

CRS Report for Congress

Military Construction, Veterans Affairs, and Related Agencies: FY2008 Appropriations

June 12, 2007

Daniel H. Else
Specialist in National Defense
Foreign Affairs, Defense, and Trade Division

Christine Scott
Specialist in Tax Economics
Domestic Social Policy Division

Sidath Viranga Panangala
Analyst in Social Legislation
Domestic Social Policy Division



**Prepared for Members and
Committees of Congress**

The annual consideration of appropriations bills (regular, continuing, and supplemental) by Congress is part of a complex set of budget processes that also encompasses the consideration of budget resolutions, revenue and debt-limit legislation, other spending measures, and reconciliation bills. In addition, the operation of programs and the spending of appropriated funds are subject to constraints established in authorizing statutes. Congressional action on the budget for a fiscal year usually begins following the submission of the President's budget at the beginning of each annual session of Congress. Congressional practices governing the consideration of appropriations and other budgetary measures are rooted in the Constitution, the standing rules of the House and Senate, and statutes, such as the Congressional Budget and Impoundment Control Act of 1974.

This report is a guide to one of the regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House Military Quality of Life and Veterans Affairs and Senate Military Construction and Veterans Affairs Appropriations Subcommittees. It summarizes the status of the bill, its scope, major issues, funding levels, and related congressional activity, and is updated as events warrant. The report lists the key CRS staff relevant to the issues covered and related CRS products.

NOTE: A Web version of this document with active links is available to congressional staff at [\[http://beta.crs.gov/cli/cli.aspx?PRDS_CLI_ITEM_ID=2349\]](http://beta.crs.gov/cli/cli.aspx?PRDS_CLI_ITEM_ID=2349).

Military Construction, Veterans Affairs, and Related Agencies: FY2008 Appropriations

Summary

The House introduced its version of the FY2008 Military Construction, Veterans Affairs, and Related Agencies appropriations bill, H.R. 2642, on June 11, 2007. House action on the bill is scheduled for June 13. The Senate subcommittee and committee markup on its version of the bill is expected within the week.

The President submitted his FY2008 appropriations request to Congress on February 5, 2007, including \$105.2 billion for programs covered in this appropriations bill: \$21.2 billion for Title I (military construction and family housing); \$83.9 billion for Title II (veterans affairs); and \$163 million for Title III (related agencies). With no regular appropriation passed or enacted for FY2007, this must be compared with the combined totals of the subsequent continuing resolutions and emergency supplemental appropriations: \$17.9 billion for Title I; \$79.6 billion for Title II; and \$149 million for Title III. The request represents an increase of \$3.2 billion (18.0%) in Title I, \$4.4 billion (5.5%) in Title II, and \$14 thousand (9.2%) in Title III above the FY2007 enacted appropriations. The overall FY2008 request exceeds the FY2007 appropriations by \$7.6 billion, an increase of 7.8%.

While the general appropriations request for Title I activities has increased above FY2007, this increase has not occurred across all appropriations accounts. Funds for armed forces reserve components and for military family housing requested in FY2008 are less than those enacted for FY2007, while requested construction funding for the active Army, Navy, Marine Corps, and Air Force and appropriations for Base Realignment and Closure (BRAC) actions exceed the currently enacted amounts. Much of this addition can be attributed to the recently authorized increase in end-strength of military ground forces and the onset of construction required by the 2005 BRAC round.

In the area of veterans' non-medical benefits, mandatory spending is increasing as claims for disability compensation, pension, and readjustment benefits increase due to a combination of several factors including the aging of the veterans population and the current conflicts in Iraq and Afghanistan. As a result of the increase in the number of claims, the average processing time for a disability claim in FY2006 was 177 days. To reduce the pending claims workload and improve the claims processing time, funds were provided in the FY2007 supplemental and in the FY2008 appropriation for hiring and training additional claims processing staff. While mandatory spending has increased by 19.6% between FY2006 and FY2008 (from \$37.2 billion to \$44.5 billion), mandatory spending has declined as a share of the total VA appropriation (from 52.1% in FY2006 to 50.7% in FY2008).

In terms of medical care afforded to veterans, similar to the past five years, the Administration has included several cost sharing proposals including increase in pharmacy copayments and enrollment fees for lower priority veterans. The House Appropriations Committee draft bill provides \$37.1 billion for VHA for FY2008, a 9.1% increase over the FY2007 enacted amount of \$34.0 billion, and 7.3% above the President's request of \$34.6 billion. The draft bill does not include any provisions that would give VA the authority to implement fee increases. This report will be updated as events warrant.

**Key Policy Staff for Military Construction, Military Quality of Life,
and Veterans Affairs Appropriations**

Area of Expertise	Name	Telephone	E-Mail
Acquisition	Valerie Bailey Grasso Stephen H. Chadwick	7-7617 7-8983	vgrasso@crs.loc.gov schadwick@crs.loc.gov
Base Closure	Daniel H. Else	7-4996	delse@crs.loc.gov
Defense Budget	Stephen Daggett Amy Belasco	7-7642 7-7627	sdaggett@crs.loc.gov abelasco@crs.loc.gov
Health Care; Military	Richard A. Best, Jr.	7-7607	rbest@crs.loc.gov
Military Construction	Daniel H. Else	7-4996	delse@crs.loc.gov
Military Personnel	David F. Burrelli Charles A. Henning	7-8033 7-8866	dburrelli@crs.loc.gov chenning@crs.loc.gov
Military Personnel; Reserves	David F. Burrelli Charles A. Henning	7-8033 7-8866	dburrelli@crs.loc.gov chenning@crs.loc.gov
Related Agencies	Daniel H. Else	7-4966	delse@crs.loc.gov
Veterans Affairs	Christine Scott	7-7366	cscott@crs.loc.gov
Veterans Affairs; Healthcare	Sidath Viranga Panangala	7-0623	spanangala@crs.loc.gov

