



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 12, 2001

H.R. 936

Heather French Henry Homeless Veterans Assistance Act

As introduced on March 8, 2001, with a subsequent change to section 17

SUMMARY

H.R. 936 contains several provisions that would change how the Department of Veterans Affairs (VA) provides assistance to homeless and other veterans. The bill would provide for greater access to drug treatment, mental health, and dental programs for homeless veterans and extend the authority for VA to provide health care to homeless veterans outside of VA facilities. H.R. 936 also would require VA to establish comprehensive homeless services centers in the 20 largest metropolitan areas and increase funding for programs that provide shelter to homeless veterans. In addition, the bill would establish a pilot program to provide transitional assistance grants for certain qualified veterans. Finally, the bill would authorize more money for the homeless veterans reintegration program operated by the Department of Labor.

CBO estimates that enacting the bill would increase direct spending by \$1 million in 2002, and less than \$500,000 in 2003. Because the bill would affect direct spending, pay-as-you-go procedures would apply. In addition, the bill would authorize funding or modify provisions governing discretionary spending for veterans' programs, which would result in additional outlays of \$88 million in 2002 and \$827 million over the 2002-2006 period, assuming appropriation of the necessary amounts.

H.R. 936 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 936 is shown in Table 1. The costs of this legislation fall within budget functions 500 (education, employment, and social services) and 700 (veterans benefits and services).

TABLE 1. ESTIMATED COSTS OF H.R. 936 (By fiscal year, in millions of dollars)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|------|------|------|------|------|------|
| CHANGES IN DIRECT SPENDING | | | | | | |
| Estimated Budget Authority | 0 | 1 | a | 0 | 0 | 0 |
| Estimated Outlays | 0 | 1 | a | 0 | 0 | 0 |
| CHANGES IN SPENDING SUBJECT TO APPROPRIATION | | | | | | |
| Estimated Authorization Level | 0 | 124 | 157 | 201 | 215 | 213 |
| Estimated Outlays | 0 | 88 | 144 | 177 | 206 | 212 |

a. Less than \$500,000.

Direct Spending

Section 16 would establish a three-year pilot program for the provision of transitional assistance grants to certain homeless veterans. Each grant would be provided for no more than three months, unless the veteran has a pending claim with the VA for compensation or pension benefits. In that case, the grant could be extended for an additional six months or until a decision on the claim is made by the appropriate VA regional office, whichever is earlier. The amount of the grant would be the same as the amount of a pension benefit. The maximum number of veterans who may participate in this pilot program would be 600.

CBO assumes that all veterans eligible for this grant would receive the maximum amount of \$775 per month and that about half would also apply for compensation or pension benefits. Of those applying for compensation or pension benefits, CBO expects that half would receive the grant for an additional three months and the other half for an additional six months because VA averages more than six months to process compensation and pension applications. Based on an average approval rate of 50 percent, CBO estimates that half of those applying for compensation or pension would receive the benefits. Currently, veterans

whose claims for these benefits are approved receive retroactive payments, generally from the date on which the claim was submitted to VA. Section 16 would require that any retroactive benefits be reduced by the amount of the transitional assistance grant, thereby creating an offset of the total costs. Assuming that this program is established in 2002, CBO estimates that direct spending would increase by \$1 million in 2002 and less than \$500,000 in 2003 as shown in Table 2.

TABLE 2. ESTIMATED DIRECT SPENDING UNDER H.R. 936 (By fiscal year, in millions of dollars)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|--------|--------|--------|--------|--------|--------|
| Veterans Compensation and Pension | | | | | | |
| Spending Under Current Law | | | | | | |
| Estimated Budget Authority | 21,364 | 24,504 | 25,648 | 26,756 | 29,921 | 28,467 |
| Estimated Outlays | 21,273 | 24,364 | 25,485 | 26,642 | 29,776 | 28,304 |
| Proposed Changes | | | | | | |
| Estimated Budget Authority | 0 | 1 | a | 0 | 0 | 0 |
| Estimated Outlays | 0 | 1 | a | 0 | 0 | 0 |
| Veterans Compensation and Pension | | | | | | |
| Spending Under H.R. 936 | | | | | | |
| Estimated Budget Authority | 21,364 | 24,505 | 25,648 | 26,756 | 29,921 | 28,467 |
| Estimated Outlays | 21,273 | 24,365 | 25,485 | 26,642 | 29,776 | 28,304 |

a. Less than \$500,000.

