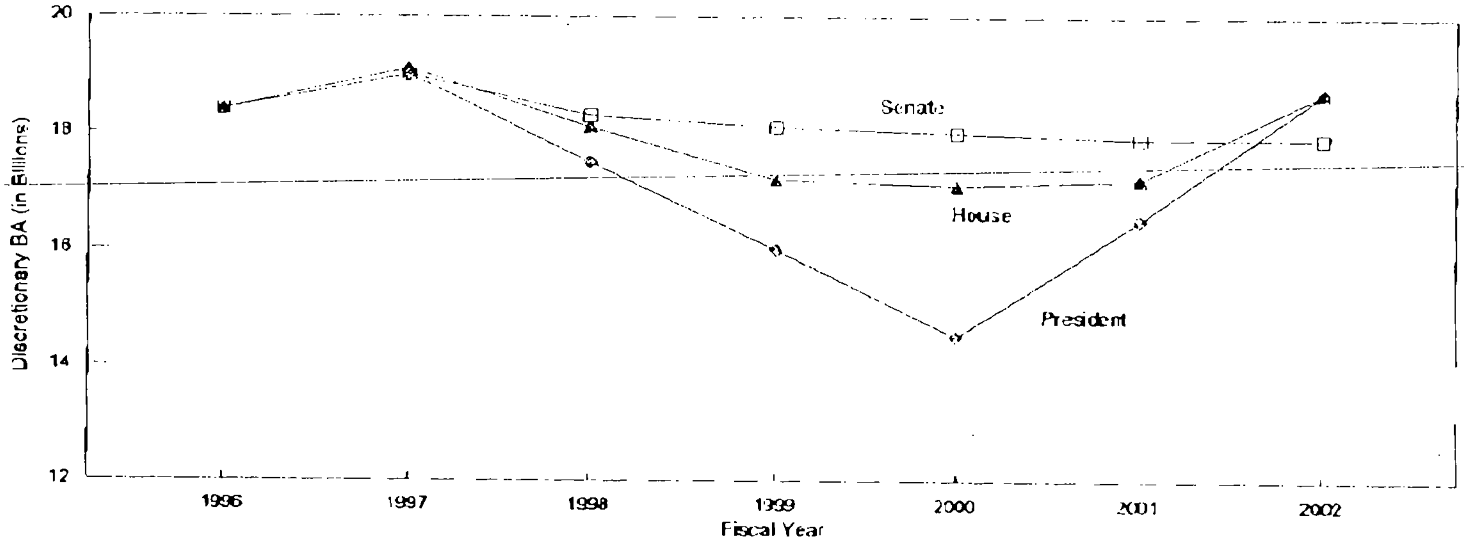
Function 700 Budget Comparisons



Function 700 (Veterans Benefits)
Discretionary B.A. in Billions

	1996	1997	1998	1999	2000	2001	2002	Cum 96-02
Presidents's FY97 Budget	18.4	19.0	17.5	16.0	14.5	16.5	18.7	120.6
HBC FY97 Budget Resolution-Chm's Mark	18.4	19.1	18.1	17.2	17.1	17.2	18.7	125.8
SBC FY97 Budget Resolution-Chm's Mark	18.4	19.0	18.3	18.1	18.0	17.9	17.9	127.6

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05/16/96

VA's 1997 BUDGET

President Clinton's seven-year balanced budget plan includes $39.3 billion for VA in fiscal year 1997.

Medical Programs

¶ A total of $17 billion is requested to provide medical care to 2.9 million unique patients -- the same number of patients VA expects to care for in 1996.

¶ VA will provide treatment in 947,000 inpatient episodes, and 29.8 million outpatient visits and 2.9 million community-based clinic visits -- a combined increase of more than 1.6 million visits.

¶ Fund $257 million for 1,600 high priority research projects and continue the operation of research centers focusing on AIDS, schizophrenia, alcoholism, Persian Gulf illnesses and women's health issues, and rehabilitation centers.

Benefits Programs

¶ $18.5 billion is requested to provide compensation and pension benefits to veterans and their survivors. More than 2.2 million veterans and 303,000 survivors will receive compensation benefits in 1997. Pensions will be provided to nearly 404,000 veterans and 322,000 survivors.

¶ The budget provides a 2.8 percent cost-of-living allowance for compensation beneficiaries, based on the anticipated change in the Consumer Price Index.

¶ More than $1.2 billion is included for the Readjustment Benefits program to provide education opportunities to veterans and eligible dependents, as well as other special assistance programs for disabled veterans.

National Cemetery System

The Administration proposes $77 million and 1,335 personnel for the National Cemetery System. The increase will fund the activation of the new Tahoma National Cemetery in the Seattle area.

Construction Programs

A total of $250 million is included for the major construction program to improve access to VA's health-care system for thousands of veterans and expand VA's National Cemetery System.

¶ The 1997 request includes funding for a new hospital and nursing home in Brevard County, Fla., and a replacement hospital at Travis Air Force Base in California, which is a joint VA-Defense Department project.

¶ Funding is requested for construction of an outpatient clinic and renovation of support space at the Tripler Army Medical Center in Honolulu, Hawaii.

¶ Outpatient improvements will be funded at the VA medical center in Wilkes-Barre, Pa., as will patient environment projects at VA medical centers in Marion, Ind.; Salisbury, N.C.; and Pittsburgh (University Drive division).

¶ Funds are included for two new cemeteries in Chicago and Dallas/Ft. Worth.

¶ A total of $189 million is requested for the minor construction program to make improvements to ambulatory care settings, patient environment and VA's infrastructure. Funds also are requested for nursing home care, clinical improvements and correction of code deficiencies in existing facilities.

Benefits Delivery

¶ VBA continues to make progress in processing compensation and pension claims in a more timely manner. In fiscal year 1997, VBA will process original compensation claims 33 days faster than in fiscal year 1996. In addition, the pending caseload will be reduced from about 378,600 at the end of fiscal year 1995 to 277,000 cases at the end of fiscal year 1997 -- a reduction of 27 percent.

¶ Funds are requested to continue development of VBA's VETSNET initiative, which will replace computers and software currently used to process veterans compensation and pension checks. The project, expected to be completed by fiscal year 1998, will ensure veterans will continue to be paid in a timely fashion using enhanced technology.

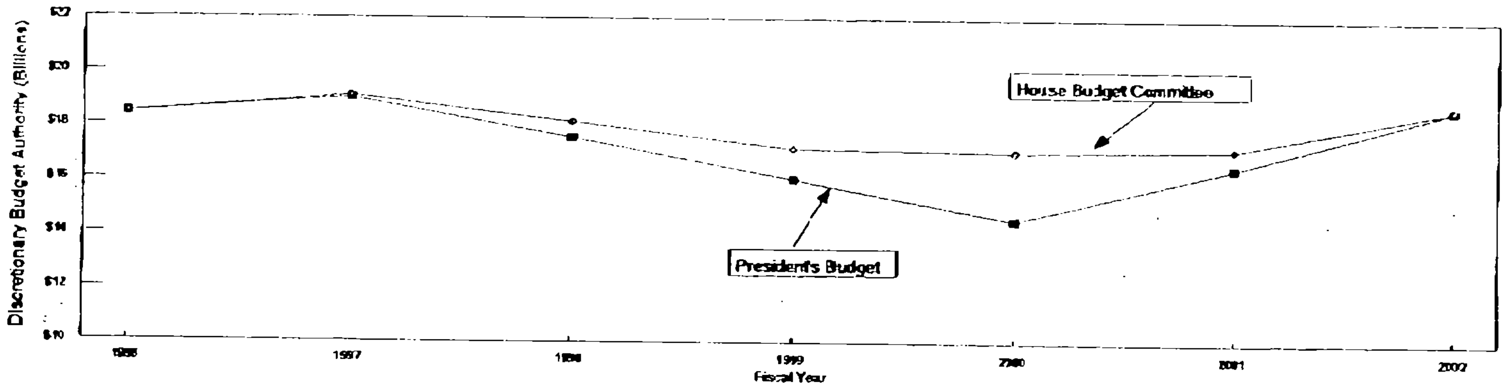
¶ The budget request reflects the first phases of a VBA restructuring plan that will improve service to veterans and reduce overall future costs of operation. The 1997 phase includes ten initiatives that will save more than $60 million by 2002.

¶ Funding for 50 positions for the Board of Veterans' Appeals is included in the request to address timeliness issues in processing veterans' appeals of denied claims.

Comparison of President's FY97 Budget with House Budget Committee Mark
($ Billions)

Function 700	FY1996 BA	FY1996 OL	FY1997 BA	FY1997 OL	FY1998 BA	FY1998 OL	FY1999 BA	FY1999 OL	FY2000 BA	FY2000 OL	FY2001 BA	FY2001 OL	FY2002 BA	FY2002 OL	Cum. FY 97-02 BA	Cum. FY 97-02 OL
President's FY97 Budget																
Policy																
Discretionary	18.4	19.0	19.0	19.2	17.5	18.3	16.0	16.3	14.5	14.8	16.5	16.2	18.7	18.3	102.2	103.2
Mandatory	20.1	18.9	22.5	20.7	20.9	21.1	21.2	20.8	21.4	22.6	21.7	20.1	22.0	21.9	127.7	127.3
Total	38.5	37.9	3?.5	3?.9	38.5	39.4	37.2	37.2	36.0	37.4	38.2	36.4	40.7	40.2	230.0	230.5
Baseline																
Discretionary	18.4	19.0	19.2	19.2	19.8	20.7	20.6	20.5	21.3	21.2	22.1	22.0	22.9	22.8	125.9	125.9
Mandatory	20.1	19.0	20.6	20.9	21.2	21.4	22.7	22.3	23.1	24.2	23.5	21.9	24.0	23.9	135.0	134.6
Total	38.5	38.0	39.6	40.1	41.1	41.7	43.2	42.8	44.4	45.4	45.6	43.9	46.9	46.6	260.9	260.5
House Budget Cte. Resolution																
Policy																
Discretionary	18.4	19.0	19.1	19.4	18.1	18.8	17.2	17.4	17.1	17.1	17.2	17.2	18.7	18.5	107.3	108.4
Mandatory	20.1	18.8	20.5	20.8	21.1	21.3	21.6	21.2	21.8	23.0	22.3	20.7	22.5	22.4	129.8	129.4
Total	38.5	37.8	39.6	40.2	39.2	40.1	38.7	38.6	38.9	40.1	39.4	37.8	41.2	41.0	237.1	237.8
Baseline																
Discretionary	18.4	19.0	18.5	19.4	17.5	18.6	16.6	17.3	16.5	17.5	16.6	17.7	13.?	19.0	103.7	109.5
Mandatory	20.1	19.0	20.6	20.9	21.2	21.4	22.7	22.3	23.1	24.2	23.5	21.9	24.0	23.9	135.0	134.6
Total	38.5	37.0	39.1	40.3	38.7	40.1	39.2	39.6	39.5	41.8	40.1	39.6	42.1	42.9	238.7	244.2
Difference (Pres. - Senate)																
Policy																
Discretionary	0.0	0.0	(0.1)	(0.2)	(0.6)	(0.6)	(1.1)	(1.0)	(2.5)	(2.3)	(0.7)	(0.9)	(0.0)	(0.2)	(5.0)	(5.3)
Mandatory	(0.0)	0.1	(0.1)	(0.1)	(0.2)	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(2.1)	(2.1)
Total	(0.0)	0.1	(0.1)	(0.3)	(0.8)	(0.8)	(1.5)	(1.4)	(2.9)	(2.7)	(1.2)	(1.4)	(0.6)	(0.8)	(7.1)	(7.3)
Freeze Baseline																
Discretionary	0.0	0.0	0.7	(0.2)	2.3	1.6	4.0	3.2	4.9	3.7	5.5	4.3	4.8	3.7	22.2	16.4
Mandatory	(0.0)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.2	0.7	(0.2)	2.3	1.6	4.0	3.2	4.9	3.7	5.5	4.3	4.8	3.7	22.2	16.4