Contents

Most Recent Developments	1
Status of Legislation	2
Summary and Key Issues	2
Appropriations Subcommittee Jurisdiction Realignment, 110 th Congress ..	2
Appropriations for Fiscal Year 2007	2
Continuing Resolutions	2
FY2007 Emergency Supplemental Request for the Global War on Terror	3
U.S. Troop Readiness, Veterans Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (H.R. 1591 and H.R. 2206)	4
Fiscal Year 2008 Appropriations	5
Title I: Department of Defense	5
Military Construction	5
Key Budget Issues	5
Base Realignment and Closure/Integrated Global Presence and Basing Strategy	5
“Growing the Force”	6
Overseas Initiatives	6
Title II: Department of Veterans Affairs	7
Agency Overview	7
Key Budget Issues	9
Medical Care	10
Title III: Related Agencies	12
American Battle Monuments Commission	12
U.S. Court of Appeals for Veterans Claims	12
Department of Defense - Civil (Army Cemeterial Expenses)	13
Armed Forces Retirement Home (AFRH)	13
Appendix A. Consolidated Non-VA Funding Tables	15
Appendix B. Additional Resources	17
Budget	17
Selected Websites	17

List of Tables

Table 1a. Status of FY2008 Military Construction, Veterans Affairs, and Related Agencies Appropriations (H.R. 2642)	2
Table 1b. Status of FY2008 National Defense Authorization (H.R. 1585, S. 1549)	2
Table 2. Department of Veterans Affairs Appropriations, FY2001-FY2007	7
Table 3. Appropriations: Department of Veterans Affairs, FY2006-FY2008 ...	7
Table 4. Appropriations: Related Agencies, FY2006-FY2008	13
Table 5. DOD Military Construction	15

Military Construction, Veterans Affairs, and Related Agencies: FY2008 Appropriations

Most Recent Developments

The House Committee on Appropriations Subcommittee on Military Construction, Veterans Affairs and Related Agencies marked its draft of the appropriations bill on May 22, 2007, recommending a total Fiscal Year 2008 appropriation of \$109.2 billion. The full Committee marked the bill on June 6. Representative Chet Edwards, chair of the subcommittee, introduced the bill on June 11 (H.R. 2642, H.Rept. 110-186). Floor action is scheduled for June 13. Senate appropriations subcommittee markup is expected on June 13, with full committee markup scheduled for June 14, 2007.

Military construction appropriation authorization is effected in the annual National Defense Authorization Act. The House passed its version of the bill (H.R. 1585, H.Rept. 110-146 and 110-146, Part II) on May 17, 2007. It was received in the Senate on June 5. The Senate Committee on Armed Services introduced its bill (S. 1547, S.Rept. 110-77) on June 5.¹ The Senate is expected to take up the authorization bill later in June.²

¹ The Senate committee usually introduces several related defense authorization bills, a general authorization and one each to authorized military activities, military construction, and defense activities of the Department of Energy. S. 1549, the Military Construction Authorization Act for Fiscal Year 2008, was introduced on June 5, 2007. An umbrella bill, S. 1547, the National Defense Authorization Act for FY2008, includes military construction as its Division B (Military Construction Authorizations) and was introduced the same day, and it is this bill that will be tracked in this report.

² For details on the FY2008 defense authorization, see CRS Report RL33999, *Defense: FY2008 Authorization and Appropriations*, by Pat Towell, Stephen Daggett, and Amy Belasco.

Status of Legislation

Table 1a. Status of FY2008 Military Construction, Veterans Affairs, and Related Agencies Appropriations (H.R. 2642)

Committee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/6/07	—	H.Rept. 110-186	—	—	—	—	—	—	—

Table 1b. Status of FY2008 National Defense Authorization (H.R. 1585, S. 1549)

Committee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
5/9/07	—	H.Rept. 110-146	5/17/07	—	—	—	—	—	—

Summary and Key Issues

Appropriations Subcommittee Jurisdiction Realignment, 110th Congress

With the opening of the 110th Congress, the House and Senate brought the responsibilities of their appropriations subcommittees more closely into alignment. On the House side, this resulted in a new alignment of jurisdictions and the renaming of several subcommittees.

Non-construction quality-of-life defense appropriations that had been considered in the House version of this appropriations bill during the 109th Congress, including Facilities Sustainment, Restoration, and Modernization, Basic Allowance for Housing, Environmental Restoration, and the Defense Health Program, were transferred to the jurisdiction of the House Committee on Appropriations Subcommittee on Defense. The former Subcommittee on Military Quality of Life, Veterans Affairs, and Related Agencies became the Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, mirroring its counterpart in the Senate.