Spending Subject to Appropriation

Table 3 shows the estimated effects of H. R. 936 on discretionary spending for veterans' programs, assuming that appropriations are provided in the amount of the estimated authorizations.

Veterans Medical Care. CBO estimates that implementing H.R. 936 would increase discretionary spending for veterans' medical care by \$84 million in 2002 and by \$672 million over the 2002-2006 period.

**TABLE 3. ESTIMATED SPENDING SUBJECT TO APPROPRIATION FOR H.R. 936
(By fiscal year, in millions of dollars)**

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|--|--------|--------|--------|--------|--------|
| VETERANS' MEDICAL CARE | | | | | | |
| Baseline Spending Under Current Law | | | | | | |
| Estimated Authorization Level ^a | 20,841 | 20,841 | 20,841 | 20,841 | 20,841 | 20,841 |
| Estimated Outlays | 20,383 | 20,383 | 20,383 | 20,383 | 20,383 | 20,383 |
| Proposed Changes | | | | | | |
| Estimated Authorization Level | 0 | 93 | 126 | 150 | 164 | 162 |
| Estimated Outlays | 0 | 84 | 122 | 144 | 161 | 161 |
| Spending Under H.R. 936 | | | | | | |
| Estimated Authorization Level | 20,841 | 20,934 | 20,967 | 20,991 | 21,005 | 21,003 |
| Estimated Outlays | 20,383 | 20,467 | 20,505 | 20,527 | 20,544 | 20,544 |
| ASSISTANCE FOR GRANT APPLICATIONS | | | | | | |
| Spending Under Current Law | | | | | | |
| Estimated Authorization Level | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 0 | 0 | 0 | 0 | 0 | 0 |
| Proposed Changes | | | | | | |
| Estimated Authorization Level | 0 | 1 | 1 | 1 | 1 | 1 |
| Estimated Outlays | 0 | 1 | 1 | 1 | 1 | 1 |
| Spending Under H.R. 936 | | | | | | |
| Estimated Authorization Level | 0 | 1 | 1 | 1 | 1 | 1 |
| Estimated Outlays | 0 | 1 | 1 | 1 | 1 | 1 |
| HOMELESS VETERANS REINTEGRATION PROGRAM | | | | | | |
| Spending Under Current Law | | | | | | |
| Estimated Authorization Level ^b | 15 | 20 | 20 | 0 | 0 | 0 |
| Estimated Outlays | 2 | 11 | 19 | 18 | 6 | 0 |
| Proposed Changes | | | | | | |
| Estimated Authorization Level | 0 | 30 | 30 | 50 | 50 | 50 |
| Estimated Outlays | 0 | 3 | 21 | 32 | 44 | 50 |
| Spending Under H.R. 936 | | | | | | |
| Estimated Authorization Level | 15 | 50 | 50 | 50 | 50 | 50 |
| Estimated Outlays | 2 | 14 | 40 | 50 | 50 | 50 |
| SUMMARY OF CHANGES IN SPENDING SUBJECT TO APPROPRIATION | | | | | | |
| Estimated Authorization Level | 0 | 124 | 157 | 201 | 215 | 213 |
| Estimated Outlays | 0 | 88 | 144 | 177 | 206 | 212 |
| a. | The 2001 level is the estimated amount appropriated for that year. The current law amounts for the 2002-2006 period assume that appropriations remain at the 2001 level, without adjustment for inflation. If they are adjusted for inflation the base amounts would increase by about \$600 million a year, but the estimated changes would remain as shown under "Proposed Changes." | | | | | |
| b. | This program was authorized by Public Law 106-117, but the Congress has not appropriated any money for it yet. "Spending Under Current Law" reflects the prior authorization and CBO's estimate of outlays if funds were appropriated. | | | | | |