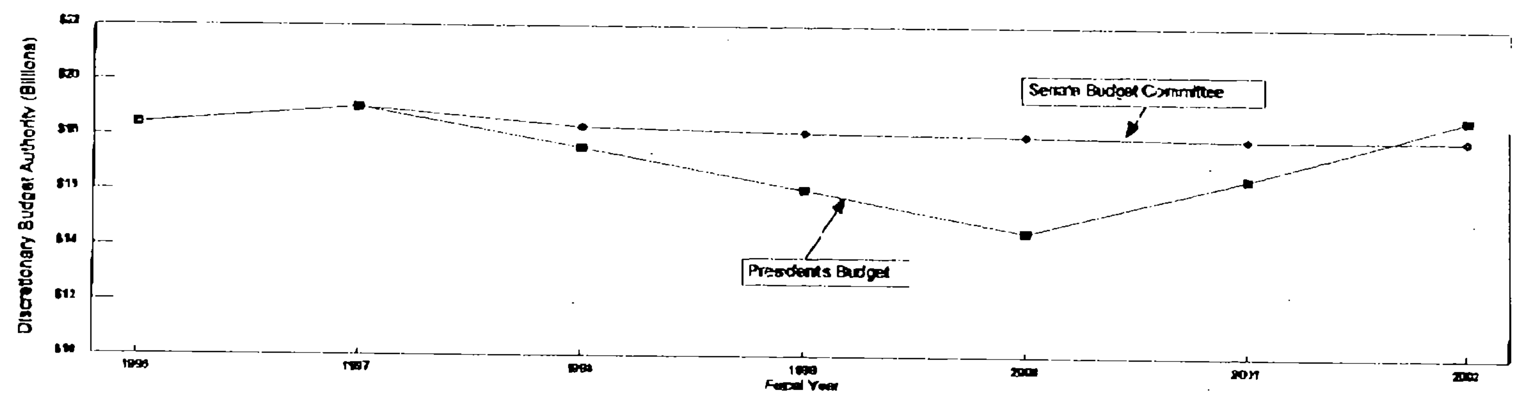
Function 700 Budget Comparison

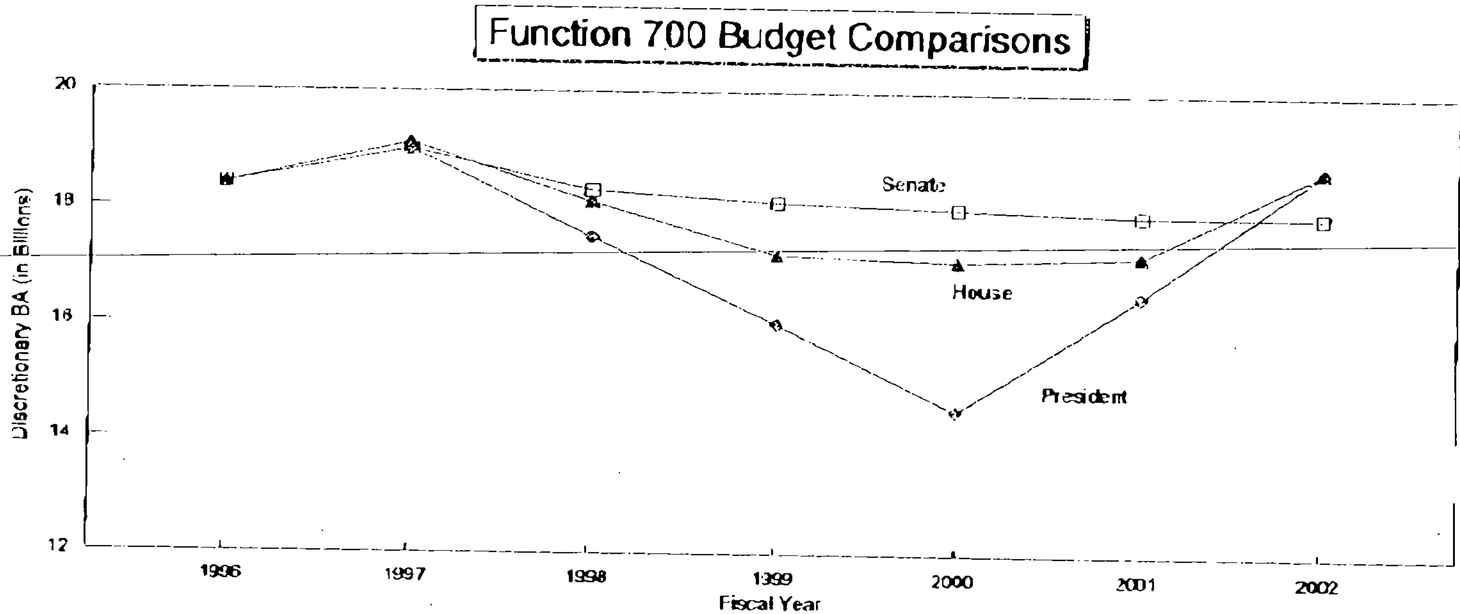


Comparison of President's FY97 Budget with Senate Budget Committee Mark
($ Billions)

Function 700	FY1996 BA	FY1996 OL	FY1997 BA	FY1997 OL	FY1998 BA	FY1998 OL	FY1999 BA	FY1999 OL	FY2000 BA	FY2000 OL	FY2001 BA	FY2001 OL	FY2002 BA	FY2002 OL	Cum. FY 97-02 BA	Cum. FY 97-02 OL
President's FY97 Budget																
Policy																
Discretionary	18.4	18.7	19.0	19.2	17.5	18.3	16.0	16.3	14.5	14.8	16.5	16.2	18.7	18.3	102.2	103.2
Mandatory	20.1	18.9	20.5	20.7	20.9	21.1	21.2	20.8	21.4	22.0	21.7	20.1	22.0	21.9	127.7	127.3
Total	38.5	37.6	39.5	39.9	38.5	39.4	37.2	37.2	36.0	37.4	38.2	36.4	40.7	40.2	230.0	230.5
Baseline																
Discretionary	18.4	18.7	19.2	19.2	19.8	20.2	20.6	20.5	21.3	21.2	22.1	22.0	22.9	22.8	125.9	125.9
Mandatory	20.1	19.0	20.6	20.9	21.2	21.4	22.7	22.3	23.1	24.2	23.5	21.9	24.0	23.8	135.0	134.6
Total	38.5	37.7	39.8	40.1	41.1	41.7	43.2	42.8	44.4	45.4	45.6	43.9	46.9	46.6	260.9	260.5
Senate Budget Ctte. Mark																
Policy																
Discretionary	18.4	18.9	19.0	19.3	18.3	18.8	18.1	18.5	18.0	18.0	17.9	17.9	17.9	17.9	109.2	110.4
Mandatory	20.1	18.8	20.0	20.2	20.3	20.4	20.6	20.7	20.7	22.4	20.9	19.8	21.1	21.4	123.6	124.9
Total	38.5	37.8	39.0	39.5	38.5	39.2	38.7	39.2	38.7	40.4	38.8	37.7	39.0	39.3	232.8	235.3
Freeze Baseline																
Discretionary	18.4	19.0	18.4	19.3	17.7	18.6	17.5	18.4	17.4	18.4	17.3	18.4	17.3	18.4	105.6	111.5
Mandatory	20.1	18.8	20.2	20.4	20.5	20.6	21.7	21.8	21.9	23.6	22.2	21.0	22.5	22.8	129.0	130.2
Total	38.5	37.8	38.6	39.7	38.2	39.2	39.2	40.2	39.3	42.0	39.5	39.4	39.8	41.2	234.6	241.7
Difference (Pres. - Senate)																
Policy																
Discretionary	0.0	(0.3)	(0.0)	(0.1)	(0.8)	(0.5)	(2.1)	(2.2)	(3.5)	(3.2)	(1.4)	(1.7)	0.8	0.4	(7.0)	(7.2)
Mandatory	(0.0)	0.1	0.5	0.5	0.6	0.7	0.6	0.1	0.7	0.2	0.8	0.3	0.9	0.5	4.1	2.4
Total	(0.0)	(0.2)	0.5	0.4	(0.1)	0.2	(1.5)	(2.0)	(2.7)	(3.0)	(0.6)	(1.3)	1.7	0.9	(2.8)	(4.8)
Freeze Baseline																
Discretionary	0.0	(0.3)	0.8	(0.1)	2.1	1.6	3.1	2.1	3.9	2.8	4.8	3.8	5.6	4.4	20.3	14.4
Mandatory	(0.0)	0.2	0.4	0.5	0.7	0.8	1.0	0.5	1.2	0.6	1.3	0.9	1.5	1.1	6.0	4.4
Total	0.0	(0.1)	1.2	0.4	2.9	2.5	4.0	2.8	5.1	3.4	6.1	4.5	7.1	5.4	26.3	19.8

