FUNCTION 700: VETERAN AFFAIRS

FUNCTION SUMMARY

Function 700 includes programs directed toward veterans of the armed forces. Income security needs of disabled veterans, indigent veterans and the survivors of deceased veterans are addressed through compensation benefits, pensions, and life insurance programs. Education, training, and rehabilitation and readjustment programs to veterans include the Montgomery GI Bill, the Veterans Educational Assistance Program, and the Vocational Rehabilitation and Counseling Program. Veterans are also able to receive guarantees on home loans and farm loans. Roughly half of all spending on veterans is for the Veterans Health Administration, which consists of more than 700 hospitals, nursing homes, domiciliaries, and outpatient clinics.

In 1998, spending for Function 700 was $42.8 billion in BA and $43.1 billion in outlays, which was a 9.7 percent increase over the 1997 spending level of $39.3 billion. Discretionary spending represents $19.0 billion or 44 percent of total spending in the function. Funding for the medical care and medical research in the VA hospital system accounts for most of this discretionary spending. Spending for Medical Care in 1998 will total $17.7 billion, which includes about $560 million in third party payments and other payments to help fund veteran health services. Appropriated spending on medical care accounts for more than 90 percent of total discretionary spending. General Operating Expenses for the Department of Veteran Affairs will total $780 million in 1998 or 4 percent of total spending. The remainder of spending goes to construction spending for the medical care system, state veteran cemeteries, and other minor benefits and services.

As reflected in the spending summary table, under the freeze baseline, Function 700 spending will increase by 16 percent from 1998 to 2003. This is due primarily to growth in the veterans' compensation and pension programs. A large part of the increase, $10 billion in spending over the next five years, is the result of a May, 1997 Veteran Affairs General Counsel ruling that veterans with smoking-related diseases who smoked while in the military and their survivors are eligible for disability compensation cash payments.

The BBA contained $1.6 billion in savings from extending certain expiring provisions of law, including a pension limitation on veterans in Medicaid-paid nursing homes, prescription drug co-pays and in-hospital per diems and fees for VA housing loans. In addition to the savings, VA hospitals were allowed to retain receipts collected into the Medical Care Cost Recovery (MCCR) fund. Retaining the MCCR offsetting receipts increases spending on veteran hospitals by $3.2 billion from 1998 to 2002. Discretionary spending according to the BBA will decrease from $18.5 billion in 1998 to $18.0 billion in 2002.

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SPENDING SUMMARY
($ billions)

		1998	1999	2000	2001	2002	2003
Chairman's	BA	42.6	42.8	43.4	44.8	46.2	48.2
Mark	OT	42.5	43.3	44.0	45.2	46.7	48.6
BBA	BA	42.6	42.1	43.2	44.5	45.7	48.2
	OT	42.5	42.4	43.4	44.7	45.9	48.5
Freeze	BA	42.6	42.8	43.9	45.4	46.8	49.1
Baseline	OT	42.5	43.3	44.2	45.6	47.1	49.4
Chairman's Mark compared to:							
BBA	BA	--	+0.7	+0.2	+0.3	+0.5	--
	OT	--	+0.9	+0.6	+0.5	+0.8	+0.1
Freeze	BA	--	--	-0.5	-0.6	-0.6	-0.9
Baseline	OT	--	--	-0.2	-0.4	-0.5	-0.9

DESCRIPTION OF THE CHAIRMAN'S MARK

The Chairman's Mark for the 1999 budget resolution proposes discretionary spending of $19.1 billion in BA and $19.6 billion in outlays. This amount represents level funding in BA but an increase of $0.5 billion in outlays compared to 1998. The Mark also assumes $560 million in spending from offsetting receipts from the Medical Care Cost Recovery fund, which is 10 percent higher than projected during last year's BBA.

Over the next five years the Mark assumes spending $3.0 billion more than assumed in the BBA for both mandatory and discretionary programs over the next five years. Compared with the freeze baseline, the Mark would spend $2.0 billion less than baseline projections over the next five years.

Discretionary Spending

The Chairman's Mark assumes $93.0 billion in BA and $94.2 billion in outlays over the next five years for discretionary spending. This level will be supplemented by receipts into the Medical Care Cost Recovery fund which are currently estimated to be about $3.5 billion over the next five years. The Mark assumes:

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- The President's level of spending on **VA medical care system** of over $90 billion in total spending over the next five years. The veteran population has started declining, and starting in 1999 the over age 65 veteran population -- those who use medical facilities the most -- will begin to decline;

- No new **construction** of facilities after 1999, but over $1.0 billion in new funds will be available for renovation, conversion of existing facilities, major repairs, and other minor construction which is the same level of spending assumed in the President's Budget;

- Starting in 2000, after the over 65 veteran population starts declining the **General Operating Expenses** (GOE) will decrease at one-half the rate of decline in the veteran population, saving $80 million over four years; and

- The President's proposals, based on an advisory committee recommendation, to halt construction for **state extended care facility grants** saving $74 million. Funds are still available for repair and renovation of facilities.

Mandatory Spending

- The Mark assumes the President's proposal reversing the VA General Counsel opinion extending compensation to veterans with smoking related disabilities. This assumption is discussed in Function 920.