Appropriations for Fiscal Year 2007

Continuing Resolutions. The 109th Congress was unable to pass H.R. 5385, the Military Construction, Military Quality of Life, and Veterans Affairs Appropriations Act for Fiscal Year 2007. In the absence of an annual appropriation,

Fiscal Year 2007 funding for all of the accounts included in that bill was sustained by a series of continuing resolutions that spanned the final weeks of the 109th Congress and the initial weeks of the first session of the 110th Congress. Div. B of H.R. 5631 (P.L. 109-289), the Department of Defense Appropriations Act for Fiscal Year 2007, continued appropriations for a variety of activities, including those covered by H.R. 5385, from the beginning of Fiscal Year 2007 through November 16, 2006, using various formulas.³ In general, these equated to the lowest of the House-passed, Senate-passed, or last-enacted funding levels.

H.J.Res. 100 (P.L. 109-369) continued appropriations through December 18, 2006.

H.J.Res. 102 (P.L. 109-383) continued appropriations through February 15, 2007.

H.J.Res. 20 (P.L. 110-5) was passed by the 110th Congress and enacted on February 15, 2007. It incorporated the previous continuing resolutions and extended them, with some modification to military construction and veterans benefits, through the end of Fiscal Year 2007 (September 30, 2007).

Additional information regarding the recent history of and practices regarding continuing resolutions can be found in CRS Report RL30343, *Continuing Appropriations Act: Brief Overview of Recent Practices*, by Sandy Streeeter, and CRS Report RL32614, *Duration of Continuing Resolutions in Recent Years*, by Robert Keith.

FY2007 Emergency Supplemental Request for the Global War on Terror. As part of his Fiscal Year 2008 Budget Request, President George W. Bush included a recommendation for an additional \$93.4 billion emergency supplemental appropriation to support what the Administration terms the Global War on Terror (GWOT). As stated in the *Fiscal Year 2008 Budget Appendix (Additional FY2007 and FY2008 Proposals)*, the included military construction funds would be “used to build urgent facilities needed for the Global War on Terror, including buildings, perimeter fences and barriers, secure fuel facilities, and roads to improve the force protection and safety of U.S. military forces. The funds would also be used to construct theater-located operations facilities needed to improve the capabilities of combat forces. In addition, the funds would cover the cost of housing, maintenance, and training infrastructure needed to support an expansion of Army and Marine Corps ground combat forces.”⁴

This supplemental request asked to add \$1.38 billion to the FY2007 Army military construction account, \$412.5 million to the FY2007 Navy and Marine Corps military construction account, and \$60.2 million to the FY2007 Air Force military construction account.

³ See Div. B, Sec. 101(b) — (e) of the act.

⁴ The quotation is taken from pg. 1161. The appendix is available on the World Wide Web at [<http://www.whitehouse.gov/omb/budget/fy2008/>].

Supplementary budget documentation forwarded by DOD distributed the funding along three main functions: “Continuing the Fight,” “Reconstituting the Force,” and “Enhancing Ground Forces.” Military construction was included in the first and the last of these.

Under “Continuing the Fight,” DOD indicated that approximately \$980.0 million would be devoted to the construction and improvement of facilities in Iraq and Afghanistan in direct support of ground force military operations. The Navy would spend \$85.1 million for facilities in Djibouti and at Naval Station Guantanamo, Cuba, and the Air Force would use \$60.2 million to improve airfield facilities in Afghanistan.

Approximately \$100 million of military construction under “Enhancing Ground Forces” was intended to accelerate the transition of existing Army and Marine units into two Brigade Combat Teams (Army) and a single Regimental Combat Team (Marine). The remaining construction funding, approximately \$729 million, would build housing and maintenance and training facilities for 92,000 new troops to be added to Army and Marine end strength by the end of 2012 (See “Growing the Force” under **Military Construction Key Budget Issues** below).

U.S. Troop Readiness, Veterans Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (H.R. 1591 and H.R. 2206). Representative David R. Obey, chair of the House Committee on Appropriations, introduced an emergency supplemental bill (H.Rept. 110-60) on March 20, 2007. The bill passed the House on Friday, March 23, and was received in the Senate on the same day. It was laid before the Senate on the following Monday, March 26, whereupon Senator Robert C. Byrd, chair of the Senate Committee on Appropriations, offered the text of a similar bill, S. 965 (S.Rept. 110-37), as an amendment in the nature of a substitute. Senate debate continued through March 29, 2007, when the chamber passed the bill with amendment and requested a conference. The Conference Committee filed its report on April 24, 2007 (H.Rept. 110-107). The amended H.R. 1591 passed both houses by April 26, and was presented to the President on May 1, 2007. The President vetoed the bill.

Mr. Obey introduced a new bill (H.R. 2206) on May 8, 2007, that was passed on May 10. The Senate passed an amended bill on May 17. A newly conferenced bill was passed by both houses on May 24 and presented to the President the next day. He signed it on May 25, 2007 (P.L. 110-28). Funding provided by the emergency appropriation is noted in the tables located in **Appendix A** to this report.

One significant effect of this supplemental appropriation was its impact on funding to implement the 2005 BRAC round. DOD had requested approximately \$5.6 billion in FY2007 to begin a number of construction projects in anticipation of facility and troop movements. When the new fiscal year began on October 1, 2006, these projects could not be initiated. The continuing resolution (H.J.Res. 20) provided partial funding by appropriating \$2.5 billion for BRAC 2005 activities. P.L. 110-28 appropriated the remaining \$3.1 billion to fund BRAC to the originally requested level.

