



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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Veterans Discretionary Budget Cut \$10 billion Over Five Years: Budget in Brief #5

Funding for Veterans Medical Care — The President’s 2007 budget provides \$36.1 billion for appropriated veterans programs, which is \$2.9 billion above the amount enacted for 2006 and \$1.8 billion above the amount needed to maintain purchasing power at the 2006 level. Beyond 2007, however, veterans funding is cut in almost every year. Over five years, the budget cuts funding \$10.0 billion below the level the Congressional Budget Office (CBO) estimates is needed to maintain purchasing power at the 2006 level. Almost all appropriated funding for veterans goes to provide medical care and hospital services.

Total Appropriated Funds for Veterans

(Budget Authority in Billions)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u> <u>2007-11</u>
2007 Budget Request	36.1	34.4	34.1	33.4	33.6	171.6
Current Services Level	<u>34.3</u>	<u>35.2</u>	<u>36.3</u>	<u>37.3</u>	<u>38.4</u>	<u>181.6</u>
Amt. Above/Below Current Services	+1.8	-0.9	-2.2	-3.9	-4.8	-10.0

Note: Numbers may not add due to rounding.

Increase for 2007 Not Enough — Even though the 2007 budget for veterans discretionary programs is \$1.8 billion above current services, it is not enough because the budget makes several unrealistic assumptions:

- ▶ **New Taxes on Veterans** — For the fourth year in a row, the President’s budget imposes increased fees on Priority 7 and 8 veterans to augment Department of Veterans Affairs (VA)

OMB v. CBO: Different Estimates of the President’s Budget

On February 9, the Budget Committee Democratic staff issued its detailed “Summary and Analysis of the President’s Fiscal Year 2007 Budget.” That report (at www.house.gov/budget_democrats/) analyzed the budget using the estimates submitted by the Office of Management and Budget. The Congressional Budget Office (CBO) has since re-estimated the President’s budget, and this report uses CBO’s estimates of spending and revenue.

health care funding. The fee increases, which include a \$250 enrollment fee and an increase in drug co-payments from \$8 to \$15, would increase collections by \$2.4 billion and drive nearly 200,000 veterans out of the VA health care system. Every year the Congress has rejected the fee increases.

- ▶ **Management Efficiencies** — The budget assumes that the Veterans Health Administration can achieve \$1.1 billion in management efficiencies in 2007. The Government Accountability Office (GAO) in a recent review found that the Administration's claims of management efficiencies lacked sound justification.¹
- ▶ **Fewer War Veterans** — The 2007 budget makes the questionable assumption that the number of Iraq and Afghanistan war veterans using the VA health care system will decrease 1,375 below the number estimated for 2006. Also, mental health experts indicate that between 17 percent and 26 percent of troops returning from combat operations in Iraq and Afghanistan may experience mental health disorders and may need VA services.
- ▶ **Cuts to Medical and Prosthetic Research** — The budget cuts medical and prosthetic research by \$13 million below the 2006 enacted level. Among the R&D activities within this program are efforts to help new war veterans – to improve treatment of post-traumatic stress disorder, blast-related injuries, and Gulf War related illness.
- ▶ **Underfunded Construction Budget** — The budget includes only \$307 million for major construction. The VA has previously advocated investing \$1 billion per year in medical construction over five years to implement the Capital Asset Realignment for Enhanced Services (CARES) program.

VA Committee Republicans Support \$1.3 billion Increase to President's Budget —

Republicans on the House Veterans' Affairs Committee reviewed the President's budget and have determined that his budget is insufficient. In his views and estimates to the Budget Committee, Chairman Buyer recommended an increase of \$1.3 billion above the amount the President requested for VA discretionary programs for 2007.

Funding Cut \$11.8 Billion below Current Services Beyond 2007 — From 2008 to 2011, the budget cuts funding for veterans discretionary programs \$11.8 billion below the amount CBO estimates is needed to maintain current services. This could result in the VA providing health care to 600,000 fewer veterans by 2011.

Many Try to Deflect Criticism of Underfunded Budgets by Citing Past VA Increases — Many cite the fact that funding for Hospital and Medical Care for Veterans (Subfunction 703) has increased 83 percent over the last decade (1996 to 2006) when justifying the President's current budget for veterans programs. This fact alone, however, is misleading. From 1996 to 2006, the number of unique patients using the VA health care system has increased 2.4 million. On a per

¹GAO report, "Limited Support for VA's Efficiency Savings," February 1, 2006.

capita basis, veterans' health care spending has increased only 0.1 percent per year, a level well below health care inflation.

Increased Health Care Tax on Military Retirees — The President's budget also increases health care enrollment fees and deductibles for military retirees under the age of 65, saving \$735 million for 2007, and \$11.2 billion over five years. Over two years, this proposal triples fees for retired officers and doubles them for senior enlisted retirees. For junior enlisted retirees, fees will increase more than 40 percent over two years.

Budget Rejects Notion of Shared Sacrifice — The President's budget rejects a notion of shared sacrifice during a time of war. The budget includes large tax cuts for the wealthy, while increasing taxes in the form of fees on veterans and military retirees – those who have already served and sacrificed defending our country.