Function 700 Budget Comparison





Function 700 (Veterans Benefits)
Discretionary B.A. in Billions

	1996	1997	1998	1999	2000	2001	2002	Cum 96-02
Presidents's FY97 Budget	18.4	19.0	17.5	16.0	14.5	16.5	18.7	120.6
HBC FY97 Budget Resolution-Chm's Mark	18.4	19.1	18.1	17.2	17.1	17.2	18.7	125.8
SBC FY97 Budget Resolution-Chm's Mark	18.4	19.0	18.3	18.1	18.0	17.9	17.9	127.6

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05/16/96

Department of Veterans Affairs

Budget Authority and Outlays (Presidential Policy, including Proposed Legislation)

in millions of dollars

Last Updated: May 14, 1996

	1995 Actual		1996 Enacted		1997 President's Budget		Change from 1996		Change from 1995	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
DISCRETIONARY PROGRAMS	$18,146	$17,968	$18,306	$19,535	$18,902	$19,116	$596	$581	$756	$1,158
Veterans Health Administration	$16,480	$16,268	$16,863	$16,762	$17,328	$17,464	$465	$702	$848	$1,196
Medical Care	16,148	15,933	16,543	16,439	17,008	17,145	466	705	860	1,212
Medical and Prosthetic Research	251	251	257	255	257	257	0	2	6	6
Other VHA Programs	80	84	64	67	62	62	(1)	(5)	(18)	(21)
Construction	$546	$641	$374	$637	$480	$555	$106	($82)	($66)	($85)
Major Construction	323	431	129	416	250	319	121	(96)	(73)	(112)
Minor Construction	153	133	190	163	188	177	(0)	14	35	44
Other Construction	70	76	55	59	41	59	(14)	1	(29)	(17)
Administration	$1,121	$1,049	$1,101	$1,168	$1,127	$1,129	$26	($39)	$6	$79
GOE-Veterans Benefits Admin.	676	603	634	699	643	642	9	(57)	(33)	39
GOE-General Administration	214	215	213	213	201	202	(13)	(11)	(13)	(13)
Credit and Insurance Programs	127	128	151	152	175	177	24	25	48	49
National Cemetery System	73	72	73	73	77	76	4	4	4	4
Office of Inspector General	32	32	31	31	31	31	0	0	(1)	(1)
MANDATORY PROGRAMS	$19,904	$19,817	$20,004	$18,837	$20,425	$20,672	$421	$1,836	$521	$854
Veterans Benefits Administration	$20,780	$20,690	$21,051	$19,898	$21,585	$21,823	$535	$1,925	$788	$1,133
Compensation and Pensions	17,706	17,909	18,290	16,945	18,676	18,622	386	1,677	970	633
Readjustment Benefits	1,192	1,191	1,345	1,274	1,207	1,354	(139)	80	15	163
Credit Programs	487	202	25	166	388	375	363	209	(98)	173
Insurance Programs	1,392	1,291	1,375	1,455	1,296	1,397	(79)	(58)	(96)	107
Other VBA Programs	22	67	16	58	19	75	3	17	(3)	7
Veterans Health Administration	$136	$125	$147	$129	$150	$160	$3	$31	$14	$35
Medical Care Cost Recovery	104	102	132	112	119	138	(13)	26	15	36
Other VHA Programs	32	23	15	17	31	22	16	5	(1)	(1)
Administration	$0	$32	$0	$4	($2)	($2)	($2)	($6)	($2)	($34)
Proprietary Receipts	($1,012)	($1,012)	($1,181)	($1,181)	($1,292)	($1,292)	($111)	($111)	($280)	($280)
Medical Care Cost Recovery	(572)	(572)	(652)	(652)	(777)	(777)	(125)	(125)	(206)	(206)
Montgomery GI Bill	(166)	(166)	(243)	(243)	(253)	(253)	(10)	(10)	(87)	(87)
Other Receipts	(274)	(274)	(266)	(286)	(262)	(262)	24	24	12	12
Intragovernmental Transactions	($18)	($18)	($13)	($13)	($17)	($17)	($4)	($4)	$1	$1
DEPT. OF VETERANS AFFAIRS	$38,050	$37,776	$38,310	$37,371	$39,327	$39,788	$1,017	$2,417	$1,277	$2,012

PRESIDENT'S BUDGET REQUESTS VS. PROJECTIONS FOR VA MEDICAL PROGRAM FUNDING*
(Budget Authority; in Millions)

FY 1992

Actual	In 1988	In 1989	In 1990	In 1991
$13,615	$11,153	$11,451	$11,844	$13,036
(avg. $1.7B)	(2,463)	(2,164)	(1,771)	(579)

FY 1993

Actual	In 1989	In 1990	In 1991	In 1992
$15,013	$11,632	$12,099	$13,568	$14,279
(Avg. $2.1B)	(3,381)	(2,914)	(1,445)	(734)

FY 1994

Actual	In 1990	In 1991	In 1992	In 1993
$16,027	$12,383	$14,080	$14,931	$15,016
(avg. $1.9B)	(3,664)	(1,947)	(1,096)	(1,005)

FY 1995

Actual	In 1991	In 1992	In 1993	In 1994
$16,517	$14.570	$15,589	$15,024	$15,747
(avg. $1.3B)	(1,947)	(928)	(1,493)	(770)

FY 1996

Actual	In 1992	In 1993	In 1994	In 1995
$17,412	$16,268	$15.030	$16.156	$17,022
(avg. $1.3B)	(1,144)	(2,382)	(1,256)	(390)

FY 1997

Actual	In 1993	In 1994	In 1995	In 1996
$17,447	$15,076	$16.516	$17,527	$16,697
(avg. 5.5B)	(2,371)	(931)	(+80)	(550)

* Medical Care, Research, MAMOE, etc., not including construction programs

Numbers in parentheses = amounts by which projections were less than the actual budget year requests.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 12, 1996

The Honorable John R. Kasich
Chairman
Committee on the Budget
United States House of Representatives
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing in response to your June 26 letters to more than a dozen Cabinet secretaries and agency heads in which you asked about out-year spending proposals in the President's fiscal 1997 budget.

Reaching Balance

The President has a strong record on the budget -- a record that he is committed to building on. His 1993 economic program has helped cut the deficit by over half while funding investments in education and training, the environment, and other priorities to help raise living standards and improve the quality of life for average Americans. Spurred by the Vice President's National Performance Review, the President has cut the federal workforce by 230,000 people -- creating the smallest federal workforce in 30 years -- while reinventing agencies, terminating and cutting programs, streamlining processes, and finding other ways to save taxpayer money.

Building on that success, the President is committed to reaching balance in 2002 and to the total discretionary savings in his 1997 budget to reach that goal. To enforce those savings, the budget proposes caps on total discretionary budget authority and outlays for each year through 2002. By forcing tough annual decisions, caps have proved effective in controlling total discretionary spending since 1991. Within the annual totals, the President is committed to maintaining and expanding his investments in education and training, the environment, and other priorities.

To reach balance, the Administration and Congress both face the challenge of making reasonable cuts in programs while continuing to provide the vital services that Americans want and need. We will have to work together to make the tough decisions about what the Federal government should do, and what other levels of government or the private sector would more appropriately do. The challenge would be even larger under the congressional budget resolution: The President's budget provides more total discretionary funds in each year from 1998 to 2002.

Planning for the Out-Years

You asked about the guidelines that departments and agencies are using to help the President maintain his commitment to reaching balance. At OMB, we are at the earliest stages of putting together the President's budget proposal for 1998. The attached "FY 1998 Planning Guidance" that the OMB Director sent on June 10 to the heads of executive departments and agencies reiterated the President's commitment to the total discretionary savings through the year 2002. To give the President options to reorder priorities within the available discretionary spending (compared to the 1998 levels in his 1997 budget), the guidance asked agencies to suggest offsetting cuts of 5 percent and also of 10 percent. The Administration understands the realities of annual, enforceable caps -- that to add money to one program, he will have to cut another.

Indeed, Cabinet secretaries and agency heads understand that reality. Each year, as OMB works with the President and his senior economic team in crafting the President's budget proposal, the Cabinet secretaries and agency heads will have an opportunity to seek more funds for programs and activities within their jurisdictions. But they, too, understand that in order to increase funding for one area of discretionary spending, the President will have to take funds from another.

Year-to-Year Decision-Making

Like other Presidents of both parties, President Clinton presented line-by-line detail for the next budget year -- 1997 -- and details at the levels of function, subfunction, and major program for the out-years. In its budget resolution, Congress outlines how it would allocate resources at the functional level for the out-years, with less detail about the out-years than the President's budget. I would note that the programmatic detail accompanying the House budget resolution is illustrative only. While the cap is binding, the details are not.

The overriding point, however, is that each year, the President and Congress both review their discretionary allocations for the out-years and make specific programmatic decisions on a year-to-year basis. As the House report on the 1997 VA-HUD appropriations bills states clearly, "Both the Administration and the Congress review the amounts to be requested and appropriated each year, as has been the long-standing practice."

Just as presidential decisions reflect these year-to-year priorities, so do congressional decisions. With regard to Congress, consider the allocations for out-year spending for health and for income security in the last two congressional budget resolutions. They show that in the 1997 budget resolution, Congress revisited and significantly changed its allocations in the 1996 resolution for out-year spending. (The figures are in billions of dollars.)

	1997	1998	1999	2000
Health				
1996 Budget Resolution	$20.7	$20.5	$20.1	$19.9
1997 Budget Resolution	$23.2	$21.9	$21.8	$21.7
Change	+$2.5	+$1.4	+$1.7	+$1.8
Income Security				
1996 Budget Resolution	$34.0	$43.5	$36.0	$39.4
1997 Budget Resolution	$27.8	$35.1	$31.7	$38.1
Change	-$6.2	-$8.4	-$4.3	-$1.3

When it comes to binding decisions about discretionary spending, Congress makes them one year at a time through the 13 annual appropriations bills. This Administration has proposed multi-year appropriations bills, but Congress has shown little interest in the idea.

You asked two specific questions of each Cabinet secretary and agency head to whom you wrote:

1. The Commitment to Balance

First, you asked whether the Cabinet secretaries and agency heads are committed to the out-year spending levels and what policies they will pursue to achieve them. Again, the President proposes to limit the total amount of available discretionary spending each year through enforceable caps, while retaining the flexibility that Presidents and Congress also have to reorder priorities each year. These officials are, indeed, committed to playing their part in helping the President reach balance, and OMB will work with them in the 1998 budget process to begin making the long-term decisions that a balanced budget will require.

2. The "Trigger"

Second, you asked about additional spending cuts that could be required to reach balance. In enacting H.J. Res. 122 (the third continuing resolution of fiscal 1996) last November, the President and Congress pledged to reach agreement on a plan to balance the budget by 2002, based on Congressional Budget Office (CBO) estimates after consultation with OMB and other public and private experts. The President stands by that pledge, and he has repeatedly urged Republican congressional leaders to return to the negotiating table.

