.

The subcommittee will keep a close eye on OIT's budget and management over the course of this year. We expect VA to deliver the modern, user-friendly tools to help veterans access the care and benefits that they have earned. We cannot let the bureaucratic politics in Washington get in the way of that.

I ask unanimous consent that all members have 5 legislative days to revise and extend their remarks and include extraneous material. With no objection, this hearing is adjourned.

[Whereupon, at 5:55 p.m., the subcommittee was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF WITNESS

Prepared Statement of Kurt DelBene

Introduction

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and distinguished Members of the Subcommittee, thank you for the opportunity to testify in support of the President's Fiscal Year (FY) 2025 Budget Information Technology (IT) request for the Department of Veterans Affairs, and for your longstanding support of Veterans and their families. I am accompanied by Mr. Dewaine Beard, Principal Deputy Assistant Secretary for Information and Technology and Deputy CIO, Dr. Timothy Puetz, OIT's Chief Financial Officer and Deputy CIO for IT Budget and Finance, and Mr. Nathan Tierney, OIT's Chief People Officer and Deputy CIO for the Office of People Science.

FY 2025 Budget Request

VA is committed to providing Veterans a seamless, secure, and unified digital experience through state-of-the-art technology. Technology has become the very foundation of VA's ability to deliver its mission and to continue to provide world-class care and benefits to more Veterans than ever before. The President's Fiscal Year 2025 Budget provides \$7.6 billion for VA IT systems and telecommunications support, including \$6.2 billion in base discretionary funding. In addition, there is \$1.4 billion in mandatory Toxic Exposures Fund (TEF) funding to continue the modernization of systems as authorized under the PACT Act of 2022. OIT will make focused IT investments in cybersecurity, the IT workforce, and modernization.

The total Fiscal Year 2025 Budget for IT is \$49 million (0.6 percent) below the Fiscal Year 2024 enacted level. Base discretionary funding for IT is \$169 million (2.6 percent) below the Fiscal Year 2024 enacted level, while TEF funding is \$121 million (9.7 percent) above the Fiscal Year 2024 enacted level. The Fiscal Year 2025 staffing and administrative support services request of \$1.686 billion funds 8,310 FTE, which is 160 FTE (2.0 percent) above the Fiscal Year 2024 enacted level. The Fiscal Year 2025 Budget provides \$670 million for cybersecurity and VA's Zero Trust acceleration efforts, a \$118 million (21 percent) increase in base funding relative to the Fiscal Year 2024 enacted level. OIT will bridge the Fiscal Year 2024 enacted level to the Fiscal Year 2025 Budget request to ensure consistent support of key initiatives. Where practical, OIT will accelerate certain investments in Fiscal Year 2024 based on the operating plan and scale back other investments and technology roadmaps to ensure we have an investment plan that balances resources with key initiatives to support continuity in Veteran health care and benefits and represents a consistent strategy across the two fiscal years.

To successfully execute the Fiscal Year 2025 Budget, VA will continue to manage its IT budget with transparency. OIT is taking a critical look at legacy projects, established programs, and newly proposed programs. We are evaluating the value that those projects bring to mission delivery and determining if those funds can be better used elsewhere – especially in the areas of IT modernization, cyber security, and IT workforce which are vital in maintaining VA's digital transformation efforts in pursuit of more efficient and impactful service delivery to our Veterans.

The TEF funding from Congress is instrumental in furthering VA's IT modernization efforts. OIT has exercised extreme discipline in allocating TEF investments, ensuring a strong relationship between IT and the delivery of health care and benefits related to toxic exposures when modernizing related IT systems. We recognize the necessity of tradeoffs and remain committed to strategic scrutiny of where we deploy investments.

Cybersecurity

When Veterans leverage technology to access VA services, they trust that the underlying digital ecosystem is safe, reliable, and secure. For this reason, OIT has maintained cybersecurity as a priority for Fiscal Year 2025.

The Fiscal Year 2025 Budget provides \$670 million for cybersecurity and VA's Zero Trust acceleration efforts, a \$118 million (21 percent) increase in base funding relative to the Fiscal Year 2024 enacted level. This will help us to deliver a robust and resilient security posture for the nine million Veterans using VA for care and benefits and the hundreds of thousands of VA employees and contractors who access our network every day.

