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ADMINISTRATION OF VETERANS AFFAIRS, EXCEPT HEALTH AND INSURANCE

This category includes government establishments primarily engaged in administration of programs of assistance, training, counseling, and other services to veterans and their dependents, heirs, or survivors. Also included are offices that maintain liaison and coordinate activities with other service organizations and governmental agencies. Veterans hospitals are classified in Hospitals categories, and veterans' insurance in the Insurance Carriers industries.

NAICS CODE(S)

923140 (Administration of Veteran's Affairs)

INDUSTRY SNAPSHOT

In 2002, there were an estimated 25 million veterans in the United States, most of whom served during periods of armed conflict. More than 70 million Americans, including veterans and their dependents, were potentially

eligible for veterans benefits provided by the U.S. government, representing approximately one-third of the nation's population.

Veterans' benefits were administered by the Department of Veterans Affairs, second in size only to the Department of Defense among government departments. In 2004, the Department of Veterans Affairs had a budget of approximately \$63.6 billion. About \$30.2 billion of the department's budget went to discretionary funding and \$33.4 billion to entitlements. Department-wide employment was about 203,000 in 2000, down from 266,000 in 1993.

ORGANIZATION AND STRUCTURE

The U.S. Department of Veterans Affairs is organized into three functional agencies: the Veterans Health Administration (VHA), the Veterans Benefits Administration, and the National Cemetery System. The VHA operates the largest health care system in the nation, including 173 medical centers, 133 nursing homes, 40 domiciliary care units, and 398 outpatient clinics. An estimated 3.6 million veterans received medical treatment in 1999. Combat veterans also received counseling at more than 200 Vietnam Veteran Outreach Centers for a variety of problems, including posttraumatic stress disorder. The budget for medical programs in 1999 accounted for more than 40 percent of the total budget.

The Veterans Benefits Administration is responsible for most nonmedical benefit programs, including disability compensation, pensions, burial benefits, rehabilitation assistance, home loan guarantees, and insurance. These entitlement programs amounted to \$20.1 billion in 1999, when the agency processed approximately 3.5 million claims by veterans seeking disability compensation or pensions. Another 631,640 widows, children, or parents of deceased veterans were receiving survivor benefits. In addition, more than 370,000 veterans or their dependents were receiving educational benefits, and about 343,954 veterans had received home loan guarantees for new mortgages, as well as refinancing. Since the GI Bill of Rights was passed in 1944, the government has guaranteed home loans for more than 15 million veterans and their dependents. About 20.7 million veterans and dependents have attended college or received job training. The Veterans Benefits Administration also administers the fourth largest insurance program in the United States, with 2.2 million policyholders.

The National Cemetery System consists of 114 cemeteries and 34 memorials and monuments to veterans of the nation's wars. More than 2 million veterans and family members are buried in these national cemeteries, which occupy more than 5,000 developed acres. The U.S. Department of Veterans Affairs also provides headstones and markers for veterans' graves in private cemeteries. In

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1999, the National Cemetery System's 1,300 employees provided more than 61,370 interments. The agency projects that its interments will increase nearly 50 percent by 2008.

BACKGROUND AND DEVELOPMENT

The United States has provided veterans' benefits since 1818, when Congress finally agreed to pay veterans of the Revolutionary War pensions they had been promised for more than 40 years. During the War, the Continental Congress had encouraged enlistments by promising pensions for soldiers who were disabled in the fighting. It also approved a lifetime pension amounting to half-pay for all officers. However, because the Continental Congress did not have the power to raise money through taxes, there was no practical way to fulfill either promise.

In 1780, the Continental Congress voted to give officers who served until the end of the war half-pay for life, but according to Richard Severo and Lewis Milford, authors of The Wages of War, few officers ever expected to receive pensions because the Continental Congress lacked the resources to pay soldiers even their regular wages. In December 1817, after several other failed efforts, President James Monroe asked Congress to approve pensions for all veterans of the Revolutionary War and the War of 1812. Monroe told Congress, "In contemplating the happy situation of the United States our attention is drawn, with peculiar interest, to the surviving officers and soldiers of our Revolutionary Army, who so eminently contributed, by their services, to lay its foundation." Congress passed a bill the following year to give enlisted men \$8 per month and officers \$20.