The budget includes discretionary caps that will produce the requisite savings to reach balance under CBO's economic and technical assumptions. That is why CBO scored our budget as balanced. It also includes a "trigger" that calls for a determination, at the end of 2000, as to whether the budget is on track to balance. If the 2000 deficit is lower than CBO had projected (that is, if OMB's economic assumptions turned out to be more accurate), the trigger calls for fewer cuts in discretionary spending in 2001 and 2002.

As with all other presidential budgets, however, the account-level detail in the President's 1997 budget is based on the Administration's economic and technical assumptions -- the assumptions that represent the Administration's best sense of how the economy will perform through 2002. At the same time, the budget includes the mechanism described above that ensures that discretionary spending will not exceed levels consistent with CBO scoring of a balanced budget.

Under this Administration, OMB generally has a better record of forecasting the economy than CBO does. In fact, the economy has performed better than either of the two agencies has projected. We remain confident that the economy will continue to enjoy healthy growth with low inflation for the foreseeable future.

If, however, CBO turns out to be right about the economy, and the path to balance demands the lower discretionary caps, the President will stick to them.

Savings in the Out-Years

Finally, you asked some Cabinet secretaries what policies they will pursue to cut certain programs to funding levels that the President's 1997 budget outlines for 2000. The Administration will review its out-year discretionary allocations each year, just as Congress will do. In general, we plan to continue cutting the federal workforce, reinventing departments and agencies, terminating and cutting programs, streamlining processes, and finding efficiencies wherever we can.

Consider, for example, our record in maintaining our commitment to veterans in an era of constrained resources. We have improved and restructured the Department of Veterans Affairs' health care system, cut the processing time and pending caseloads at the Veterans Benefit Administration, raised the share of new federal jobs going to veterans, and established the Presidential Advisory Committee on Gulf War Veterans' Illnesses. We have, in fact, improved services for veterans even though Congress has reduced the President's requests for the VA. For instance, although the President requested $19.2 billion for the VA in 1996, Congress appropriated only $18.3 billion, hampering our efforts to improve VA health care facilities and claims processing even more.

As our experience in reducing the deficit shows, the Administration can provide important services for Americans while saving money. We plan to build on that experience as we confront the difficult choices that lie ahead.

I look forward to working with you on our shared goal of reaching balance in 2002.

Sincerely,

Jacob J. Lew
Acting Director

cc: The Honorable Martin O. Sabo

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

June 10, 1996

M-96-30

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Alice M. Rivlin
Director

SUBJECT: FY 1998 Budget Planning Guidance

Agencies must begin planning for the President's FY 1998 Budget in spite of the substantial uncertainties that we face about FY 1997 funding levels. By September 9, agencies should submit to OMB their budget requests for discretionary programs for FY 1998 -- based on the FY 1998 discretionary budget authority and outlay amounts reflected in the FY 1997 Budget, adjusted for the outyear effects of appropriations enacted after the President transmitted the FY 1997 Budget. Agencies should make FTE employment consistent with their proposed funding levels and streamlining plans.

In the FY 1998 process, the President will have a chance to reassess FY 1998 funding levels for <u>individual</u> programs that were outlined in the FY 1997 Budget, while maintaining the yearly path for <u>overall</u> discretionary spending through 2002 that he had presented. He may, and in some cases undoubtedly will, choose to increase funding for critical programs, forcing him to reduce funding for others in order to meet the tight constraints required to reach a balanced budget. To give the President alternatives to make such choices, we must develop funding options below the FY 1998 targets in the FY 1997 Budget.

Thus, agencies should include information that explains how to reduce their spending from the FY 1998 estimates in the FY 1997 Budget, in terms of budget authority, by 5% and also by 10%. However, in cases in which agency planning guidance levels are clearly insufficient to support Presidential priorities and the agency has used all realistic offsets from non-priority programs, the agency also should provide justification for a higher funding level.

The Administration plans to propose full funding of fixed assets in the FY 1998 Budget. OMB will issue specific guidance covering full funding policy and requirements for the FY 1998 Budget as a supplement to OMB Circular A-11. We will expect agencies to identify additional budget authority required to implement full funding more broadly in their FY 1998 budget submissions to OMB. We will consider adjustments to planning guidance levels based on agency budget submissions.

We will forward to you, under separate cover, discretionary budget authority and outlay levels for FY 1998 that reflect this planning guidance.

- Real Commitment to Veterans' Health Care. The President's 1997 budget calls for a $0.6 billion increase in funding for the Department of Veterans Affairs, including $0.5 billion more for veterans' health care. His 1996 budget called for $1.3 billion in funding above the 1995 level. Congress ultimately provided an increase of $0.2 billion. Like his 1996 request, the President's 1997 budget would provide funding to begin constructing two much needed hospitals in underserved parts of California and Florida.

- Update Issue Brief

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Oral Testimony
The Hon. Jesse Brown
Secretary of Veterans Affairs

Before the
Senate Appropriations Committee
(FY 1997 Budget)

Washington, DC
May 3, 1996
*****/final

Mr. Chairman, I appreciate this opportunity to present the President's 1997 budget request for the Department of Veterans Affairs.

Last year at this time, I said the President was committed to providing care to veterans.

And he has met that commitment by sending good budgets to Congress.

Before I speak of this year's budget, I want to clarify three misunderstandings.

The first is that as the number of veterans declines, the budget for their care should also decline.

Mr. Chairman, between 1992 and the year 2002, we project that the total veteran population will decrease by 12%.

However, during the same period the number of veterans seeking VA care will increase by 15%.

That increased demand is caused by an aging, disabled veteran population.

The second is that the VA budget just goes up year after year and we are spending too much to take care of veterans.

Mr. Chairman, it is true that the VA's health care budget has risen from $5.8 billion in 1980 to $16.5 billion in 1996.

However, in constant dollars, after taking out the inflationary costs of medical care, the 1996 budget would be only $6.6 billion in 1980 dollars.

That is an increase of less than $1 billion over a 16-year period.

Clearly, VA health care is a bargain for taxpayers.

And, lastly there is the misunderstanding about the administration's outyear projections for VA.

We both have been around long enough to know that outyear figures are projections for planning.

Rarely do they match the reality of the President's requests.

The Congressional budget resolution and appropriators have made it clear that they intend for VA's budget to be flat through the year 2002.

On the other hand, the President has assured me that he will review and negotiate a budget for veterans each year.

He kept that promise in 1996.

He proposed a $1.3 billion increase:

-- $1 billion for health care and other discretionary spending, and

-- $300 million more for benefits.

Again this year, we have a good budget.

The President's 1997 total budget for veterans is $39.3 billion.

That is an increase of $1 billion above the level approved by Congress for 1996.

The President's 1997 budget proposal provides --

-- Almost $600 million additionalfor Health Care and other discretionary spending, and

-- An increase of almost $400 million for benefits.

This budget will allow us to provide our veterans with –

– quality health care;

– timely benefits; and

– burials with dignity.

The VA budget contains $17 billion for medical care, an increase of $448 million over the 1996 Conference level.

This budget will allow VA to treat 2.9 million unique patients – the same as in 1995 and 1996.

That is over 948,000 inpatient episodes and over 32 million outpatient visits.

It is important to point out that in the past we have used economic models to project the level of health care we can provide.

Our models showed that the budget level, as approved by the Congress, for FY 1996 would force VA to deny:

- 88,000 sick veterans VA health care; and
- 36,000 episodes of in-patient care and 800,000 episodes of out-patient care would not be provided.

That did not happen because of increased efficiencies and consolidation of services.

For example, we have shifted our focus from inpatient to outpatient care.

We restructured all our facilities into 22 integrated networks of care to best meet local needs.

And, we have taken advantage of economies of scale to purchase pharmaceuticals, medical supplies and other provisions.

But, this has not been easy. In fact, we will lose 5,000 health-care employees this year.

In FY 1997, we will continue to restructure in order to become more efficient in the delivery of health care.

We will do that with 191,000 employees in medical care -- a reduction of 5,154.

Funding for research will be maintained at -- $257 million.

We are requesting $250 million for major construction and $190 million for minor construction.

The Major construction account includes funds to meet our long-standing needs:

-- a new medical center and nursing home in Brevard County, Florida,

-- a replacement hospital in California, and

-- a clinic in Hawaii.

The major construction account also includes funds to make badly needed improvements in patient-care environments in:

Wilkes-Barre, Pennsylvania;

Marion, Indiana;

Salisbury, North Carolina; and

Pittsburgh, Pennsylvania.

~~This budget reflects the first phase of a multi-year restructuring plan for Veterans Benefits Administration.~~

~~The plan will improve service to veterans and reduce overall costs of operation in the future.~~

~~The first phase includes ten initiatives that will be implemented beginning in FY 1997 and save over $60 million by 2002.~~

~~These initiatives are designed to consolidate various activities to provide better service at reduced costs.~~

~~This will also result in a further reduction of 450 employees over that 5 year period.~~

I am very happy to report that we continue to decrease the time it takes to process veterans benefits claims.

And, we are improving the quality of rating and other actions.

VA has reduced the backlog of compensation and pension claims from 450,000 cases at the end of 1994 to 348,000 cases in FY 1996.

And we will continue working toward our goal of reducing the backlog to 250,000 by 1998.

In FY 1997, we will process original compensation claims in 117 days – a 33 days improvement over FY 1996

That is right on schedule to meet our performance goal of processing original compensation claims in 106 days by FY 1998.

And, we will be doing that with only 12,076 employees, a reduction of 624 in FY 1997 -- mainly in support services and, to a less extent, through restructuring.

Our budget request for VBA calls for $781 million, an increase of $32 million.

VA is requesting $18.5 billion for compensation payments to:

- 2.2 million veterans;
- 303 thousand survivors; --

-- and pension payments to:

- 409 thousand veterans; and
- 322 thousand survivors.

The Board of Veterans' Appeals continues to address the unacceptable amount of time it takes to process an appeal.

The number of days to process an appeal case has been reduced from 781 in 1994 to 675 and that downward trend is continuing.

In FY 97, we are requesting an additional 50 employees for a total of 527 for BVA.

We expect this increase in staff and the continued efforts of the employees already at BVA to reduce by 130 days the average response time on an appeal.

That will drop the time from 675 days in FY 1996 to 545 days in FY 1997.

Our National Cemetery System budget calls for almost $77 million and 1,335 employees to operate 114 National Cemeteries

This is an increase of $4.3 Million and 14 employees over the FY 1996 level.