Opioid substitution therapy. Currently, VA provides treatment for veterans addicted to narcotics, using methadone and other drugs, at only 36 of its 172 hospitals. Section 13 would require VA to implement this treatment program at all of the remaining 136 hospitals. According to VA, about 5,000 veterans currently receive drug addiction treatment at a cost of about \$4,500 per person. In total, VA estimates that approximately 35,000 veterans are eligible for this treatment. CBO expects that expanding this program to all hospitals could eventually lead to treatment of about half of those eligible veterans. Extrapolating from this data and assuming a four-year phase-in period, CBO estimates that requiring VA to provide opioid substitution therapy at all VA hospitals would cost \$12 million in 2002 and about \$250 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

Mental health. Section 13 of H.R. 936 would require that mental health services be made available in all VA facilities that furnish health care. Currently, VA provides mental health services as part of its normal health care, but these services are not readily available at all VA medical facilities. According to VA, about 120 primary care clinics do not provide any mental health services. CBO estimates that offering those services in these clinics would cost roughly \$150,000 per clinic, and would include providing a social worker, a substance-abuse counselor, and a clinical psychologist at each clinic. CBO estimates that implementing this provision would cost \$17 million in 2002 and about \$100 million over the 2002-2006 period, assuming appropriation of the necessary amounts.

In addition, section 11 would require VA to carry out two one-year treatment trials on integrated mental health services delivery. This section authorizes VA to use \$2 million for each trial out of funds appropriated for medical care. Assuming the trials begin in 2003, CBO estimates that this will cost \$4 million in 2003, assuming appropriation of the authorized amounts.

Dental care. Under current law, VA provides dental care for service-connected disabilities or when dental care is medically necessary pursuant to receiving other authorized medical care. Section 12 of H.R. 936 would allow certain homeless veterans to receive dental care that is necessary to gain employment, alleviate pain, or to treat moderate or worse cases of gingival and periodontal pathology.

Using data from VA, CBO estimates about 40,000 homeless veterans would be eligible for the service based on their participation in shelter programs run or sponsored by VA. However, only about half of those eligible are likely to use the benefit. CBO estimates that the initial episode of care would cost roughly \$900 per person and that most of this care would occur in the first three years of the program being offered. Subsequent follow-up visits would cost about \$200 assuming that the veteran returns for care every other year. CBO estimates that implementing this provision would cost \$6 million in 2002 and \$31 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

Medical care for homeless veterans. Section 13 would extend for five years a provision of current law that allows VA to provide outreach services to homeless veterans and medical care in non-VA facilities including community-based treatment facilities and halfway houses. This provision is due to expire on December 31, 2001. VA currently spends about \$58 million to provide medical care to homeless veterans both in and out of VA facilities. CBO estimates that about 20 percent of that care is provided under the expiring provision. At that rate, CBO estimates that allowing VA to continue these services would cost \$8 million in 2002 and \$60 million over the 2002-2006 period, assuming appropriation of the estimated amounts. Because VA is currently funding this program, those costs are implicitly included in the baseline levels shown at the top of Table 3.

Comprehensive homeless services program. Under current law, VA provides at least 15 different programs to assist homeless veterans. These services are provided in over 140 cities across the country but no one location offers all of the programs. Within this framework, VA operates eight centers that offer comprehensive homeless services. Under section 13, VA would be required to establish similar centers in the 20 largest metropolitan areas. CBO assumes that this section would require the establishment of 14 new centers since VA operates comprehensive homeless services centers in six of the 20 largest metropolitan areas today.