Fiscal Year 2008 Appropriations

Title I: Department of Defense

Military Construction

Military construction accounts provide funds for new construction, construction improvements, planning and design, and host nation support of active and reserve military forces and Department of Defense agencies. The North Atlantic Treaty Organization Security Investment Program (NSIP) is the U.S. contribution to defray the costs of construction (airfields, fuel pipelines, military headquarters, etc.) needed to support major NATO commands. Family housing accounts fund new construction, construction improvements, federal government costs for family housing privatization, maintenance and repair, furnishings, management, services, utilities, and other expenses incurred in providing suitable accommodation for military personnel and their families where needed. The Chemical Demilitarization Construction, Defense-Wide, account provides for the design and construction of disposal facilities required for the destruction of chemical weapons stockpiles. The Base Realignment and Closure Account 1990 funds the remaining environmental remediation requirements (including the disposal of unexploded ordnance) arising from the first four base realignment and closure (BRAC) rounds (1988, 1991, 1993, and 1995). The Base Realignment and Closure Account 2005 provides funding for the military construction, relocation, and environmental requirements of the implementation of both the 2005 BRAC round and the DOD Integrated Global Presence and Basing Strategy (military construction only).

Key Budget Issues

Several issues regarding military construction funding may be of interest to some Members in their consideration of the Fiscal Year 2008 appropriation request. Funding of the various accounts included under Title I (Department of Defense) is listed in **Table 5** of **Appendix A** to this report.

Base Realignment and Closure/Integrated Global Presence and Basing Strategy. In its appropriations request for Fiscal Year 2007, DOD estimated that the total one-time implementation between 2006 and 2011 of the 2005 BRAC round (the realignment and closure of a number of military installations on United States territory) and the Integrated Global Presence and Basing Strategy (the redeployment of 60,000 - 70,000 troops and their families from overseas garrisons to bases within the United States) would cost \$17.9 billion.

Between the submission of that request in February 2006 and submission of the Fiscal Year 2008 BRAC funding request, DOD advanced its planning for the execution of all military construction, movement of facilities, and relocation of personnel necessary to carry out the approved recommendations of the 2005 BRAC

Commission. This revision caused the estimate of one-time implementation cost to rise to more than \$26.4 billion.⁵

“Growing the Force”. DOD has recommended increasing the end strength of the regular Army by 65,000 soldiers and Marine Corps by 27,000 Marines and the Army National Guard and Army Reserves by an additional 9,200 citizen-soldiers over the next five years. This will require additional military construction to accommodate, train, and house these personnel and their families.

DOD has requested more than \$3.7 billion in Fiscal Year 2007 emergency supplemental and Fiscal Year 2008 military construction appropriations to support this increase. The Congressional Budget Office has estimated that the additional military construction cost between 2007 and 2013 of these soldiers and Marines will total \$15.7 billion, with the bulk of the appropriations required during Fiscal Years 2008-2010.⁶

Overseas Initiatives. While redeploying a number of troops to the United States, DOD is renegotiating the location and garrisoning of a number of its remaining overseas installations. These efforts are principally focused on the Federal Republic of Germany, Italy, the Republic of Korea, and Japan. In addition, a number of new, relatively austere, installations are being created in eastern Europe and in the Pacific, Central, and Southern Command areas. Funding is being requested for the construction of “enduring” sites in the Central Command area of responsibility (Afghanistan and Djibouti). The House Committee on Appropriations noted that the establishment of a new Africa Command (AFRICOM) may create the need for future military construction on that continent.

In Germany, U.S. forces are continuing to consolidate at existing installations in the south of the country, while the installation near Vicenza, Italy, is being expanded in anticipation of the deployment of a modular brigade.

DOD and the Government of Japan have agreed to move approximately 8,000 Marines and 9,000 of their family members from bases on Okinawa to new facilities in the U.S. territory of Guam. The construction costs associated with this move have been estimated at \$10 billion, and Japan has agreed to underwrite 60% of this expense. The Departments of the Army, Navy, and Air Force have separately initiated their own increase in presence on Guam, which is expected to add personnel and family members to this total over the next several years.

U.S. forces in the Republic of Korea are in the process of shifting from sites presence immediately along the Demilitarized Zone, at the frontier between that nation and the Democratic People’s Republic of Korea (DPRK), and in a large headquarters garrison in the capital of Seoul to expanded facilities further to the south. While the bulk of construction cost will be borne by the Korean government,

⁵ Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY 2008*, Department of Defense, March 2007.

⁶ Letter from Peter R. Orszag, Director, Congressional Budget Office, to the Hon. Carl Levin, Chairman, Senate Committee on Armed Services, April 16, 2007, p. 8.

this initiative could require as much as \$750 million in U.S. construction funding to complete.

Title II: Department of Veterans Affairs

**Table 2. Department of Veterans Affairs Appropriations,
FY2001-FY2007**

(budget authority in billions)

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
VA	\$47.95	\$52.38	\$58.10	\$61.84	\$65.84	\$71.46	\$79.55

Source: Amounts shown are from reports of the Appropriations Committees accompanying the appropriations bills for the following years.

Agency Overview

The Department of Veterans Affairs (VA) administers directly, or in conjunction with other federal agencies, programs that provide benefits and other services to veterans and their spouses, dependents and beneficiaries. The VA has three primary organizations to provide these benefits: the Veterans Benefits Administration (VBA), the Veterans Health Administration (VHA), and the National Cemetery Administration (NCA). Benefits available to veterans include service-connected disability compensation; a pension for low-income veterans who are elderly or have a nonservice-connected disability; vocational rehabilitation for disabled veterans; medical care; life insurance; home loan guarantees; burial benefits; and educational and training benefits to transition active servicemembers to civilian life.