In FY 97, we will activate a new National Cemetery near Seattle, and start construction on new cemeteries for Chicago and Dallas.

And we will enlarge and improve the National Cemetery in Arizona.

In summary, Mr. Chairman, VA is faced with many continuing challenges -- and this budget allows us to Put Veterans First.

Our goal remains -- the best possible care and services we can give to our Nation's veterans. We owe our veterans the best we can provide.

I look forward to working with you and the members of this committee to honor the commitment we have made to them.

Mr. Chairman, this concludes my statement. I will be happy to respond to any questions you and Committee members might have.

TALKING POINTS ON OUT-YEAR DISCRETIONARY FUNDING LEVELS
June 12, 1996

I. THE PRESIDENT HAS THREE ROCK-SOLID PRINCIPLES FROM WHICH HE WILL NOT WAIVER:

1. **A commitment to spending cut levels needed to reach balance in the year 2002.**

2. **A commitment to staying within the discretionary levels needed to reach balance by 2002 -- whether or not OMB or CBO projections turn out to be the most accurate.** We believe the Administration's economic projections are correct -- this Administration has a better track record than the CBO -- but if our projections are not correct, our budget shows that we are committed to making the cuts necessary in other areas to reach balance by 2002. The President's budget is designed to guarantee that the budget balances by 2002 regardless of whose economic projections are right

3. **A commitment to protect overall investments in education and the environment and the violent crime trust fund.**

II. WITHIN THE CONSTRAINTS OF THESE PRINCIPLES, THE ADMINISTRATION WILL CONTINUE TO EVALUATE THE FUNDING NEEDS OF EACH GOVERNMENT AGENCY ON A YEARLY BASIS. But the President will not waiver from these three principles and *any increase in one area will be offset dollar-for-dollar with a decrease in another area.*

III. REPUBLICANS ALSO RE-EVALUATE PROGRAM FUNDING EACH YEAR WITHIN THE CONSTRAINTS OF THEIR OVERALL BUDGET. The Republicans pretend that they give program-by-program cuts for the outyears, but this is not the case. The Republican Majority also has reevaluated program levels in their budget resolution and their annual appropriations bills.

IV. IF YOU WANT TO JUDGE THE INTENTIONS OF THE PRESIDENT WHEN IT COMES TO THE DEFICIT -- LOOK AT HIS RECORD -- AND THE REPUBLICAN RECORD:

- **President Clinton Is The First President to Reduce The Deficit 4 Years in a Row Since Before The Civil War.** President Clinton has reduced the deficit from the record $290 billion in fiscal 1992 to $255 billion in 1993, to $203 billion in 1994, to $164 billion in 1995 to CBO's projected $130 billion in fiscal 1996.

- **President Clinton Has More Than Cut The Deficit in Half.** CBO projects the fiscal 1996 deficit will be approximately $130 billion, down from the record $290 billion in 1992. [CBO, May 1996; *Washington Post*, May 21, 1996]

- **The Deficit *Exploded* Between 1981 and 1986 under a Republican-Controlled White House and Senate.** The deficit nearly *tripled* from $74 billion in FY1980 to $208 billion in FY1983.

LOOK AT OUR TWO RECORDS FOR VETERANS -- NOT WHAT THEY PROMISE

REPUBLICANS: While they claim they will provide more funds for veterans over the next 6 years based on their budget resolution, look at what they have actually done:

1. **Provided $900 million less than the President requested for veterans in 1996:** The President proposed $19.2 billion for the VA, but the Republican Congress provided only $18.3 billion in 1996 -- cutting the President's request by $900 million. This reduction will prevent the VA from building new hospitals in California or Florida or making necessary improvements in VA health care facilities, and will impede VA's efforts to improve the processing of benefits claims.

2. **The vetoed Republican reconciliation bill would have raised premiums on 8.8 million veterans and could have denied 150,000 veterans Medicaid coverage in 2002:**

   - It would have raised Medicare premiums on 8.8 million veterans on Medicare -- a third of all veterans -- by at least $850 over 7 years, compared to the President's budget that kept premiums at 25 percent of program costs.

   - It would have turned Medicare into second-class health care with $270 billion in cuts and damaging structural changes (e.g., Medical Savings Accounts and balance billing)

   - It could have denied 150,000 veterans Medicaid coverage in 2002, most of whom could not afford private insurance and would be ineligible for VA medical care. Over 600,000 veterans currently receive Medicaid.

3. **Only public outrage prevented Republicans from passing some of their more extreme proposals, such as eliminating compensation for certain mentally incompetent service-disabled veterans.**

PRESIDENT CLINTON: The President has built a strong record on veterans' programs:

- Requesting more funding for the VA than the Republicans provided in 1996;
- Opposed Republican proposals to raise Medicare premiums on 8.8 million veterans, and eliminate the Medicaid guarantee for over 600,000 veterans;
- Expanding disability benefits to Vietnam veterans exposed to Agent Orange;
- Ensuring full COLAs' on benefits going to disabled veterans and military retirees;
- Improving and restructuring VA's health care system (proposing a $1 billion increase in veterans health care in 1996 and another increase this year);
- Shortening processing time and cutting pending caseloads at the Veterans Benefit Administration;
- Maintaining a firm commitment to veterans in federal hiring;
- Proposing eligibility reform to ensure that veterans have access to the most appropriate care; and
- Establishing a Presidential Advisory Committee on Gulf War Veterans' Illness and signing legislation paying for benefits to Persian Gulf veterans with undiagnosed illnesses.

PRESIDENT CLINTON EXPLAINED HIS COMMITMENT TO SECRETARY BROWN

President Clinton explained his commitment to Veterans Secretary Jesse Brown at a veterans media roundtable discussion on June 3, 1996 -- before David Broder wrote his column on the subject.

QUESTION: Secretary Brown has said a number of times that you have agreed to meet with him annually to reevaluate the VA budget....The two-part question is, number one, will you continue to meet with the Secretary on an annual basis with the VA? And, two, what comment would you have for the members of Congress that say by promising this to the VA you open the door to other Cabinet secretaries to do the same thing; therefore, your long-term budget proposal is at the best misleading?...

THE PRESIDENT: Well, I'd say my long-term -- insofar as I've got four years now, my long-term budget record stands up pretty well compared to any in Congress I can think of, dominated by either party.... I've shown them a real willingness to hold the line on spending. We're about to go into our fourth year of deficit reduction in a row for the first time since Harry Truman was President, having four years back to back. And I think we proved that you can meet the basic needs of the American people for the present and investment in the future, whether it's national defense or investment in education and research and still whittle this budget down. So I feel comfortable about that.

The reason that I made that commitment to Secretary Brown in particular is that because there are a lot of things that are up in the air here....No one can possibly predict all the variables that will occur seven years from now. And it seems to me that it would have been irresponsible of me not to agree to Secretary Brown's request.

He said -- he comes to me on your behalf and he says, okay, I'll try to meet these tough budget targets. You're going to be more generous to us in the first two or three years, much more generous than Congress wants to be and then what you say, we're going to have to get tough in the back years. And I'll try to do it, but you've got to promise me that every year you will meet with me so we'll see how much money we have, what our needs are and where we're going, so that we don't get ourselves shackled to an artificial budget that bears no relationship to the real needs of the veterans.

When you're making five, six, seven-year budgets, that seemed to me to be a very reasonable request and I think it would have been weak and wrongheaded of me not to do it.

THE WASHINGTON POST
TUESDAY, MAY 28, 1996

In Budget-Cutting Times, VA Programs Have Largely Escaped the Knife

Veterans programs remain sacrosanct on Capitol Hill despite all the talk of cutting the Department of Veterans Affairs budget.

That is the finding of the National Taxpayers Union Foundation, which today will report that "veterans are the poster children of the new conservative welfare state."

The nonprofit group, which consistently has attacked Congress for spending too much money, will release a survey showing that most special interest groups saw their influence fall with the Republican-controlled 104th Congress. It said there were 56 percent fewer bills introduced to increase spending than during the same period of the Democratic-controlled 103rd Congress.

Unlike most departments, the VA came out of this year's budget wars in relatively good shape. But the increase was so slight—from $37.2 billion in fiscal 1995 to $38 billion for fiscal 1996—that it has not made up for the past high rate of medical inflation.

That has left the department short $1 billion in new medical equipment and struggling to meet increased personnel costs. The department has the second-largest payroll in the Cabinet, behind the Pentagon.

"Veterans were the most favored constituency, as 239 representatives and 25 senators sponsored at least one of 27 bills to increase veterans benefits," the NTUF said. "Only six thinly supported bills would have cut veterans spending."

Both Democrats and Republicans cited the survey as backing their positions.

Senate Veterans Affairs Committee Chairman Alan K. Simpson (R-Wyo.) said it proves the GOP Congress has been good to veterans, despite "all the rhetoric and babble we hear from the administration."

A spokesman for VA Secretary Jesse Brown said it reinforces the importance of President Clinton's pledge to review VA spending on a year-by-year basis.

Even though the department has asked for $39.3 billion for fiscal 1997, reductions in VA staffing and closing some VA facilities are projected, as the department copes with inflation and moves to provide more outpatient care, VA officials have said.

Spokesmen for two veterans groups, the Disabled American Veterans and Paralyzed Veterans of America, said the findings were not surprising. Last week they released a national survey showing that 77 percent of those polled preferred to increase VA spending to keep up with inflation rather than cut the deficit or reduce taxes.

— Bill McAllister

Cornfields May Yield Stability in Food Costs

New Law, High Prices Spur Record Planting

By John M. Berry
Washington Post Staff Writer

The success of this year's corn crop is key to how much more consumers will be paying for food late this year and next.

Dwindling supplies have pushed corn prices near $5 a bushel—their highest level in more than 100 years. The premium price is enticing U.S. farmers to plant the largest corn crop in history, taking advantage of new freedom under recently passed farm legislation to plant as much as they want of profitable crops.

Agriculture experts say that if the corn crop is harvested successfully this fall, it should keep a lid on food prices.

A successful corn crop would be welcome news to the nation's livestock producers, most of whom rely heavily on corn for feed. High corn prices have led some farmers to send portions of their herds to slaughter because they can't afford to feed them. That's particularly true in the southern Plains, where a drought has burned grazing pastures to a crisp.

They will literally be scraping the bottom of the bins by the time the first of the new crop moves to market this fall, with spot shortages likely in some areas, said Keith Collins, the Agriculture Department's chief economist.

The larger-than-usual cattle slaughter, however, has actually pushed some red meat prices to the lowest level in several years. Families in the Washington area who got out their grills for the Memorial Day weekend, when more beef is consumed than on any other holiday, could buy ground chuck for less than $1 a pound, or T-bone and porterhouse steaks for $4.97 to $5.59 a pound.

Last month, so many cattle and hogs were sold that U.S. production of red meat hit a record 3.69 billion pounds, 6 percent more than the previous high in 1986.

The drought in the southern Plains also has stunted or wiped out a significant portion of the U.S. winter wheat crop, a development that caused wheat prices to surge to more than $7 a bushel briefly in late April. They have since settled back to about $5.60 a bushel.

Grocery store prices for flour, white bread, cookies and cakes all have been affected. But the higher wheat cost appears to be fully reflected in retail prices now and the impact on cereal prices has been partially offset by promotional price cuts by cereal manufacturers.

Nevertheless, the increase in wheat prices, coupled with the price impact of projected liquidations of cattle and hogs, has generated concerns in some quarters that food prices could soar, perhaps by as much as 10 percent in 1997. However, Collins and a number of other experts say such fears are greatly exaggerated.

While corn is bringing about $5 a bushel now, on Friday, commodity futures contracts calling for delivery of corn in December were available at less than $3.60. That lower futures price means most of the market expects a bumper crop from the 80 million acres now being planted in corn.

On the other hand, even $3.60 a bushel is still at least a dollar higher than what farmers historically have regarded as a good deal, and it reflects

See CORN, C10, Col. 1

CORN, From C9

the fact that it will take more than just one good crop to bring supplies back toward their normal level.

"If you add up all the grain in the bins around the world and compare it to usage, it is the lowest since 1960, when good records began," said economist Mark Drabenstott of the Kansas City Federal Reserve Bank. "And one year's crop does not fill up the bin.

"But with prices at this level, you will get a supply response both here and abroad," he said. Not only is this year's acreage likely to be a record, but farmers will have the incentive to plant still more next year when they have an opportunity "to take land out of the [USDA] conservation reserve, which they can do under the new farm bill."

Meanwhile, the high price for corn is causing a reduction in demand beyond cutting back on livestock feeding.

Roughly 1 billion bushels of corn—more than 10 percent of an average U.S. crop—is normally used to make ethanol, a form of alcohol used as an additive to gasoline. Even with the price of gasoline up so sharply this spring that it has become a national political issue, it isn't economical to make ethanol with $5 corn, said Martin Andreas, senior vice president of Archer Daniels Midland Co., by far the largest U.S. producer of the fuel.

Andreas said his firm has its ethanol operations running at only 20 percent of capacity. One much smaller producer, High Plains Corp. of Wichita, announced it had sold $14.3 million worth of corn futures contracts at a profit and shut down its plants rather than buy corn to convert to the fuel.

"We see this as a temporary phenomenon," Andreas said. "There's a large new corn crop in the ground—not to say that cures the problem" when world grain stocks are so low.

Like Drabenstott, Andreas stressed that the new federal farm legislation passed this year allows the U.S. farmer for the first time in 50 years to plant "what he wants, where he wants and as much as he wants. . . . With that new flexibility, it means there will be larger crops. . . . The closer we are to getting that decent corn crop harvested, the quicker prices will get back to normal."

Wet, cold conditions have held back the planting of some of the crop in states such as Ohio, Indiana and Wisconsin. The USDA will give a progress report this afternoon on how planting has progressed over the past week.

Should later weather problems severely hurt the corn crop and keep prices from falling as now expected, that could force many more farmers and ranchers to slash the size of their herds. Initially, that would cause meat prices to drop, but eventually, they would climb sharply because of the reduced herds.

USDA economist Collins doubts that even a poor corn crop would generate a 10 percent increase in food prices next year, a skepticism shared by Drabenstott. "I just think 10 percent is out of line," Collins said. Even in the early 1970s, when inflation was rampant and supplies of many commodities were tight, the worst year for food prices was a 14 percent increase.

As it is, Collins expects prices of food consumed at home to rise between 2 percent and 3 percent this year, slightly more than in 1995 but less than in either 1993 or 1994. While there is no official forecast for 1997 as yet, he said there is enough of a livestock cycle underway to push food prices up somewhat more next year than this year.

THE WASHINGTON POST
TUESDAY, MAY 28, 1996

Redoubled Effort Targets Derelict Public Housing

Gore Endorses HUD, Hill Reform Agenda

By Guy Gugliotta
Washington Post Staff Writer

Vice President Gore announced yesterday that the Clinton administration intends to raze 100,000 public housing units by the end of 2000, redoubling its current efforts to get rid of derelict federal projects.

"These crime-infested monuments to a failed policy are killing the neighborhoods around them," Gore said. "By tearing them down and replacing them with apartments and town homes, we lay the foundations for vibrant neighborhoods that will bring our inner cities back to life."

Gore also said the nation's 3,400 public housing authorities will have access to the FBI's National Crime Information Center to determine if applicants for public housing are convicted criminals.

Under legislation signed by President Clinton in March, housing authorities will be able to deny public h[illegible] to convicted felons and evict criminals who already live there. Ac[illegible] to the FBI records will help local housing officials screen tenants.

Finally, Gore announced establishment of "Campuses of Learners," which he said would transform public housing developments in 15 communities into five-year school and training centers for adults and children who live in them. The first training center is operating in Denver's North Lincoln Park complex.

Gore's speech in Arlington, at a "Public Housing Summit" sponsored by the Department of Housing and Urban Development, marked the White House's first public vote of confidence in a housing reform agenda developed over more than a year by HUD and the Republican Congress.

His remarks also boded well for a public housing reform bill pending in Congress. Passage of the bill greatly will facilitate HUD's efforts to demolish the urban eyesores branded by Gore as "warehouses for the poor."

"In years past, Washington told people around the country what to do, dictating wisdom from on high," Gore said. "And let's be honest: some of that wisdom really wasn't very wise. A lot of mistakes were made.

"In the end," he continued, "public housing became a place where few people worked, few fathers lived with their families, and role models were scarce. The most successful men around were drug dealers and gang members."

HUD Secretary Henry Cisneros has made demolition of derelict public housing one of the department's priorities, and by the end of this year, HUD expects to have razed 30,000 units around the country.

This has been accomplished with the help of short-term regulatory reforms making it easier for housing authorities to demolish and replace existing housing and to give displaced tenants rental subsidy "vouchers" to use in the private housing market. The pending legislation will make these reforms permanent.

HUD sources said the department has asked housing authorities to assess the viability of any public housing development of 300 units or more to determine if it would be cheaper to demolish the project than to rehabilitate it. Under the new plan, tenants would be moved to low-rise new construction or given vouchers.

The sources said HUD expected the authorities would have little difficulty finding at least 70,000 units eligible for destruction. Gore's promise to get rid of them in a second Clinton administration represented more than a redoubling of the current 30,000-unit program.

Vice Chief May Succeed Adm. Boorda

Clinton Delays Choice Of New Navy Leader

By John Mintz and Ann Devroy
Washington Post Staff Writers

Adm. Jay L. Johnson, the vice chief of naval operations, has emerged as the leading candidate to succeed Adm. Jeremy M. "Mike" Boorda as the Navy's top officer, after President Clinton and Defense Secretary William J. Perry discussed the contenders at the White House Wednesday night, according to two senior officials.

But as of late yesterday Perry had not formally sent his recommendation to Clinton, and the president told aides he wanted to mull his options further before announcing his selection to succeed Boorda as chief of naval operations, sources said.

Johnson, who at 51 became one of the Navy's youngest four-star admirals with a promotion only seven weeks ago, is known as a highly intelligent officer and excellent leader. But he lacks the charisma and electricity of Boorda, who was beloved for being the first enlisted man to rise to the Navy's premier rank.

"Johnson has a very sharp intellect and he's very well-regarded," said one Navy official who knows Johnson. "But whoever the new chief is likely will have to acknowledge that he doesn't have Mike Boorda's personality and charisma, as so few do anywhere. . . . I hope he's up to the challenge."

Johnson would be the first Navy chief who sprang from the aviator community since Adm. Thomas Hayward in 1982. Choosing Johnson would be seen as a gesture of inclusiveness to Navy fliers, traditionally clannish and feeling under siege since the Tailhook sexual harassment scandal in 1991.

Within days of Boorda's suicide on May 16 at the Washington Navy Yard, Perry said he would recommend a successor to the White House by last Friday. Military officials have wanted the new Navy chief to be named soon because Boorda's death deeply shook the maritime service, and many Navy officials have said they are awaiting news of his successor so they can move on emotionally.

Boorda shot himself in the chest outside his home at the Navy Yard hours after learning Newsweek was raising questions about Vietnam-era valor pins he once wore on his uniform.

One potential successor who possesses something akin to Boorda's down-home charm is Adm. Leighton "Snuffy" Smith Jr., commander of the NATO mission in Bosnia. But Smith, 56, indicated to some colleagues that he was considering leaving the Navy in part because his wife is ill. Some critics of the Bosnia mission complain he has not been aggressive enough in pursuing Serbian war criminals—an assertion Smith's defenders say ought to be aimed at Clinton, not a military commander.

Another top contender, Adm. Joseph W. Prueher, who heads the Pacific Command, was set back because of a six-year-old controversy over his handling of the case of a female midshipman at the Naval Academy who was handcuffed to a urinal and taunted by male colleagues. The woman's father said Prueher, who was the academy's commandant at the time, was insensitive in talking to him.

Johnson was widely praised for his innovativeness as commander of the Navy's Second Fleet in the United States's intervention in Haiti, in which an aircraft carrier was [illegible] for the first time to carry Army helicopters and Special Forces troops. Military planners view such joint operations as a wave of the future. He also oversaw rescue of Cuban and Haitian boat people in the Caribbean.

Johnson—who graduated from the Naval Academy in 1968, along with former Navy secretary James Webb and former White House aide Oliver L. North—moved up to the Pentagon from his Atlantic Fleet assignment only three months ago. Navy officials who have worked with him praise Johnson for freely admitting at times that he is uninformed on a topic and needs advice.

But a Navy officer said that whatever the new chief's leadership skills, he is not Boorda. "The fact is, the leader of this Navy is no longer here," he said.

House Panel Signals Easing of Environmental and Other Domestic Cuts

Associated Press

In a signal that Republicans will abandon their hard-edged confrontational course of a year ago, a House subcommittee approved the first major spending bill for 1997 yesterday. It eases last year's cuts in environmental and other domestic programs.

"We're not about tearing programs apart or tearing the heart out of programs," said Rep. Jerry Lewis (R-Calif.) after his Appropriations subcommittee approved on a voice vote $63.3 billion for housing, veterans, environmental and other programs.

Last year, the initial version of the bill became a political nightmare for Republicans when it slashed some anti-pollution programs and weakened the Environmental Protection Agency's ability to enforce clean water and other environmental laws. Under attack by President Clinton for extremism, the GOP retreated on many of those fronts—but only after two federal shutdowns that polls showed bruised Republicans even further.

This year's bill contains no legislative restrictions on EPA. It contains $1 billion more overall than was provided for 1996, and Republicans said they expected more money once House-Senate budget bargainers agree to compromise spending figures for next year.

And while last year they tried killing the national service program, one of Clinton's prized initiatives, they provide $362 million for 1997—still about one-third less than the president wants, but enough to make a veto battle less likely.

The bill goes to the full committee next month. The Senate has yet to write its version.

Democrats said they still wanted more money for housing, veterans and community development grants, but acknowledged the bill was more moderate than last year's bill.

Republicans were noticeably cautious about doing anything that might prompt a veto. An amendment by Rep. Mark Neumann (R-Wis.) to kill the national service program was defeated by voice vote.

The bill would provide nearly $6.5 billion for EPA, about $65 million less than this year and $600 million less than what Clinton wants. Politically sensitive programs like Superfund toxic waste cleanups and environmental enforcement would get a bit less than a year ago, but nowhere near the cuts Republicans proposed then.

The Veterans Affairs Department would get almost $18.6 billion, $200 million more than this year and $300 million less than what Clinton proposed. This would include a $200 million increase for veterans' health care. The Housing and Urban Development Department would receive $19.8 billion, $700 million more than this year but $2 billion below the president's request. Housing for the elderly would get close to Clinton's proposal, but the bill would provide $300 million less than he wants for the homeless.

In addition, NASA would receive nearly $14 billion, a bit more than last year.

In the same spirit, the House Appropriations Committee on Wednesday approved a 1997 foreign aid budget with what Republicans say is a compromise on family planning funding. Passage of the 1996 foreign aid budget was stalled for months because the Senate refused to accept House language imposing tough restrictions on funding for family planning groups involved in abortions. This year, GOP leaders and antiabortion lawmakers crafted language that would require family planning groups to pledge not to use funds to perform abortions overseas or to lobby against foreign abortion laws. They lose 50 percent of their aid if they don't meet that requirement.

There was almost no debate on funding levels, which continued their downward trend. The committee approved a budget of $11.9 billion, $1 billion under what the Clinton administration requested, $200 million less than the fiscal 1996 level and $1.7 billion under 1995.

Money for the International Development Association, the arm of the World Bank that provides interest-free loans to the poorest countries, was slashed $175 million from 1996 to $525 million—$409 million under Clinton's request. The measure provides $3 billion for Israel and $2.1 billion for Egypt in military and economic aid, as in previous years, and sets up an account of $600 million to help fight children's diseases in developing countries.

International disaster assistance gets $190 million and refugee assistance $700 million, while aid for Russia and the former Soviet republics is reduced $51 million from 1996 to $590 million. At the urging of lawmakers critical of Turkey's crackdown on its Kurdish minority, economic aid to Turkey was capped at $25 million, down from an original proposal of $49 million.

Meanwhile, yesterday the House approved the first of the 13 spending bills for fiscal 1997, voting 369 to 43 to fund $10 billion for military construction.

The budget for military housing and facilities and base closure accounts was $900 million more than the administration requested, but $1.1 billion down from the current year, which saw a big jump from 1995.

Supporters said the funding was crucial because nearly two-thirds of barracks and family housing units are unacceptably run down. In a statement, the administration said that "with the nation facing serious budget constraints, such an increase for this bill is not affordable." But the statement stopped short of threatening a veto.

THE WASHINGTON POST
FRIDAY, MAY 31, 1996

Out-Year Discretionary Spending in the 1997 Budget

March 8, 1996

- The President's 1997 budget saves $297 billion by cutting discretionary programs steadily from 1998 through 2002, helping to reach balance in 2002 under CBO economic assumptions.

- Overall, to reach the $297 billion, the budget calls for a freeze in non-defense discretionary spending from 1997 through 2000.

- The President has consistently supported a set of investments in education and training, children's programs, the environment, technology and research, and law enforcement.

  -- This budget projects that most of the programs in these areas will grow by inflation from 1998 through 2002.

- Protecting these investments and still achieving $297 billion in savings requires across-the-board cuts in remaining programs that reach 22 percent in 2000, which implies real changes in the role of government.

  -- We recognize, however, that it is not realistic to make program-by-program decisions now for the year 2000.

  -- Annual budgets will require us to make these detailed policy decisions on the basis of a current assessment of national needs.

- These cuts are most severe in 2000 -- after which our trigger mechanism allows more discretionary spending in 2001 and 2002 if our economic assumptions turn out to be right and we have made significant progress in reducing the deficit.

- We will need to give the same annual scrutiny to protected programs as to those that the budget cuts over the seven-year window.

  -- The 1997 budget and appropriations process will only lock in funding for 1997; placing programs in the protected category does not set their funding levels six years in advance.

  -- We will still need to make tough decisions every year about which programs are important and effective enough to protect while other activities are cut back.

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

17-May-1996 06:09pm

TO: Charles E. Kieffer

FROM: Barry B. Anderson
Office of Mgmt and Budget, BR

CC: LAWRENCE J. HAAS
CC: Jacob J. Lew

SUBJECT: RE: Senate Bud Res

	'96 Req	'96 Enacted	Congress Cut
VA	18088	17258	-830
WIC	3820	3694	-126
FDA	884	878	-6
EPA	7352	6528	-824

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

20-May-1996 05:29pm

TO: (See Below)

FROM: Jeff Blaylock
Office of Mgmt and Budget, VAPD

SUBJECT: VA number clarification

Just thought I'd add a clarification to Barry's VA numbers, just in case anyone needs some extra info.

Barry's numbers for VA include only the Veterans health Administration and Construction programs. They omit administration, which received $0.1 billion cut as well.

Total Discretionary BA for VA:

President's Request	$19,245 Million
96 Enacted w/ rescission	$18,306
Delta	- $939 Million

Don't hesitate to call with questions, but be forewarned that I have a softball game tonight (on Barry's team!). jb

Distribution:

TO: Barry B. Anderson
TO: Charles E. Kieffer
TO: Jacob J. Lew
TO: LAWRENCE J. HAAS

CC: Pauline M. Abernathy
CC: Molly Brostrom

President's Budget Compared to Congressional Mark

	Total	Medical	Construction	GOE and miscellaneous
1993 President's Request	**16,509,130**	14,972,533	603,591	933,006
1993 Congressional Action	**16,660,791**	15,057,902	689,120	913,769
Difference	**151,661**	85,369	85,529	(19,237)
1994 President's Request	**17,416,622**	15,927,338	564,008	925,276
1994 Congressional Action	**17,668,508**	16,075,300	663,815	929,393
Difference	**251,886**	147,962	99,807	4,117
1995 President's Request	**17,679,310**	16,413,218	313,680	952,412
1995 Congressional Action	**18,146,221**	16,479,570	545,756	1,120,895
Difference	**466,911**	66,352	232,076	168,483
1996 President's Request	**19,113,226**	17,301,135	787,640	1,024,451
1996 Congressional Action	**18,361,456**	16,884,602	374,552	1,102,302
Difference	**(751,770)**	(416,533)	(413,088)	77,851

Post-It™ brand fax transmittal memo 7671 | # of pages ▸

To Molly Bostrom	From Alex toh
Co.	Co.
Dept.	Phone #
Fax #	Fax #

N T E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E
N T E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E

30-May-1996 03:54pm

TO: (See Below)

FROM: Charles E. Kieffer
Office of Mgmt and Budget, LA

SUBJECT: House VA-HUD Subcommittee Approves FY 1997 Bill

MEMORANDUM FOR THE DIRECTOR
DEPUTY DIRECTOR

FROM: Charles Kieffer

SUBJECT: House Appropriations VA/HUD Subcommittee Approves FY 1997 Bill.

On May 30th, the House Appropriations VA/HUD Subcommittee approved their FY 1997 bill. Full committee action is expected on June 13th.

Chairman Lewis characterized the bill as fair, free of controversial legislative language, and should have be-partisan support. Rep. Stokes said that there are no contentious riders, but there are some reform provisions that need to be addressed. Rep. Obey characterized the bill as "more civilized" than last year. An Obey amendment to eliminate Space Station and spread the $2.1 billion around was defeated (voice).

All funding levels are preliminary. In order to come down to their revised 602 (b), the Subcommittee approved a 1.3 % cut on all discretionary accounts. The levels below reflect the cut but do not tie to the Subcommittee tables that I have distributed because the Subcommittee table preceded the across-the-board cut. Highlights follow:

o The bill totals $62.5 billion, $5.1 billion below the request and $1.5 billion below FY 1996 (-2%).

o National Service is funded at $362 million, $184 million below the request and $41 million below FY 1996 (-10%). A Neumann amendment to terminate the program and shift the funds to Pell Grants was defeated (voice).

- o CDFI is funded at $44 million, $81 million below the request and $1 million below FY 1996 (-2%).

- o EPA is funded at $6.46 billion, $.6 billion below the request and $.1 billion below FY 1996 (-1%).

  - EPA Programs and Management is funded at $1.68 billion, $.2 billion below the request and the same as FY 1996. Within the total, there is a $12 million (5%) cut in enforcement below the request. Global and Climate Change is reduced by $16 million below the request. In addition, there are several unspecified reductions totaling about $.2 billion below the request.

- The only environmental rider that appears in the bill is a provision (not yet drafted) that would require EPA to notify the Committee of their entering into a consent agreement effecting environmental regulations 180 days prior to the effective date of the consent agreement. Report language is not yet available to determine whether the report is used to direct EPA activities.

- Superfund is funded at $1.3 billion, slightly below the request.

- The Brownfields program is funded at $36 million, slightly below the request.

- Clean Water is funded at $1.33 billion, slightly below the request. $.44 billion is provided for Safe Drinking Water, subject to authorization. Bill language is included which transfers Safe Drinking Water funds to the Clean Water program if authorization does not take place by June 1, 1997.

- $290 million is approved for special projects including $150 million for US/Mexico border and Texas Colonias projects, $50 million for Boston Harbor, $10 million for New Orleans, $20 million for the Mojave Water Agency and $60 million for other projects.