IT Workforce

The Fiscal Year 2025 staffing and administrative support services request of \$1.686 billion funds 8,310 FTE, which is 160 full-time equivalent employees (FTE) (2.0 percent) above the Fiscal Year 2024 enacted level. As VA prioritizes key IT investments, we must also recruit, retain, and upskill our current IT workforce of over 8,000 FTEs. VA is working hard to modernize its workforce with targeted talent strategies, such as hiring for cybersecurity and artificial intelligence skills, continuous talent development, incentives, and focused field staff expansion to support Veteran health and benefits mission growth.

IT Modernization

IT modernization is essential for achieving our goal of creating a 21st Century VA, where VA stands at the forefront of delivering Veterans a seamless digital experience. VA will prioritize these funds on the most essential modernization initiatives that bolster the Department's ability to serve Veterans. VA's model of addressing IT improvements incrementally rather than via large system replacement projects will help us manage IT spend, reduce vulnerability to cyber security threats, and strategically scale IT modernization.

Conclusion

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and Members of the Subcommittee, thank you for the opportunity to appear today. This subcommittee understands the value and importance Information Technology brings to the Veteran through health care and benefits. We remain responsible stewards of our funding and committed to maximizing the effectiveness of our investments throughout VA's enterprise. I look forward to our continued work with this Subcommittee to address our greatest priorities in our digital transformation in Fiscal Year 2025. This concludes my testimony, and I look forward to answering your questions.

STATEMENT FOR THE RECORD

U.S. Department of Veterans Affairs Response to Questions for the Record

QFRs – HVAC TM Hearing on OIT FY25 Budget

Question 1: What was OIT/VA's initial budget request or recommendation to OMB for the OIT development subaccount?

VA Response: As predecisional material provided to the President as part of the deliberative process, VA cannot provide preliminary budget requests or recommendations to OMB for specific subaccounts. However, much of the information that informed those materials is already made public in accordance with various statutory requirements.

The Budget and Accounting Act of 1921 (Public Law 67-13) established the framework for the modern federal budget and supports centralized budgeting in the Executive Branch. The law requires the President to coordinate the budget request for all Government agencies and send a comprehensive budget to congress. This comprehensive budget tempers agency requirements against the larger needs of the Federal government.

Nonetheless, in accordance with P.L. 117-328, Division U, Sec. 403, VA must submit a prioritized list of unfunded projects as part of its annual budget justification materials. This list defines those proposed or intended to be proposed FY 2025 projects unfunded as of the time of the inclusion of the list in the budget justification material. The table below displays FY 2025 IT Systems (0167) development funding to include the consolidated unfunded requirements (UFR) submitted as part of the FY 2025 list of unfunded requirements:

IT Systems Subaccount (Dollars in Thousands)	2023 Actual	2024 Estimate	2025 Request	2024-2025 Delta	2024-2025 %	2025 UFR	2025 Full
Development	135,153	125,650	960	(124,690)	-99.2%	120,320	121,280

These statutory reporting requirements show an initial budget proposal (i.e., 2025 Full) of \$121.280 million:

2025 Request: \$0.960M + 2025 UFR: \$120.320M = 2025 Full: \$121.280M

Question 2: Who made the decision to put nearly all the Toxic Exposures Fund dollars into OIT's operation and maintenance subaccount and zero dollars into development?

VA Response: VA has a systematic enterprise requirements management process that flows through planning, programming, and budgeting. VA decisions regarding strategic priorities, requirements, and resource allocation are adjudicated through VA governance culminating in the VA Executive Board (VAEB) chaired by the Secretary of Veterans Affairs. For the FY 2025 President's Budget, the VAEB adjudicated final decisions on trade-offs and analysis of alternatives – including those related to OIT's use of Toxic Exposures Fund (TEF). VA submitted this budget to the Office of Management and Budget (OMB). OMB and VA reached agreement through a budget settlement.

Question 3: Are budgeted dollars or expenditures on OIT contracts going to be reduced in FY 2025? How do the requested reductions to particular subaccounts or projects translate into reductions to contracts within those subaccounts or projects?

VA Response: The FY 2025 OIT Budget does reflect reductions in funding for contracts relative to the FY 2024 Estimate. The FY 2024 Estimate through the IT Systems (0167) and TEF (1126) appropriations funds over 200 contracts supporting development and operations and maintenance (O&M) projects.

The table below show reductions in funding for contract activities from FY 2024 to FY 2025 across all Technology Business Management (TBM) cost pools for development and for 5 of 7 TBM cost pools for O&M. O&M contract activities increased in the TMB cost pools for External Labor (+\$641 million, +18%) and Facilities and Power (+\$31 million, +116%). Contract costs by Facilities and Power are driven largely by leases and maintenance and support.