**Table 3. Appropriations: Department of Veterans Affairs,
FY2006-FY2008**

(budget authority in billions)

Program	FY2006 enacted	FY2007 enacted	FY2008 request	House Committee
Total	\$71.458	\$79.551	\$83.904	\$87.697
<i>Mandatory</i>				
Compensation, pensions, burial	33.898	38.007	41.236	41.236
Readjustment benefits	3.309	3.262	3.300	3.300
Insurance/indemnities	0.046	0.050	0.041	0.041
Housing programs (net, indefinite) ^a	-0.047	-0.034	-0.091	-0.091
Subtotal: Mandatory	\$37.206	\$41.285	\$44.487	\$44.487
<i>Discretionary</i>				
Medical services	21.322	25.518	27.168	28.906
Emergency funding	1.225	—	—	—
Emergency funding (P.L. 109-148)	0.225	—	—	—

Program	FY2006 enacted	FY2007 enacted	FY2008 request	House Committee
Emergency funding (P.L. 110-028)	—	0.467	—	—
Medical administration	2.858	3.178	3.442	3.636
Emergency funding (P.L. 110-028)	—	0.250	—	—
Medical facilities	3.298	3.570	3.592	4.100
Emergency funding (P.L. 110-028)	—	0.595	—	—
Medical & prosthetic research	0.412	0.414	0.411	0.480
Emergency funding (P.L. 110-028)	—	0.033	—	—
Medical care collection fund ^b				
(offsetting receipts)	-2.170	-2.329	-2.414	-2.414
(appropriations — indefinite)	2.170	2.329	2.414	-2.414
<i>Subtotal: Medical programs & administration (appropriations)</i>	<i>29.341</i>	<i>34.024</i>	<i>34.613</i>	<i>37.122</i>
<i>Total available to VHA</i>	<i>31.511</i>	<i>36.353</i>	<i>37.027</i>	<i>39.536</i>
General administration expense	1.411	1.481	1.472	1.599
Emergency funding (P.L. 109-148)	0.025	—	—	—
Emergency funding (P.L. 110-028)	—	0.083	—	—
Information technology	1.214	1.214	1.859	1.859
Emergency funding (P.L. 110-028)	—	0.035	—	—
National Cemetery Administration	0.156	0.161	0.167	0.170
Emergency funding (P.L. 109-148)	^c	—	—	—
Inspector General	0.070	0.071	0.073	0.077
Construction	0.806	0.598	0.961	2.026
Emergency funding (P.L. 109-148)	0.369	—	—	—
Emergency funding (P.L. 109-234)	0.586	—	—	—
Emergency funding (P.L. 110-028)	—	0.326	—	—
Grants for state extended care facilities	0.085	0.085	0.085	0.165
Grants for state veterans cemeteries	0.032	0.032	0.032	0.037
Housing & other loan administration	0.155	0.155	0.156	0.156
Disaster compensation (P.L. 106-148)	0.003	—	—	—
<i>Subtotal: Other Discretionary</i>	<i>4.912</i>	<i>\$4.241</i>	<i>4.804</i>	<i>6.088</i>
<i>Subtotal: Discretionary</i>	<i>\$34.252</i>	<i>\$38.265</i>	<i>\$39.417</i>	<i>43.210</i>

Source: Table prepared by the Congressional Research Service based on reports of the House Appropriations Committee, various fiscal years.

- a. This negative budget authority is the result of combining the loan subsidy payments estimated to be needed during FY2006 with the offsetting receipts expected to be collected.
- b. Medical Care Collections Fund (MCCF) receipts are restored to the VHA as an indefinite budget authority equal to the revenue collected.
- c. \$200,000.

Key Budget Issues

The budget submitted by the Administration in February 2007 calls for funding VA at a level of \$83.9 billion for FY2008 (see **Table 4**). This would be an increase of \$4.4 billion, or 5.5%, over the FY2007 appropriation (including the supplemental).

One of the key issues for VA non-medical benefits has been the size of the disability claims workload and the average time (177 days in FY2006)⁷ to process claims. The U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (P.L. 110-028), provided additional funding to the VA for resources to address the large number of pending claims and shorten processing times. P.L. 110-028 provided an additional \$60.75 million for hiring and training of additional claims processing personnel, and \$20.0 million for information technology to support claims processing.

The FY2008 appropriation bill, H.R. 2642, continues to provide additional funds for claims processing by including full-year funding for the personnel hired with P.L. 110-028 funding, and providing funding for the additional claims processing personnel proposed in the FY2008 budget request.

The FY2008 appropriation also includes:

- funds for a cost-of-living adjustment (COLA) for certain VA benefits including compensation benefits — disability compensation and dependency and indemnity compensation (the COLA is estimated at 1.4%, and is the same COLA provided to Social Security beneficiaries);
- an increase of \$1.01 billion above the FY2007 appropriation for new construction, with no specific projects designated at this time;
- an increase of \$416.06 million in minor construction with the requirement that the VA submit an expenditure plan for the total funding for minor construction (\$615.0 million) within 30 days of enactment; and
- an increase of \$8.0 million in grants for construction of state extended care facilities.

⁷ Department of Veterans Affairs, *FY2008 Budget Submission, Summary Volume*, pg. 1-22.