Nearly 19,000 veterans applied for pensions in 1818. However, following the Panic of 1819, Congress amended the law to require that veterans be indigent before they qualified for a pension. More than 6,000 veterans were dropped from the pension rolls when they failed to prove poverty. These first pensions were administered by the office of the Secretary of War from 1818 until 1833, when Congress created the Bureau of Pensions, also within the Department of War. Prior to the Civil War, the administration of veterans' benefits was criticized for encouraging ex-soldiers to live at the government's expense and for encouraging graft and corruption.

Civil War. In many ways, the treatment of veterans after the Civil War was similar to what followed the Revolutionary War. By 1866, nearly 1 million Union soldiers had been demobilized and returned to their homes only to find there were no jobs available. The average Union soldier received about \$250 when he was discharged, but very little else. By 1868, New York Governor Reuben E. Fenton lamented that homeless vet-

erans in his state "are numbered by the thousands, and are altogether beyond the power of Executive and Legislative relief." He added that "their needs cannot be postponed," and called upon charitable organizations to help. The *North American Review* also estimated that in 1866 more than 5,000 former Union or Confederate soldiers were in state prisons, and one prison physician reported, "They have come to us with constitutions shattered by wounds, disease or intemperance." An estimated 45,000 veterans were addicted to morphine or heroin, which they had been given during the war for their injuries, and drug addiction came to be known as "the soldier's disease."

The United States did provide an annual pension for those who lost a limb: \$75 for a leg or \$50 for an arm. And in 1866, Congress funded the National Home for Disabled Voluntary Soldiers, which housed soldiers in 13 homes. However, the Commission of Inquiry and Advice in Respect to the Sanitary Interests of the U.S. Armed Forces advised that the government could not afford to pay for medical treatment of Civil War veterans.

When the Civil War ended, the United States had imposed a five-year cutoff on disability claims. The Arrears Act of 1879 allowed Civil War veterans to file new claims and collect pensions retroactively. John Sherman, then Secretary of the Treasury, estimated the pensions would cost as much as \$150 million, and the *New York Tribune* predicted "a grand scramble by a horde of hungry claims agents to get their hands on vast unearned portions of the national treasury." President Rutherford B. Hayes signed the bill into law despite the pressure to veto it. More than 47,000 new claims were filed in 1879 and nearly 140,000 in 1880, thus creating the first large veterans' administration bureaucracy. The Pension Building in Washington, D.C., was built in 1882 for the 1,500 clerks then needed to administer military pensions.

Grand Army of the Republic. Civil War veterans soon banded together to help influence governmental decisions concerning veterans' affairs. One such association was the secretive Grand Army of the Republic (GAR), founded in 1866, which was open to all honorably discharged members of the Union armed forces who served between April 12, 1861, and April 9, 1865. The GAR began as a fellowship, but soon took a more active role in petitioning the government to provide pensions and homes for veterans. By 1885, the GAR had nearly 250,000 members and was a powerful force in national politics.

Following the Civil War, veterans' benefits were the largest single item in the federal budget, accounting for almost 18 percent of the total. Nevertheless, when President Grover Cleveland vetoed a bill in 1887 that would have provided all disabled veterans with pensions, re-

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gardless of whether their disabilities were caused by military service, the GAR launched a campaign to defeat him in the next election. When Benjamin Harrison was elected in 1888, the *National Tribune*, newspaper of the GAR, bragged that veterans had "vetoed the great vetoer." Harrison, a brigadier general in the Civil War, was mindful of the support he received from the GAR and appointed James Tanner, commander of the GAR's New York Department, to head the Pension Bureau. Tanner, who had lost both legs in the Civil War, immediately promised to review all pensions of less than \$3.75 a month.

In May 1889, the *Nation* noted that veterans' pensions already cost more than \$88 million a year and estimated they would rise to \$95 million in 1890. The magazine, which called Tanner a "loud-mouthed Grand Army stump speaker," added, "This is a greater amount than the cost of the entire military establishment of Germany, under which the people of that nation groan so loudly." Many of the nation's leading newspapers also expressed concern. The Philadelphia Press complained that Tanner "would apparently like to pension everybody and everything." Tanner also irritated powerful people in Washington—he once told Representative Thomas Flood of New York that if the congressman's brain "was blown into the eye of a mosquito, it would not make the mosquito blink"-and ignored the Secretary of the Interior, to whom he nominally reported. That proved to be his undoing. Six months after taking office, Tanner submitted his resignation.

