

## Focus on Function 700 – Veterans Benefits and Services

Function 700 (Veterans Benefits and Services) consists of programs that keep our promises to veterans who served and defended our nation, separated into four categories: income security; education, training, and rehabilitation; hospital and medical care; and housing.

**Table 1: Function 700 Spending, 2019**  
(In billions of dollars)

Discretionary BA .....	86.8
Discretionary Outlays .....	83.1
Mandatory Outlays .....	<u>111.5</u>
Total Outlays .....	194.6

Note: Estimates assume 2018 emergency funding is one-time only.

The largest discretionary programs in Function 700 provide hospital and medical services for veterans. Other activities include IT systems, general operating expenses for the Department of Veterans Affairs (VA), and the National Cemetery Administration.

The major mandatory programs in this function are compensation and pensions, including disability payments, education benefits, and the Veterans Choice Program<sup>1</sup>.

According to the Congressional Budget Office (CBO) spring 2018 baseline excluding emergencies, budget authority (BA) for discretionary programs in Function 700 for 2019 will account for 7 percent of total discretionary funding. Outlays for mandatory programs in Function 700 for 2019 will account for 4 percent of total non-interest mandatory spending excluding undistributed offsetting receipts.

### DISCRETIONARY

**Veterans Health Administration (VHA):** The VHA provides a range of comprehensive medical services to eligible veterans through a network of providers and facilities located across the country.

**Information Technology (IT) Systems:** Funding supports necessary expenses for a variety of legacy and new information technology systems, including electronic health records and other major IT projects to track and provide veterans benefits.

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<sup>1</sup> Note: New proposals under consideration by the House and Senate Committees on Veterans Affairs would make programmatic changes to the Veterans Choice Program that could include moving this program into the discretionary portion of the budget.

**Table 2: Discretionary BA in Function 700, by Major Program, 2019**  
(In billions of dollars, excluding emergencies)

Veterans Health Administration.....	75.1
IT Systems.....	4.2
Construction, Major and Minor projects.....	1.3
National Cemetery Administration.....	0.3
Other.....	<u>5.9</u>
Total.....	86.8

**Construction Projects:** The VA oversees a large inventory of buildings and facilities, including various VA health clinics and hospitals across the country. Funding supports the constructions, alteration, extension, or improvements for various facilities.

**National Cemetery Administration:** The National Cemetery Administration provides veterans with final resting places in locations around the nation, which provide important tributes that commemorate their service to the country.

**Other:** Most of this funding covers administrative expenses related to providing mandatory pension and disability benefits for veterans.

## MANDATORY

**Table 3: Mandatory Outlays in Function 700, by Major Program**  
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Compensation and Pensions .....	93.5	1,135.0
Readjustment Benefits .....	14.5	178.4
Veterans Choice Fund .....	1.1	1.1
Other .....	<u>2.4</u>	<u>11.8</u>
Total .....	111.5	1,326.3

**Compensation and Pensions:** Veterans who incurred or aggravated a disability during their active military service earn disability compensation. This also includes dependency and indemnity compensation paid to survivors of veterans. Additionally, pension benefits may be paid to certain low-income veterans or their survivors.

**Readjustment Benefits:** Veterans earn various benefits, including education, vocational rehabilitation, grants for vehicles with approved adaptive equipment for veterans with disabilities, housing, and more because of their service. Education benefits were greatly expanded following passage of the Post 9-11 GI bill.

**Veterans Choice:** The Veterans Access, Choice, and Accountability Act of 2014 provided \$10 billion through fiscal year 2017 to establish a temporary program that would improve veterans’ access to health care through utilization of providers outside the VA system. In 2017, Congress eliminated the sunset date for this program and appropriated a total of \$4.2 billion in additional funding to cover continuing cost of this program in 2017 and 2018 while long-term solutions are developed.

## TAX EXPENDITURES

There are four tax expenditures related to this function:

**Exclusions of Veterans’ Death Benefits and Disability Compensation:** Generally, compensation that does not materially differ from cash wages is counted as taxable income. However, under current law, all VA compensation that is a result of death or a disability is excluded from taxable income.

**Exclusion of Veterans’ Pensions:** VA pension payments are excluded from gross income.

**Exclusion of Veterans’ Readjustment Benefits:** GI bill benefits such as education benefits are excluded from gross income.

**Exclusion of Interest on Veterans’ Housing Bonds:** Interest currently earned on general obligation bonds that are issued by state and local government to finance housing for veterans is excluded from taxable income.

## RELEVANT AGENCIES AND CONGRESSIONAL COMMITTEES

**Table 4: Discretionary BA in Function 700, by Agency, 2019**  
(In billions of dollars, excluding emergencies)

Department of Veterans Affairs .....	86.3
Other Defense Civil Programs .....	0.3
Other .....	<u>0.1</u>
Total .....	86.8

**Table 5: Mandatory Outlays in Function 700, by Agency**  
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Department of Veterans Affairs.....	111.4	1,326.0
Other Defense Civil Programs.....	0.1	0.2
Other .....	*	*
Total.....	111.5	1,326.3

**Table 6: Discretionary BA in Function 700, by Appropriations Subcommittee, 2019**  
(In billions of dollars, excluding emergencies)

Military Construction, Veterans Affairs and Related Agencies.....	86.6
Defense.....	0.1
Labor, Health and Human Services, and Related Agencies.....	<u>0.1</u>
Total.....	86.8

**Table 7: Mandatory Outlays in Function 700, by Committee**  
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Veterans' Affairs.....	111.4	1,326.1
Armed Services.....	0.1	0.2
Other.....	<u>-*</u>	<u>-*</u>
Total.....	111.5	1,326.3

\* Less than \$50 million.