Medical Care

The Veterans Health Administration (VHA) is a direct service provider of primary care, specialized care, and related medical and social support services to veterans through an integrated health care system. In FY2007, VHA operated 155 medical centers, 135 nursing homes,⁸ 717 ambulatory care and community-based outpatient clinics (CBOCs),⁹ and 209 Readjustment Counseling Centers (Vet Centers).¹⁰ VHA also pays for care provided to veterans by independent providers and practitioners on a fee basis under certain circumstances. Inpatient and outpatient care is provided in the private sector to eligible dependents of veterans under the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA).¹¹ In addition, VHA provides grants for construction of state-owned nursing homes and domiciliary facilities, and collaborates with the Department of Defense (DOD) in sharing health care resources and services.

The total amount requested by the Administration for VHA for FY2008 is \$34.6 billion, a 1.7% increase in funding compared to the FY2007 enacted amount. The total amount of funding that would be available for VHA under the President's budget proposal for FY2008, including third-party collections, is approximately \$37.0 billion. For FY2008, the Administration is requesting \$27.2 billion for medical services, a \$1.2 billion, or 4.6%, increase in funding over the FY2007 enacted amount. The Administration's budget proposal is also requesting \$3.4 billion for medical administration, \$3.6 billion for medical facilities, and \$411 million for medical and prosthetic research.

As in FY2003, FY2004, FY2005, FY2006, and FY2007, the Administration has included several cost sharing proposals. The first proposal is the tiered annual enrollment fee for all enrolled Priority Group 7 and Priority Group 8 veterans, which is structured to charge \$250 for veterans with family incomes from \$50,000 to

⁸ Data on the number of hospitals and nursing homes includes facilities damaged by Hurricane Katrina. The data are current as of December 1, 2006.

⁹ Data on the number of CBOCs differ from source to source. Some count clinics located at VA hospitals while others count only freestanding CBOCs. The number represented in this report excludes clinics located in VA hospitals. VA plans to activate 38 new CBOCs in FY2007 and FY2008.

¹⁰ On February 7, 2007, the Department announced that it will be establishing 23 new centers in communities across the nation during 2007 and 2008. New Vet Centers will be located in Montgomery, Alabama; Fayetteville, Arkansas; Modesto, California; Grand Junction, Colorado; Orlando, Fort Myers, and Gainesville, Florida; Macon, Georgia; Manhattan, Kansas; Baton Rouge, Louisiana; Cape Cod, Massachusetts; Saginaw and Iron Mountain, Michigan; Berlin, New Hampshire; Las Cruces, New Mexico; Binghamton, Middletown, Nassau County and Watertown, New York; Toledo, Ohio; Du Bois, Pennsylvania; Killeen, Texas; and Everett, Washington. During 2007, VA plans to open facilities in Grand Junction, Orlando, Cape Cod, Iron Mountain, Berlin and Watertown. The other new Vet Centers are scheduled to open in 2008.

¹¹ For further information on CHAMPVA, see CRS Report RS22483, *Health Care for Dependents and Survivors of Veterans*, by Jacqueline Rae Roche and Sidath Viranga Panangala.

\$74,999; \$500 for those with family incomes from \$75,000 to \$99,999; and \$750 for those with family incomes equal to or greater than \$100,000. According to the VA, this proposal would increase government revenue by \$138 million beginning in FY2009, and by \$526 million over five years.

The Administration is proposing to increase the pharmacy copayments from \$8 to \$15 for all enrolled Priority Group 7 and Priority Group 8 veterans, whenever they obtain medication from VA on an outpatient basis for the treatment of a nonservice-connected condition.¹² The Administration put forward this proposal in its FY2004, FY2005, FY2006, and FY2007 budget requests as well, but did not receive any approval from Congress. At present, veterans in Priority Groups 2-8 pay \$8 for a 30-day supply of medication, including over-the-counter medications. The VA estimates that this proposal would increase government revenue by \$311 million beginning in FY2008, and by \$1.6 billion over five years.

Lastly, the Administration is proposing to bill veterans directly for treatment associated with nonservice-connected conditions. Presently, VA uses third-party collections to satisfy veterans' first-party debt; that is, if VA treats an insured veteran for a nonservice-connected disability, and the veteran is also determined by VA to have copayment responsibilities, VA will apply each dollar collected from the insurer to satisfy the veteran's copayment debt related to that treatment. The Administration proposes eliminating this practice. According to the VA, this proposal would increase government revenue by \$44 million beginning in FY2008, and by \$217 million over five years.

It should be noted that compared to previous budget proposals, the FY2008 budget proposals if implemented would deposit all collections in the U.S. Treasury and not in the Medical Care Collections Fund (MCCF) as is the current practice with regard to collections.¹³ The President's budget request amount for medical services does not reflect these legislative proposals.

On June 6, 2007, the House Appropriations Committee recommended \$37.1 billion for VHA for FY2008, a 9.1% increase over the FY2007 enacted amount of \$34.0 billion, and 7.3% above the President's request. This amount includes \$28.9 billion for medical services, \$1.8 billion (6.4%) above the President's request and \$2.9 billion (11.2%) over the FY2007 enacted amount of \$26.0 billion. Of the amount recommended for the medical services account, the Committee has included

¹² The term "service-connected" means, with respect to disability, that such disability was incurred or aggravated in the line of duty in the active military, naval, or air service. VA determines whether veterans have service-connected disabilities, and for those with such disabilities, assigns ratings from 0 to 100% based on the severity of the disability. Percentages are assigned in increments of 10%.

¹³ VA deposits copayments collected from veterans obligated to make such payments for either medical services or inpatient pharmacy benefits for outpatient medication, and third-party insurance payments from service-connected veterans for nonservice-connected conditions into MCCF. These collected funds do not have to be spent in any particular fiscal year and are available until expended.

bill language stipulating \$2.9 billion for speciality mental health care, \$130 million for the homeless veterans grant and per diem program, \$429 million for the substance abuse program, and \$100 million for the blind rehabilitation services.

The Committee recommendation also includes \$3.6 billion for medical administration, \$193 million above the Administration's request of \$3.4 billion; \$4.1 billion for medical facilities, a 14% increase over the President's request; and \$480 million for medical and prosthetic research, a 17% increase over the President's request of \$411 million. The Committee **did not** recommend any fee increases as requested by the Administration's budget proposal for VHA for FY2008.

Title III: Related Agencies

American Battle Monuments Commission

The American Battle Monuments Commission (ABMC) is responsible for the maintenance and construction of U.S. monuments and memorials commemorating the achievements in battle of U.S. armed forces since the nation's entry into World War I; the erection of monuments and markers by U.S. citizens and organizations in foreign countries; and the design, construction, and maintenance of permanent cemeteries and memorials in foreign countries. The Commission maintains 24 cemeteries and 25 monuments, memorials, and markers in 15 countries, including three memorials on U.S. soil.

The ABMC was responsible for the planning and construction of the World War II Memorial on the Mall in Washington, DC. Though the National Park Service assumed responsibility for the operation and maintenance of the Memorial at its dedication, the ABMC retains a fiduciary responsibility for the remaining public contributions given for its construction. The ABMC has undertaken the construction of an Interpretive Center at the Normandy American Cemetery, in Normandy, France, to commemorate the World War II Allied invasion of France on June 6, 1944, and the subsequent land battles in Europe. The new facility opened on June 6, 2007.

U.S. Court of Appeals for Veterans Claims

The U.S. Court of Appeals for Veterans Claims was established by the Veterans' Administration Adjudication Procedure and Judicial Review Act of 1988 (P.L. 100-687). The Court is an independent judicial tribunal with exclusive jurisdiction to review decisions of the Board of Veterans' Appeals. It has the authority to decide all relevant questions of law; interpret constitutional, statutory, and regulatory provisions; and determine the meaning or applicability of the terms of an action by the VA. It is authorized to compel action by the VA. It is authorized to hold unconstitutional or otherwise unlawful and set aside decisions, findings, conclusions, rules and regulations issued or adopted by the VA or the Board of Veterans' Appeals.

The Court currently occupies leased facilities near Judiciary Square in the District of Columbia and is searching for a permanent location. The Court's major

operational initiative is its transition to an electronic case filing system, which is also funded through this appropriation.

Department of Defense - Civil (Army Cemeterial Expenses)

The Secretary of the Army is responsible for the administration, operation and maintenance of Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery. In addition to its principal function as a national cemetery, Arlington is the site of approximately 3,100 non-funeral ceremonies each year and has approximately 4,000,000 visitors annually.

Armed Forces Retirement Home (AFRH)

The Armed Forces Retirement Home Trust Fund provides funds to operate and maintain the Armed Forces Retirement Home in Washington, DC (also known as the United States Soldiers' and Airmen's Home), and the Armed Forces Retirement Home in Gulfport, Mississippi (originally located in Philadelphia, PA, and known as the United States Naval Home). These two facilities provide long-term housing and medical care for approximately 1,600 needy veterans. The Gulfport campus, encompassing a 19-story living accommodation and medical facility tower, was severely damaged by Hurricane Katrina at the end of August, 2005, and is not currently in use. Residents of the facility were transferred to the Washington, DC, location immediately after the storm.

The appropriation for the AFRH facilities is from the Armed Forces Retirement Home Trust Fund. The Trust Fund is maintained through gifts, bequests, and a \$0.50 per month assessment on the pay of active duty enlisted military personnel and warrant officers.

The FY2008 budget request includes a \$5.1 million federal fund contribution to the trust, and \$800,000 for a study of the long-term viability of the Trust. The FY2008 appropriation bill, H.R. 2642, does not include the federal contribution, but does include \$800,000 for the study.

Table 4. Appropriations: Related Agencies, FY2006-FY2008

(budget authority in thousands)

Account	FY2006 enacted	FY2007 enacted	FY2008 request	House Committee
American Battle Monuments Commission				
Salaries and expenses	\$35,888	\$37,000	\$42,100	\$43,470
Foreign currency fluctuations	15,098	5,000	11,000	11,000
<i>Total</i>	50,986	42,000	53,100	54,470
U.S. Court of Appeals for Veterans Claims				
Salaries and expenses	18,607	20,189	21,217	21,397
Department of Defense-Civil				
<i>Army cemeterial expenses</i>	28,760	30,000	26,892	30,592
Armed Forces Retirement Home				

Account	FY2006 enacted	FY2007 enacted	FY2008 request	House Committee
Operations and maintenance	56,463	55,991	55,724	55,724
Capital program	1,236	1,236	—	—
General fund appropriation	—	—	5,900	800
Emergency funding (P.L. 109-148)	65,800	—	—	—
<i>Total</i>	299,499	57,227	61,624	56,524
<i>Total, related agencies</i>	\$397,852	\$149,146	\$162,833	\$162,983

Source: Table prepared by the Congressional Research Service based on reports of the House Appropriations Committee, various fiscal years.