Since none of the existing centers provide exactly the same services, CBO assumes that these new centers would offer those services that are provided by a majority of the existing centers. Seven programs are provided by at least four of the eight centers including domiciliary care for homeless veterans, compensated work therapy, and the grant and per diem programs. Of the seven programs, six are not available in most of the 14 metropolitan areas where these new centers would be established. For those programs that do not already exist in these metropolitan areas, CBO used data from VA to calculate the average cost to establish and administer each program. CBO estimates that creating these comprehensive homeless services centers and operating these programs would cost \$27 million in 2002 and \$145 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

Grant and per diem programs. Under current law, VA may provide grants to nonprofit organizations that serve the homeless. These grants partially subsidize the construction, acquisition, and outreach costs of providing shelter and beds to homeless veterans but not the daily costs of the operation. VA may also provide a per diem payment that covers not more than 50 percent of the daily costs of providing shelter to homeless veterans. These rates are calculated annually to ensure that VA does not pay more than half of the daily costs of providing shelter. In 2001, VA estimated that it would spend about \$33 million on the two programs. Funding for these programs comes from VA's annual appropriation for medical care.

Section 13 of H.R. 936 would require that VA spend not less than \$55 million of its annual medical care appropriation on the grant and per diem program and that this amount increase at the same rate that the annual medical care appropriation increases. CBO assumes that in the absence of this bill, VA would continue to spend what it has in the past on the grant and per diem program, with adjustments for inflation. Accordingly, CBO estimates that this provision would increase spending by \$19 million in 2002 and by \$107 million over 2002-2006 period, assuming appropriation of the authorized amounts.

Two other sections of H.R. 936 also would affect the grant and per diem programs. Section 8 would change the way per diem rates are calculated by using the same rate that is authorized for veterans receiving domiciliary care at VA State Homes. That rate is about \$3 per day higher than the average rate paid for homeless shelter. According to VA, the number of beds in use will double from 2,500 in 2001 to about 5,000 in 2003. Thus, CBO estimates that this provision will cost \$3 million in 2002 and \$21 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

Section 9 would authorize \$5 million in 2003, 2004, and 2005 for a grant program to develop care for homeless veterans with special needs including women, substance abusers, the terminally ill, and those with minor dependents. CBO estimates that grant program would cost \$15 million over the 2002-2006 period, assuming appropriation of the authorized amounts.

Assistance for Grant Applications. Section 17 would authorize \$750,000 in each of fiscal years 2001 through 2005 for technical assistance grants to not-for-profit groups with experience in providing assistance to homeless veterans. These funds would help the groups in applying for grants relating to addressing problems of homeless veterans. Although H.R. 936 (as introduced) would authorize appropriations for the years 2001 through 2005, CBO was asked by committee staff to estimate the costs over the years 2002 through 2006. Accordingly, CBO estimates that implementing this section (as amended) would cost \$1 million in 2002 and \$5 million over the 2002-2006 period, assuming appropriation of the authorized amounts.

Homeless Veterans Reintegration Program. Section 19 would increase the authorization of appropriations to be used by the Department of Labor to integrate homeless veterans into the labor force from \$20 million to \$50 million for 2002 and 2003. It would also authorize \$50 million a year for 2004, 2005, and 2006. Although the program was authorized by Public Law 106-117, the Congress has not yet appropriated any money for it. CBO estimates that the increased authorization would cost \$3 million in 2002 and \$150 million over the 2002-2006 period, assuming appropriation of the authorized amounts.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The changes in outlays that are subject to pay-as-you-go procedures are shown in Table 4.

TABLE 4. ESTIMATED IMPACT OF H.R. 936 ON DIRECT SPENDING AND RECEIPTS
(By fiscal year, in millions of dollars)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------|------|------|------|------|------|----------------|------|------|------|------|------|
| Changes in outlays | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes in receipts | | | | | | Not applicable | | | | | |

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 936 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Sam Papenfuss and Michelle Patterson
Christi Hawley Sadoti

Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins

Impact on the Private Sector: Sally Segraves

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis