



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 17, 2000

### **S. 1399** **Department of Veterans Affairs Nurses Appreciation Act of 1999**

*As introduced on July 20, 1999*

#### **SUMMARY**

S. 1399 would require that nurses working for the Department of Veterans Affairs (VA) receive the same annual adjustment in salary that other federal employees receive. CBO estimates that implementing this bill would cost \$12 million in 2001 and \$241 million over the 2001-2005 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.

S. 1399 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 S. 1399 is shown in the following table. The costs of the bill fall within budget function 700 (veterans benefits and services).

#### **BASIS OF ESTIMATE**

Under current law, the annual adjustment in salaries for VA nurses is determined by the local director of each independent medical facility. S. 1399 would provide VA nurses with the same pay raises as most other federal employees—an adjustment based on the change in the Employment Cost Index (ECI) minus 0.5 percentage points plus locality-based comparability payments. Beginning on October 1, 2002, VA nurses also would be eligible for even higher adjustments in their annual pay if the Secretary of VA determines that the current payments are insufficient to recruit or retain qualified personnel. Adjustments for that reason would be conducted on a facility-by-facility basis, and would not necessarily apply to all VA nurses simultaneously.

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By Fiscal Year, in Millions of Dollars					
2000	2001	2002	2003	2004	2005

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**SPENDING SUBJECT TO APPROPRIATION**

Spending Under Current Law for Veterans' Medical Care						
Estimated Authorization Level <sup>a</sup>	19,493	19,493	19,493	19,493	19,493	19,493
Estimated Outlays	18,791	19,312	19,441	19,415	19,396	19,377
Proposed Changes						
Estimated Authorization Level	0	12	29	48	67	85
Estimated Outlays	0	11	27	46	65	83
Spending Under S. 1399 for Veterans' Medical Care						
Estimated Authorization Level <sup>a</sup>	19,493	19,505	19,522	19,541	19,560	19,578
Estimated Outlays	18,791	19,323	19,468	19,461	19,461	19,460

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a. The 2000 level is the amount appropriated for that year. The current law amounts for 2001 through 2005 assume that appropriations remain at the 2000 level. If they are adjusted for inflation, the base amounts would rise by about \$600 million a year, but the estimated changes would remain as shown under "Proposed Changes."

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VA currently employs about 36,000 nurses and nurse anesthetists at an average annual salary of about \$54,000 and salary-related benefits averaging almost \$10,000. Over the last five years, the average annual adjustment in salaries for VA nurses has been about 78 percent of the change in the ECI; thus, CBO expects that the bill would grant VA nurses higher pay raises than under current law. To calculate the costs of S. 1399, CBO assumes that pay raises under current law over the next five years also would be 78 percent of CBO's projection of the change in the ECI, which averages 4.1 percent over the 2001-2005 period. Under S. 1399, nurses also would receive locality-based comparability payments. These payments attempt to bring the government's pay more in-line with average local compensation. Although the payments differ greatly across localities, CBO estimates that the annual increase would average 0.5 percent of total compensation.

In addition, beginning in fiscal year 2002, VA also would be authorized to increase nurses' base pay at individual facilities if the Secretary determines that current payments are insufficient to retain and recruit qualified personnel. CBO does not expect any significant costs over the 2001-2005 period from this authority for additional pay raises.

CBO estimates that this legislation would cost \$12 million in 2001 and \$241 million over the 2001-2005 period. The costs in 2001 include \$1 million that would be attributable to fiscal year 2000 pay raises because S. 1399 has an effective date of October 1, 1999. The cost for fiscal year 2000 is quite low because the average raise for VA nurses in 2000 was both much higher than what VA nurses had received over the previous four years and closer to the ECI than in previous years. CBO estimates that future raises would be lower relative to the ECI than what happened in 2000 which means that future costs would be significantly greater. The salary increases would be paid out of discretionary appropriations for the Veterans Health Administration.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

### **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1399 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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