



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

October 12, 2001

H.R. 2716

**Stuart Collick—Heather French Henry
Homeless Veterans Assistance Act**

As ordered reported by the House Committee on Veterans' Affairs on October 10, 2001

SUMMARY

H.R. 2716 contains several provisions that would change how the Department of Veterans Affairs (VA) provides assistance to homeless and other veterans and also would consolidate several existing provisions of law dealing with homeless veterans into one chapter of Title 38 of the U.S. Code. 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. 2716 also would require VA to establish comprehensive homeless services centers in the 20 largest metropolitan areas. The bill would authorize funds for programs designed to provide shelter and housing to homeless veterans including new domiciliary care programs in up to 10 cities.

H.R. 2716 would require the Department of Housing and Urban Development (HUD) to set aside a certain number of rental vouchers each year to be used by homeless veterans. Under the bill, VA and the Department of Labor would establish a pilot program to assist veterans at risk for homelessness. Finally, the bill would authorize more money for the homeless veterans reintegration program operated by the Department of Labor.

H.R. 2716 would authorize funding or modify provisions governing discretionary spending for veterans' programs, which CBO estimates would result in additional outlays of about \$90 million in 2002 and about \$945 million over the 2002-2006 period, assuming appropriation of the necessary amounts. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

H.R. 2716 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. 2716 is shown in the following table. The costs of this legislation fall within budget functions 500 (education, employment, and social services), 600 (income security), and 700 (veterans benefits and services).

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted early in fiscal year 2002, that the necessary funds to implement the bill will be appropriated for each year, and that outlays will follow historical spending patterns for existing or similar programs.

Veterans' Medical Care. CBO estimates that implementing H.R. 2716 would increase discretionary spending for veterans' medical care by \$89 million in 2002 and \$785 million over the 2002-2006 period.

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 8 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 an annual 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. Assuming a four-year phase-in period, CBO estimates that requiring VA to provide opioid substitution therapy at all VA hospitals would cost \$13 million in 2002 and about \$250 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.

	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	20,863	21,866	22,110	22,839	23,547	24,285
Estimated Outlays	20,418	21,501	22,020	22,613	23,298	24,028
Proposed Changes						
Estimated Authorization Level	0	99	157	190	201	158
Estimated Outlays	0	89	150	186	199	161
Spending Under H.R. 2716						
Estimated Authorization Level	20,863	21,965	22,267	23,029	23,748	24,443
Estimated Outlays	20,418	21,590	22,170	22,799	23,497	24,189
HOMELESS VETERANS REINTEGRATION PROGRAM						
Spending Under Current Law ^b						
Authorization Level	0	20	20	0	0	0
Estimated Outlays	0	2	14	18	6	0
Proposed Changes						
Authorization Level	0	30	30	50	50	50
Estimated Outlays	0	3	21	32	44	50
Spending Under H.R. 2716						
Authorization Level	0	50	50	50	50	50
Estimated Outlays	0	5	35	50	50	50
HOUSING AND URBAN DEVELOPMENT						
Baseline Spending Under Current Law						
Estimated Authorization Level ^c	12,082	16,165	17,110	17,761	18,271	18,753
Estimated Outlays	16,492	17,525	18,265	18,620	19,094	19,603
Proposed Changes						
Estimated Authorization Level	0	0	3	6	9	13
Estimated Outlays	0	0	0	1	3	6
Spending Under H.R. 2716						
Estimated Authorization Level	12,082	16,165	17,113	17,767	18,280	18,766
Estimated Outlays	16,492	17,525	18,265	18,621	19,097	19,609
SUMMARY OF CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	129	190	246	260	221
Estimated Outlays	0	92	171	219	246	217

- a. The 2001 level is the estimated net amount appropriated for that year. The current-law amounts for the 2002-2006 period assume that appropriations remain at the 2001 level, with adjustment for inflation.
- 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 for 2002 and 2003.
- c. The 2001 level is the amount appropriated for that year. The current-law amounts for the 2002-2006 period remain at the 2001 level with adjustments to maintain the stock of subsidized housing at the current-law level.

Section 5 of H.R. 2716 would authorize appropriations to VA for these programs of \$60 million in 2002 and \$75 million a year for 2003, 2004, and 2005. 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 programs, with adjustments for inflation. CBO estimates that implementing this provision would increase spending by \$23 million in 2002 and about \$140 million over the 2002-2006 period, assuming appropriation of the authorized amounts.

Section 5 also would affect the grant and per diem programs by changing the way per diem rates are calculated. Under the bill, VA would use 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 is expected to double from 2,500 in 2001 to about 5,000 in 2005. Thus, CBO estimates that implementing this provision would cost \$3 million in 2002 and about \$20 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

Finally, section 5 would authorize \$10 million a year 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 implementing this grant program would cost \$30 million over the 2003-2006 period, assuming appropriation of the authorized amounts.

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 8, 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 about \$150 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

Domiciliary Care. In addition to the domiciliary programs that would be established as part of the comprehensive homeless services centers, section 5 would explicitly allow VA to establish up to 10 new programs for the purpose of providing domiciliary care to homeless veterans and would authorize \$5 million a year for 2003 and 2004 to establish these additional programs. Using data from VA, CBO estimates that an average domiciliary care program costs a little more than \$1 million a year to operate. Assuming that five new programs begin operation in 2003 and another five start in 2004, CBO estimates that implementing this provision would cost \$7 million in 2003, and about \$40 million over the 2003-2006 period, assuming appropriation of the estimated amounts.

Mental Health. Section 8 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.

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 5 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 \$5 million in 2002 and about \$30 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

Housing Program. Section 12 would require HUD to set aside vouchers out of Section 8 voucher funds to provide housing assistance to homeless veterans beginning in 2003. Under the provision, 500 vouchers would be set aside in fiscal year 2003, and that number would grow to 2,000 vouchers by fiscal year 2006. To implement section 12, VA would need to provide case managers for the veterans who receive housing vouchers. Based on information provided by VA, CBO estimates that the salary and benefits for a case manager would be

about \$60,000 per year and that a case manager could handle a caseload of about 30 veterans. CBO estimates that implementing this provision would cost about \$1 million in 2003 and \$10 million over the 2003-2006 period, assuming appropriation of the estimated amounts. (Implementing this section also would increase discretionary spending for Housing and Urban Development housing programs. CBO's estimate of these costs is discussed below under the heading of "Rental Assistance.")

Pilot Program. Section 5 would establish a pilot program to provide referral and counseling services to help prevent homelessness among veterans after they are released from a penal institution or a hospital where they received long-term treatment for a mental illness. The pilot program would be implemented in at least six penal institutions or hospitals and would last for four years. CBO assumes that the pilot program would entail providing three counselors per institution and cost about \$300,000 per institution. Assuming that all counselors are in place at the start of fiscal year 2003, CBO estimates that this program would cost about \$2 million a year over the 2003-2006 period, assuming appropriation of the necessary amounts.

Assistance for Grant Applications. Section 5 would authorize \$750,000 a year in fiscal years 2002 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 to address problems of homeless veterans. Accordingly, CBO estimates that implementing this section would cost about \$1 million in 2002 and \$3 million over the 2002-2006 period, assuming appropriation of the authorized amounts.

Medical Care for Homeless Veterans. Section 5 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. Under current law, this provision is set 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 for veterans' medical care, and thus are not included in the estimate of "proposed changes" shown in the table above.

Homeless Veterans Reintegration Program. Section 5 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 a year 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.

Rental Assistance. Section 12 would require HUD to set aside vouchers out of Section 8 voucher funds to provide housing assistance to homeless veterans beginning in 2003. Under the provision, 500 vouchers would be set aside in fiscal year 2003, and that number would grow to 2,000 vouchers by fiscal year 2006. VA would administer these vouchers under a housing program that would provide homeless veterans suffering from chronic mental illness (including those with substance abuse disorders) with rental assistance linked to ongoing case management and treatment. Based on information provided by HUD and VA, CBO estimates that, in a typical month, only about 85 percent of these vouchers would be used because turnover would cause some vouchers to go unused for some months. CBO also estimates that the set-aside vouchers would have a slower rate of spending and a lower utilization rate than standard vouchers because of the special needs of this population. CBO estimates that the issuing and renewal of these vouchers would increase outlays by \$10 million over the 2004-2006 period, assuming appropriation of the estimated amounts. (The costs for VA to administer this program are discussed above in the medical care section.)

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2716 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Public agencies would be eligible to receive grants to provide and enhance services to homeless veterans. Any requirements associated with these grants would be undertaken voluntarily.

PREVIOUS CBO ESTIMATES

On April 12, 2001, CBO prepared a cost estimate for H.R. 936, the Heather French Henry Homeless Veterans Assistance Act, as introduced in the House on March 8, 2001, with a subsequent change to section 17. Those provisions relating to opioid substitution therapy, mental health benefits, comprehensive homeless services program, dental benefits, new per diem payment rates, and the homeless veterans reintegration program are the same for both bills. In addition, H.R. 2716 would explicitly authorize funds for the homeless grant and per diem programs in amounts that are slightly greater than the implicit authorization contained in H.R. 936. H.R. 2716 also would explicitly authorize 10 new domiciliary

programs which would increase its costs relative to H.R. 936. H.R. 2716 would authorize funds for a technical grant program through 2005, while the amended version of H.R. 936 would authorize those funds through 2006. In addition to these provisions, H.R. 2716 would establish a pilot program to assist veterans at risk for homelessness and would authorize Section 8 housing vouchers to be set aside for homeless veterans.

On August 17, 2001, CBO prepared an estimate for S. 739, the Heather French Henry Homeless Veterans Assistance Act, as ordered reported by the Senate Committee on Veterans' Affairs on August 2, 2001. Those provisions relating to new per diem rates and the homeless veterans reintegration program are the same for both bills. H.R. 2716 would authorize 14 new comprehensive homeless services centers, while S. 739 would authorize up to five new programs. In addition, H.R. 2716 would explicitly authorize funds for the homeless grant and per diem programs in amounts that are slightly greater than the implicit authorization contained in S. 739. H.R. 2716 also would explicitly authorize 10 new domiciliary programs, which would increase its costs relative to S. 739. H.R. 2716 would authorize funds for a technical grant program through 2005, while S. 739 would authorize those funds through 2006. In addition to these provisions, H.R. 2716 would increase benefits in the opioid substitution therapy program, mental health programs, dental care for homeless veterans, establish a pilot program to assist veterans at risk for homelessness and would authorize Section 8 housing vouchers to be set aside for homeless veterans.

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