Appendix A. Consolidated Non-VA Funding Tables

Table 5. DOD Military Construction
(budget authority in \$000)

Account	FY2007 Enacted	FY2008 Request	House Committee	Senate	Conference
<i>Military Construction, Army</i>	2,017,321	4,039,197	4,070,959	—	—
Rescissions	(43,348)	—	—	—	—
Emergency Appropriations (P.L. 110-28)	1,255,890	—	—	—	—
Emergency Appropriations (P.L. 110-28, By transfer, Army Sec. 3309)	(6,250)	—	—	—	—
<i>Total</i>	3,229,863	4,039,197	4,070,959	—	—
<i>Military Construction, Navy and Marine Corps</i>	1,130,821	2,104,276	2,125,138	—	—
Rescissions	(27,500)	—	(5,862)	—	—
Emergency Appropriations (P.L. 110-28)	370,990	—	—	—	—
<i>Total</i>	1,474,311	2,104,276	2,119,276	—	—
<i>Military Construction, Air Force</i>	1,083,000	912,109	927,428	—	—
Rescissions	(2,694)	—	(5,319)	—	—
Emergency Appropriations (P.L. 110-28)	43,300	—	—	—	—
<i>Total</i>	1,123,606	912,109	922,109	—	—
<i>Military Construction, Defense-wide</i>	1,127,000	1,799,336	1,806,928	—	—
Rescissions	(110,229)	—	(7,592)	—	—
<i>Total</i>	1,016,771	1,799,336	1,799,336	—	—
Total, Active components	6,844,551	8,854,918	8,911,680	—	—
<i>Military Construction, Army National Guard</i>	473,000	404,291	439,291	—	—
Rescissions	(2,129)	—	—	—	—
<i>Total</i>	470,871	404,291	439,291	—	—
<i>Military Construction, Air National Guard</i>	128,000	85,517	95,570	—	—
<i>Military Construction, Army Reserve</i>	166,000	119,684	154,684	—	—
<i>Military Construction, Naval Reserve</i>	43,000	59,150	69,150	—	—
<i>Military Construction,</i>	45,000	26,559	39,628	—	—

Account	FY2007 Enacted	FY2008 Request	House Committee	Senate	Conference
<i>Air Force Reserve</i>					
Rescissions	—	—	(3,069)	—	—
<i>Total</i>	45,000	26,559	36,559	—	—
Total, Reserve components	850,871	695,201	795,201	—	—
Total, Military Construction	7,695,422	9,550,119	9,706,881	—	—
NATO Security Investment Program	204,789	201,400	201,400	—	—
Family Housing Construction, Army	579,000	419,400	419,400	—	—
Family Housing Ops and Debt, Army	671,311	742,920	742,920	—	—
Family Housing Construction, Navy and Marine Corps	305,000	298,329	298,329	—	—
Family Housing Ops and Debt, Navy and Marine Corps	505,472	371,404	371,404	—	—
Family Housing Construction, Air Force	1,168,000	362,747	362,747	—	—
Rescissions	(18,000)	—	—	—	—
<i>Total</i>	1,150,000	362,747	362,747	—	—
Family Housing Ops and Debt, Air Force	750,000	688,335	688,335	—	—
Family Housing Construction, Defense-wide	9,000	—	—	—	—
Family Housing Ops and Debt, Defense-wide	49,000	48,848	48,848	—	—
DOD Family Housing Improvement Fund	2,475	500	500	—	—
Total, Family Housing	4,021,258	2,932,483	2,932,483	—	—
Chemical Demilitarization Construction, Defense-wide	131,000	86,176	86,176	—	—
Base Realignment and Closure					
BRAC, 1990	252,279	220,689	270,689	—	—
BRAC, 2005	2,489,421	8,174,315	8,174,350	—	—
Emergency Appropriations (P.L. 110-28)	3,136,802	—	—	—	—
<i>Total</i>	5,878,502	8,395,004	8,445,004	—	—
Grand Total, MilCon & FH	17,930,971	21,165,182	21,371,944	—	—

Appendix B. Additional Resources

Budget

CRS Report RL30002, *A Defense Budget Primer*, by Mary T. Tyszkiewicz and Stephen Daggett.

CRS Report 98-720, *Manual on the Federal Budget Process*, by Robert Keith and Allen Schick.

Selected Websites

House Committee on Appropriations
[<http://appropriations.house.gov/>]

Senate Committee on Appropriations
[<http://appropriations.senate.gov/>]

House Committee on Armed Services
[<http://www.house.gov/hasc/>]

Senate Committee on Armed Services
[<http://armed-services.senate.gov/>]

House Committee on Veterans Affairs
[<http://veterans.house.gov/>]

Senate Committee on Veterans Affairs
[<http://veterans.senate.gov/>]

Commission on Review of Overseas Military Facility Structure of the United States
(Overseas Basing Commission)
[<http://www.obc.gov/>]

CRS Appropriations Products Guide
[<http://www.crs.gov/products/appropriations/apppage.shtml>]

CRS Multimedia Library
[<http://www.crs.gov/products/multimedia/multimedialibrary.shtml>]

Congressional Budget Office
[<http://www.cbo.gov/>]

Defense Base Closure and Realignment Commission (BRAC Commission)
[<http://www.brac.gov>]

Government Accountability Office
[<http://www.gao.gov/>]