Tanner was succeeded by another Civil War veteran, Green B. Raum. Although less vociferous than Tanner, Raum was more effective. Congress passed the Dependent Pension Act of 1890, which provided a pension for any veteran of the Union army who had served at least 90 days and was unable to earn a living, for any reason, by his own labor. The law also applied to widows, and by 1893 more than 1 million Union veterans or their widows were receiving more than \$150 million in benefits. The United States also operated seven National Soldiers' Homes with more than 14,000 residents. In contrast, about 26,000 Confederate veterans were sharing about \$1 million from various state pensions. The GAR eventually grew to more than 500,000 members. Although its influence began to fade around the turn of the century, the GAR continued to exist until 1956, a year after the last Civil War veteran died.

Veterans Bureau. During World War I, Congress established the Bureau of War Risk Insurance, under the jurisdiction of the Treasury Department, to insure U.S. ships and their cargoes against the risk of mines, warships, and submarines. When the United States entered the war in 1917, the law was amended to provide death and disability benefits for members of the Armed Forces and their fami-

lies. Congress also created a Federal Board for Vocational Education to provide job training for disabled veterans. In 1921, Congress combined the Bureau of War Risk Insurance and the Federal Board for Vocational Education to create the Veterans Bureau. Charles R. Forbes, who had been appointed by President Warren G. Harding to head the Bureau of War Risk Insurance, became the first director of the new Veterans Bureau.

Forbes, however, proved to be a corrupt administrator who ignored the needs of veterans, padded the agency's payroll, and cheated the government out of millions of dollars. In the span of a few months, he embezzled millions of dollars and sold nearly \$7 million worth of medical supplies to private interests for \$600,000. Forbes later fled to Europe, leaving more than 200,000 unopened pieces of mail from veterans, and officially resigned in 1923. When he returned to the United States in 1924, he was convicted of conspiracy to defraud the U.S. government.

A Senate investigation of Forbes later revealed that the Veterans Bureau had disallowed thousands of legitimate claims. Although more than 300,000 U.S. soldiers had been wounded in combat, the Veterans Bureau had approved only 47,000 claims for disability insurance, and even fewer veterans received any vocational training. The Senate concluded, "Neither Congress nor the people of the country intended that bureau employees should split hairs when the claimants affected are men who were wounded in battle." In 1925, a columnist for the *American Mercury* wrote that "Congress little realizes that its creature, the Veterans Bureau, has probably made wrecks of more men since the war than the war itself took in dead and maimed."

In 1930, Congress authorized President Herbert Hoover to "consolidate and coordinate government activities affecting war veterans." The Veterans Administration, created by executive order, consolidated the Veterans Bureau, the Bureau of Pensions, and the National Home for Disabled Volunteer Soldiers. Brigadier General Frank T. Hines, who had been director of the Veterans Bureau under Hoover, became the first administrator, a position he would hold until 1945.

Bonus Army. In 1924, Congress overrode a veto by President Calvin Coolidge to pass a "bonus bill" that provided 3.5 million World War I veterans with Adjusted Compensation Certificates. These certificates, which amounted to about \$1,000 each, were to mature in 1945. However, in May 1932, during the Great Depression, more than 15,000 veterans calling themselves the Bonus Expeditionary Force marched on Washington, D.C., demanding immediate payment. President Herbert Hoover refused to meet with leaders of the Bonus Army and promised to veto any bill that authorized early payment.

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Finally, when the Bonus Army camped out on the Potomac River and staged public protests, Hoover ordered the Army to disperse the men whom he labeled "Communists and persons with criminal records."

General Douglas MacArthur, then Army Chief of Staff, assembled 600 troops, including 200 cavalry under the command of Major George S. Patton. MacArthur ordered the troops to advance on the protesters with tear gas and bayonets. At one point, when the protesters resisted with bricks and curses, Patton led the last mounted charge of the U.S. Cavalry against homeless Americans. One of the veterans roused by the cavalry was Joseph T. Agelino, who won the Distinguished Service Cross in 1918 for saving Patton's life. After dispersing the protesters at the armory, MacArthur turned his attention to Anacostia Flats and marched on the camp. More than 300 veterans and family members were injured in the confrontation.

Afterwards, President Hoover accepted responsibility for MacArthur's actions, but he claimed the protesters were rabble-rousers bent on insurrection, not veterans. However, an investigation by the Veterans Administration (VA) revealed that 94 percent of the marchers had been veterans, almost 70 percent had served overseas, and 20 percent were disabled. In New York, an outraged Governor Franklin D. Roosevelt said of Hoover, "There is nothing inside the man but jelly." Roosevelt was swept to victory in the presidential election that fall.

Ironically, Roosevelt persuaded Congress to pass the Economy Act of 1933, which among other measures cut service-related disabilities by 25 percent, thus triggering another bonus march. This time, however, Roosevelt had the VA establish a camp for protesters 15 miles outside Washington, thus avoiding confrontations with police or the Army. Congress eventually passed a bonus bill over Roosevelt's veto.

GI Bill of Rights. In July 1943, two years before World War II would come to an end, President Roosevelt told the American people during one of his radio "fireside chats," "While concentrating on military victory, we are not neglecting the planning of things to come. . . . Among other things, we are . . . laying plans for the return to civilian life of our gallant men and women of the armed services. They must not be demobilized into an environment of inflation and unemployment." In October, he proposed legislation that would finance one year of education for veterans who were honorably discharged, with the possibility that those with "exceptional ability and skill" might be able to attend college for three years at government expense.

Despite the fear expressed by Robert M. Hutchins, then president of the University of Chicago, that "colleges and universities will find themselves converted into educational hobo jungles," Roosevelt's proposal became the Serviceman's Readjustment Act, largely written by the American Legion and passed unanimously by Congress in 1944. Roosevelt signed the law, better known as the GI Bill of Rights, on June 22, 1944.

As passed, the GI Bill provided veterans with up to 52 weeks of unemployment compensation following their discharge from the service. The law, considered one of the most significant pieces of social legislation ever enacted, also provided veterans with job training and counseling, educational grants, loans to establish small businesses and farms, and mortgage assistance to buy homes. Eventually, more than 2 million World War II veterans would go to college on the GI Bill, which paid full tuition plus \$50 a month for those with more than two years of military service. By 1948, the government was paying tuition for nearly half of all male college students. In addition, by 1950, 20 percent of new homes were purchased with low-interest VA loans. Between 1943 and 1956, more than 600,000 disabled veterans also took advantage of job training under the Vocational Rehabilitation Act. According to Severo and Milford, "Whatever its shortcomings, the GI Bill . . . produced a generation of well-educated professionals, businessmen, and homeowners who became the basis for a greatly strengthened American middle class."

The post-war administration of veterans' benefits was not without controversy, however. Early in 1945, Frank T. Hines, who had run the VA since 1923, came under increasing criticism for his failure to adjust to the changing needs of American veterans. When President Harry S. Truman announced plans to ''modernize'' the VA late in 1945, Hines resigned. In his place, Truman appointed General Omar N. Bradley, who had been in command of all U.S. ground troops in Europe since the D-day invasion of Normandy in 1944. Bradley took over the VA in August 1945. He told his staff, which then numbered 65,000, ''Our job is to give the veterans service, and we must not forget that the service we give them they have earned by sweat and blood. It is a service they have paid for. We must realize that it is not a charity service.''

In Wounded Men, Broken Promises, Robert Klein wrote that "Complaints about the treatment afforded veterans virtually disappeared" under Bradley. However, his tenure as head of the VA would be short-lived, as key leaders within the American Legion criticized Bradley's failure to respond to their demands as Hines had. Bradley resigned as head of the VA in 1947 and returned to the Army, where he became Army Chief of Staff in 1948 and the first chairman of the Joint Chiefs of Staff a year later. Bradley was replaced at the VA by Carl R. Gray Jr., a former officer and vice president of the Chicago and Northwestern Railroad who was considered one of the most ineffectual administrators ever to run the agency.