Reduction in Contract Costs for IT Systems (0167) & TEF (1126) by Subaccount & TBM Cost Pools

(Dollars in Thousands)	2024 Estimate	2025 Budget	2024-2025 Delta	2024-2025 %
Development	142,810	960	(141,850)	-99%
External Labor	107,357	-	(107,357)	-100%
Hardware	4,171	-	(4,171)	-100%
Outside Services	11,409	-	(11,409)	-100%
Software	19,873	960	(18,913)	-95%
Operations and Maintenance	5,881,738	5,880,912	(826)	0%
External Labor	3,561,256	4,202,901	641,645	18%
Facilities & Power	27,361	59,008	31,647	116%
Hardware	726,986	425,699	(301,287)	-41%
Other	43,466	37,916	(5,550)	-13%
Outside Services	255,801	6,311	(249,490)	-98%
Software	948,234	868,726	(79,508)	-8%
Telecom	318,634	280,351	(38,283)	-12%
Total	6,024,548	5,881,872	(142,676)	-2%

The table below shows disaggregation of O&M External Labor by IT Towers. Increased contract costs associated with External Labor are driven largely by Application (\$1.556 billion, +113%), End User (+\$189 million, +\$229%), and Security and Compliance (\$151 million, +42%).

Reduction in Contract Cost for O&M External Labor by TMB Tower

(Dollars in Thousands)	2024 Estimate	2025 Request	2024-2025 Delta	2024-2025 %
IT Towers				
Application	1,376,728	2,932,749	1,556,021	113%
Compute	102,597	69,413	(33,184)	-32%
Delivery	1,172,899	214,380	(958,520)	-82%
End User	82,474	271,163	188,689	229%
IT Management	399,335	186,882	(212,452)	-53%
Network	42,554	-	(42,554)	-100%
Platform	-	10,035	10,035	NA
Security & Compliance	364,392	515,994	151,602	42%
Storage	20,277	2,284	(17,993)	-89%

Total	3,561,256	4,202,901	641,645	18%
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The largest contract recipients for the Application IT Tower were Liberty IT Solutions, All Points Logistics, and Cognosante MVH. The largest contract recipient for the End User IT Tower was General Dynamics Information Technology. The largest contract recipient for the Security & Compliance IT Tower was Booz Allen Hamilton.

Question 4: How many OIT staff received the special salary rate? (OPS)

VA Response: The Special Salary Rate (SSR) was designated for OIT employees with a 2210 IT Specialist job classification. On July 17, 2023, there were 7,500 IT Specialists that received the SSR. As of May 28, 2024, there are 7,398 IT Specialists receiving the SSR.

Question 5: How many FTE and actual employees does OIT have currently? (OPS)

VA Response: As of May 28, 2024, OIT has 8,768 employees on board. This includes employees without pay and part time.

Question 6: How many employees has OIT hired from July 17, 2023, when the special salary rate was created, to the present? How many employees have left OIT during that time? (OPS)

VA Response: As of May 28, 2024, OIT has hired 1,037 employees since the Special Salary Rate (SSR) was created and there have been 153 employees that have left OIT. Of the 1,037 employees hired, 718 received the SSR.

Question 7: The FY 2025 budget request indicates 8,405 OIT FTE plus 139 FTE from the Toxic Exposure Fund, totaling 8,544. How do you reconcile those numbers with the authorized headcount in the memo signed by Mr. Tierney setting an FTE ceiling of 8,150?

VA Response: The memo signed by Mr. Tierney setting an FTE ceiling of 8,150 was for fiscal year (FY) 2024 and reflects the authorized headcount for FY 2024 IT Systems (0167) direct FTE. The FTE numbers outlined in this question are associated with the FY 2025 authorized headcount and include IT Systems Direct and Indirect FTE and Toxic Exposures Fund FTE. Thus, the 8,150 versus the 8,544 represent authorized headcounts in different fiscal years and different FTE funding mechanisms (see table below).

Full Time Equivalent (FTE)	FY 2024 Estimate	FY 2025 Budget
IT Systems (0167)	8,243	8,405
Direct	8,150	8,310
Reimbursable	93	95
Toxic Exposures Fund (1126)	139	139
Direct	139	139

Total FTE	8,382	8,544
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