



Legislative Bulletin.....June 30, 2005

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H.R. —

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Order of Business: The bill is expected to be considered on Thursday, June 30th under a motion to suspend the rules and pass the bill.

Summary: While the text of the legislation is not available as of press time, H.R. -- is expected to provide \$975 million in funds for veterans healthcare **in FY05**. This funding is to replenish non-healthcare accounts that are currently being used to address a \$1 billion shortfall in veterans healthcare (see below). Specifically, the Department of Veterans Affairs (VA) is deferring \$600 million in non-critical capital expenses (not for facility construction, but for equipment and maintenance) and tapping \$375 million in unused accounts elsewhere that was budgeted to be spent or “carried over” to FY06. H.R.-- does not attempt to address the FY06 shortfall since that can be addressed through the ongoing FY06 appropriations cycle.

Background: The VA recently announced budget shortfalls for veterans healthcare of \$1 billion in FY05 and \$1.5 billion in FY06, as a result of an outdated projection of healthcare demand. The FY05 projection was three years old and off by roughly 3%. According to Secretary Jim Nicholson’s testimony this week, \$273 million or 28% of the \$1 billion is due to veterans returning from current combat theatres. This shows that 72% of the unexpected costs in FY05 stem **not** from an unwillingness to accurately account for the full cost of the War on Terror, but rather a breakdown in the VA’s normal accounting of its budgetary needs.

It is still unclear how much the FY06 amount will total. Since the original FY06 \$1.5 billion figure reflects the need to replenish the \$375 million in “carry-over” funds, H.R. -- will decrease the amount needed accordingly to roughly \$1.1 billion. The VA’s original \$1.5 billion figure also assumed the enactment of the policies in the President’s budget (increasing drug copays and imposing an annual enrollment fee for non-disabled higher-income veterans) as offsets which Congress has not enacted, but the House-passed FY05 Military Quality of Life Appropriations Act (H.R. 2528) included \$1 billion more than requested to match the revenue lost from not enacting these proposals.

Cost to Taxpayer: A CBO cost estimate for H.R. -- is not yet available. According to the Budget Committee, there is \$1.058 billion remaining under the FY05 budget resolution as a

result of a rescission included on the Iraq supplemental (P.L. 109-13). As a result, the bill fits within the overall amount of discretionary spending provided in the FY05 budget resolution.

Note: This rescission was originally intended as an offset to lower the cost of the Iraq supplemental, but since that legislation was deemed an emergency it did not count toward the FY05 budget resolution. As a result, the rescission freed up additional resources under the budget to be spent elsewhere.

Does the Bill Create New Federal Programs or Rules?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Constitutional Authority: A committee report citing constitutional authority is unavailable.

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