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Korean War. When President Truman ordered U.S. troops into Korea early in 1950, the government's initial position was that veterans of the "police action" would be entitled only to the peacetime benefits. Eventually, Congress extended the rehabilitation and vocational training offered to World War II veterans to those fighting in Korea under the Veterans' Readjustment Assistance Act, a GI Bill of Rights for Korean War veterans that provided fewer benefits than World War II veterans had received. When the Korean War ended in 1953 with a truce rather than victory, there was a general feeling in the United States that perhaps Korean War soldiers had not fought as hard as their World War II counterparts. The Army even refused to pay many former prisoners of war the \$2.50 per day they were entitled to in back pay.

Korean War veterans were not immune from the fear of communism that gripped the nation in the mid-1950s. Charges that hundreds of American prisoners of war had collaborated with the Communist enemy prompted the VA, invoking a 1943 law that denied benefits to anyone found guilty of treason, mutiny, or sabotage, to establish a committee in 1955 to examine the political activities of veterans. The first and last veteran the committee moved against was James Kutcher, a former VA clerk who had been fired in 1948 for espousing the beliefs of Leon Trotsky, a leader of the 1917 Bolshevik revolution in Russia. In December 1955, the VA notified Kutcher that it also was cutting off his disability checks. However, Kutcher hired an attorney, Joseph Rauh, who pressured the VA into holding a hearing. Public sentiment was overwhelmingly with Kutcher, and the VA was forced restore his benefits. In 1956, a federal appeals court ordered the VA to rehire Kutcher and pay him back pay.

Vietnam War. Veterans returning from Vietnam also received a less than enthusiastic welcome by the government and the American people. In particular, educational benefits were substantially less than those offered to veterans of World War II or the Korean War. In addition, the country was suffering through a period of high inflation and recession. In the early 1970s, President Richard Nixon vetoed a bill that would have increased the number of doctors at VA hospitals, urged Congress to cut funds for vocational education, and impounded money that Congress had intended to help veterans attend college. After Nixon resigned in 1974, Congress overrode a veto by President Gerald Ford to increase educational benefits.

Poor administrators also contributed to the sorry reception offered to returning Vietnam War veterans. Nixon had appointed Donald Johnson, former national commander of the American Legion, to head the Vietnam-era VA. However, Johnson later resigned amid charges that he pressured employees into contributing to Nixon's reelection campaign. Johnson's replacement, Richard Roudebush, was so disliked by veterans that a

few weeks after he took office three of them sneaked into his office in Washington, D.C., nailed the door shut, and forced him to discuss plans to cut educational benefits in the hallway. When Jimmy Carter became president in 1977, he named Max Cleland, a Vietnam veteran and multiple amputee, to head the VA. But organizations like the Vietnam Veterans of America remained critical of government efforts to help soldiers who had fought in Southeast Asia.

U.S. Department of Veterans Affairs. In 1988, Congress approved legislation to elevate the VA to Cabinet level, which proponents argued would give veterans a stronger voice in government. The Department of Veterans Affairs came into existence in March 1989, with former Illinois Congressman Edward J. Derwinski sworn in as the first secretary. Derwinski was succeeded in 1993 by Jesse Brown, former executive director of the Disabled American Veterans and an ex-Marine who was seriously wounded in Vietnam.

The Veterans Education, Employment, and Training Amendments of 1991 provided educational and vocational counseling for veterans who were not eligible for other educational benefits, extended the deadline for Vietnam veterans to take advantage of employment assistance until 1994, and gave preference to veterans for federal jobs. After years of debate, in 1994, the Department of Veterans Affairs agreed to provide benefits to veterans who had been exposed to Agent Orange, a defoliant that had been used extensively in Vietnam.

Persian Gulf War. In 1991, Congress approved legislation extending GI Bill benefits, including educational benefits and home-loan guarantees, to servicemen and women who fought in the Persian Gulf War. It also passed legislation making Gulf War veterans eligible for non-service-connected pension benefits and authorized the U.S. Department of Veterans Affairs to provide readjustment counseling to veterans who served in armed conflicts since May 1975. The government continued to deny the existence of a distinct Gulf War syndrome, a variety of ailments that veterans' organizations claimed were the result of bacterial warfare in the Persian Gulf. But it agreed to provide benefits to suffering veterans, providing that they had become ill within two years of their return from the conflict. This deadline, which eliminated 95 percent of applicants from eligibility, was extended to 2001 in 1997. Public debate over the causes and treatment of these illnesses continued.

Cutting costs while improving service to its core constituency were the paramount concerns of the Department of Veterans Affairs in the early and mid-1990s. The Veterans Health Administration (VHA) was a particular focus of criticism and reform. Some observers called for the wholesale dismantling of the health care system. Bob

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Helms of the American Enterprise Institute told *Insight* on the News magazine's Gayle M.B. Hanson that "If you took all of the money the VA spends on health care, and provided it directly to veterans in the form of vouchers, they would be getting much, much better service." And while veterans justifiably complained about long waits, poor service, and the deteriorating physical condition of many facilities, lobbying groups staunchly opposed privatization.

Under the leadership of Secretary for Health Care Dr. Kenneth Kizer, the VHA embarked on a vast reorganization dubbed the "Prescription for Change." In 1996, the organization was decentralized from a four-region system into 22 Veterans Integrated Service Networks (VISNs), in an effort to slim the bureaucracy. The VHA, as well as the VA as a whole, adopted a more businesslike approach to management, complete with "organizational goals," "performance measures," and "core values." Since 1986, in fact, the VA has published an "accountability report" laid out much like a corporate annual report. Whether these efforts result in real improvements in service and resource allocation remains to be seen.

On November 11, 1998, President Clinton signed into law the Veterans Programs Enhancement Act of 1998, representing the 105th Congress' joint efforts to improve benefits and services to veterans. Among its key provisions are an extension of the VA's authority to provide medical care to Persian Gulf veterans through December 31, 2001, and provisions for additional evaluation of evidence linking illnesses of veterans with service in the Persian Gulf War.

The VA-HUD Appropriations Act of 1999 increased the president's requested budget by \$439 million, to be applied to various programs. Another important piece of legislation was the Veterans Benefits Act of 1998, which increases the full-time GI Bill monthly rate from \$440 to \$528; increases education benefits for spouses and children of veterans killed on active duty; and allows surviving spouses of deceased disabled veterans to again be eligible for benefits if their subsequent remarriage ends. Still to be signed into law during the 106th Congress was the Arlington National Cemetery Burial Eligibility Act, overwhelmingly passed by the House.

CURRENT CONDITIONS

The president's budget for the VA in 2004 was about \$63.6 billion for veterans' benefits and services. Along with a significant increase in medical care, the budget also included \$225 million in new construction funding for VA's nationwide infrastructure initiative (CARES) and \$264.9 million to support VA's burial programs, including funds for activation and operation of five new national cemeteries. The three main goals of the VA were to increase focus on its health care system, provide for

timely claims processing, and ensure that the burial needs of veterans were met and national cemeteries were maintained as shrines.

The Veterans Affairs Department made significant progress in the technology realm in the early twenty-first century, combining its security, management, and budget systems under the direction of the CIO Office. The CIO office is now responsible for modernizing the telecommunications systems and increasing cybersecurity. The CIO also oversees the VA's VETSNET project, which is a \$40 million compensation and pension system. The VA also plans to consolidate its eight processes for veterans registration and link them to the Defense Department's Defense Manpower and Data Center and the Defense Enrollment Eligibility Reporting System. This step will allow a single access point for shared veteran and military personnel benefits information.

FURTHER READING

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SIC 9511

AIR AND WATER RESOURCE AND SOLID WASTE MANAGEMENT

This category includes government agencies primarily engaged in regulation, planning, protection, and conservation of air and water resources; solid waste management; water and air pollution control and prevention; flood control; drainage development and consumption of water resources; coordination of these activities at intergovernmental levels; research necessary for air pollution abatement, and control and conservation of water resources. Water systems are classified in SIC 4941: Water Supply. Sewage and refuse systems and other sanitary services are classified in SIC 4950: Sanitary Services. Irrigation systems are classified in SIC 4971: Irrigation Systems.

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924110 (Air and Water Resource and Solid Waste Management)