- $81 million is provided as part of the multi-year construction of Research Triangle Park, North Carolina (with bill language setting a total limit of $232 million).

- $532 million is provided for EPA Science/Technology, $46 million below the request and $7 million over FY 1996. The Science and Technology portion of the Environmental Technology Initiative is cut by $28 million.

o The FEMA Disaster Relief account is funded at the $320 million request level and is not available until September 30, 1997 (as requested). In addition, the bill includes $1 billion in emergency funding to restore the funds eliminated in the FY 1996 Omnibus bill.

- NASA is funded at $14.0 Billion, $.7 billion below the request and $.1 billion above FY 1996 (+1%). Space Station ($2.1 billion) and Space Shuttle are fully funded. Mission to Planet Earth is cut by about $220 million below the request for a total of $1.2 billion. The Subcommittee assumes that $900 million of our fixed assets proposal is part of the VA/HUD bill. They approved the $558 million request for the Tracking and Data Relay Satellite Replenishment Program but did not approve the $342 million New Millennium request. This is where the Subcommittee "parked" their budget authority in the event they get an increased outlay allocation later in the process.

- NSF is funded at $3.2 billion, $.1 billion below the request and the same as FY 1996.

- HUD is funded at $19.8 billion, $2.2 billion below the request and $1.0 billion below FY 1996 (-5%).

  - CDBG is funded at $4.14 billion, $.5 billion below the request and FY 1996 (-10%).

  - Homeless programs are funded at $812 million, $308 million below the request and below resources available for FY 1996 (-27%). In addition, the Housing Opportunities for persons with AIDS program is funded as a freestanding account at $169 million, slightly below the request and the FY 1996 level.

  - Elderly and disabled housing, $759 million, slightly below the request and $.3 billion below FY 1996.

  - $114 million is provided for vouchers, $176 million below the request. Report language will indicate that funds are only for replacing other assistance (no incremental vouchers).

  - Severely distressed housing is funded at $474 million, $176 billion below the request and slightly below FY 1996.

  - Drug Elimination Grants are funded at $286 million, slightly below the request and FY 1996.

  - HUD Operations is funded at $949 million, $38 million below the request and slightly below FY 1996.

  - Numerous HUD reforms are in the bill (though bill language is still being drafted) such as: minimum rent rules (with waiver); various section 8 savers such as three month delay in reissuing certificates and vouchers, and limiting high cost units; PHA fees are set at the President's request; FHA Assignment Reform for 1997; and multi-family property disposition reform.

- VA Medical Care is funded at $16.8 billion, $.2 billion below the request and $.2 billion above FY 1996 (1%).

- VA Operation is funded at $812 million, $32 million below the request and $36 million below FY 1996 (-4%). Bill language limits the number of SES and Schedule Cs and travel and salary costs of the Office of the Secretary.

- The Subcommittee does not fund our request for a new Brevard hospital but includes funds for a clinic. The Travis hospital is funded.

- CEQ is funded at $2.22 million, $.2 million below the request and $.1 million above FY 1996 (3%).

- OSTP is funded at $4.9 million, slightly below the request and $.1 million below FY 1996.

- The Office on Consumer Affairs is terminated.

Distribution:

TO: Alice M. Rivlin
TO: John A. Koskinen
TO: Jacob J. Lew
TO: Barry B. Anderson
TO: Gordon M. Adams
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TO: Phebe N. Vickers

#Cuts below Pres rqsts ⇒ 40-45%
Sci, Space, Envy
+ Nat'l Resources

THE WHITE HOUSE

WASHINGTON

900 + 100M ⇒ $1B

* Repubs cut $800M below what we proposed

Ultimately did not do - Simpson went not to revisit

1 of 96 Budget Resols - not + would have changed def of service-conn
⇒ ↓'d availability of services to
w/disas < 0-10% range

HR 2999
APPROPS -> taken out in conf.
- denied comp. benefits to ~~servic~~ m. incompetent vets w/estates gtr than $25k ~~(+ no dependents)~~
passed both chambers

Bonx-Clinton ⇒
Copay ↑s (from $2-4 -> last yr + eventually to $7 ⇒ not for service-conn'd, + only

but, they figured it out

96:
- not in Reconcil
97: H: doesn't do anything egregious
S: " ___

EXECUTIVE OFFICE OF THE PRESIDENT

17-May-1996 06:09pm

TO: Charles E. Kieffer

FROM: Barry B. Anderson
Office of Mgmt and Budget, BR

CC: LAWRENCE J. HAAS
CC: Jacob J. Lew

SUBJECT: RE: Senate Bud Res

	'96 Req	'96 Enacted	Congress Cut
VA	18088	17258	-830
WIC	3820	3694	-126
FDA	884	878	-6
EPA	7352	6528	-824

Molly Brastrom

Spring Review on Program Performance
FY 1997 Budget

Health & Personnel
Resource Management Office

Department of Veterans Affairs
Office of Personnel Management
Department of Health & Human Services

Health & Personnel
Spring Review on Program Performance
FY 1997 Budget

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NOTE TO THE READER:

Overall Notes:

- The Health and Personnel RMO Spring Review materials consist of three sections: Veterans Affairs Branch, Personnel Branch, and Health Division.

- Each section contains:

  - An agency overview paper, in the form of Attachment A, "Program Performance Assessment for Key Programs", which was provided in the April 14th memo from the Deputy Director for Management.

  - Papers prepared on key program areas jointly agreed to by OMB staff and the relevant agency (Attachment B, "Relationship of Key Performance Objectives and Budgets").

Veterans Affairs Branch Notes:

- Attachment A was prepared by the VA Branch. It discusses VA-wide performance measurement activities and the VA Branch analysis of performance objectives and measures in each major program area.

- Attachment B was prepared by VA, but reflects VA Branch edits to make the paper clear and concise.

Personnel Branch Notes:

- Attachments A and B discuss OPM's administration of the civilian retirement program.

Health Division Notes:

- For the Health Division, Attachment A discusses HHS wide performance measurement activities, while Attachment B covers only the HHS health related papers. The two key program papers for HHS' Administration for Children and Families are included with the Human Resources Division Spring Review materials.

- Three key program papers, written by HHS, are included as Attachment B. These papers reflect discussions between OMB's Health Division and HHS during April and May. The Health Division has prepared a brief summary for each of the three key program papers. The brief summary appears before each of the key program papers.

VETERANS AFFAIRS BRANCH

Department of Veterans Affairs
Spring Review on Program Performance
FY 1997 Budget

ATTACHMENT A

Department of Veterans Affairs
Spring Review on Program Performance
FY 1997 Budget

Program Performance Assessment for Key Programs -- Attachment A

Selecting the Key Programs

VA and OMB have identified nine major lines within VA:

- Medical Care
- Medical Research
- Disability Compensation
- Pension
- Loan Guaranty
- Vocational Rehabilitation and Counseling
- Education and Training Assistance
- Insurance
- National Cemetery System

Three of the nine programs were identified as "key" programs and selected as the focus of this review:

- Medical Care
- Disability Compensation (program administration only)
- Loan Guaranty

After reaching agreement on the three key areas, VA began an internal process to identify program and policy objectives and measures in each of them. The VA disability compensation program was identified as a key program but, due to the controversy surrounding the mission of the program, VA asked, and we agreed to limit the scope of the spring review to the administrative part of the program. However, we continue to discuss performance in all major areas in other contexts, such as GPRA performance pilots and our preparations for the FY 1997 budget.

A general note: VA's approach to planning and performance measurement has been organization and process based rather than customer and outcome based. Missions, objectives and measurements are defined and administered independently of each other within the Department. Ideally, the customer should be the focus of VA's performance. Serving the customer better means integrating the Department's separate planning processes.

Why Key Programs Were Selected

Medical Care. With 173 hospitals and 548 other health facilities, the VA Medical Care system is the largest health care provider in the country, treating more than 2.5 million veterans each year. It accounts for 42 percent of the VA's budget ($16.2 billion in FY 1995) and 90 percent of its FTE (205,000 in FY 1995). Approximately a quarter of the Medical Care budget is dedicated to providing services not found easily in the private sector, including treatment for spinal cord injury and substance abuse, long-term care, generous mental health benefits, and highly subsidized prescription drugs. In the fall of last year, a new Under Secretary for Health, Dr. Ken Kizer, was hired to overhaul the VA Medical Care system.

other 75% of normal health care

Disability Compensation. Disability Compensation was selected due to its size and because it is a high profile VA program serving 2.5 million veterans and survivors. The Disability Compensation program represents 72 percent of VA's total mandatory spending ($14.4 billion in 1995). The mission of the program is controversial and politically sensitive. The program's legislative basis identifies indemnification as a goal of the program. The implementing regulations require the indemnification, monthly cash benefits, to be paid in accordance with a rating schedule designed to replace lost income resulting from the disability. By mutual agreement between VA and OMB, the entitlement part of the compensation program was not included within the scope of this review.

indem or lost income?

We did include the administrative piece of the program in the review as a major program. The total VBA General Operating Expenses (GOE) budget was $676 million in 1995. The majority of the VBA GOE budget relates to the Compensation program. Improving the quality and timeliness of claims processing is consistently one of the top two priorities of the veterans service organizations. Investing in medical care is the other. Significant backlogs of claims for benefits exist and VA has been criticized for its inability to deliver benefits to veterans in a timely manner. The Veterans Benefit Administration has just completed a three-year $92 million dollar modernization program intended to upgrade computer hardware and software to enhance claims adjudication performance.

Loan Guaranty. The Loan Guaranty program was selected for its size, for its similarity with loan programs in other Federal agencies and for its need to make better progress in measuring key aspects of its performance.

VA's Home Loan Guaranty program had about $155 billion in guaranteed loans and $3 billion in direct loans outstanding as of the start of FY 1995, serving the home-buying needs of approximately 2.7 million veterans. Measuring its performance cuts across other Federal programs and agencies. Although Home Loan Guaranty is a highly specialized program within VA, the benefit it provides, namely, assistance in buying and retaining a home, is similar to the benefit provided by the Federal Housing Administration and the Farmer's Home Administration. One purpose of identifying the VA Loan Guaranty program for the Spring Review is to enable the Government to begin evaluating the relative effectiveness of these broadly similar programs.

VA Wide Performance Measurement Activities

VA used the spring review process to add momentum to their efforts to develop better performance information. Although only three programs were the focus of the review, VA divided their department-wide operations into nine major activities. For all of the nine areas, except for Disability Compensation, VA identified program and policy objectives. VA's intention is to blend the progress they have made in identifying goals and measures in the spring review process with GPRA performance pilots. (Loan Guaranty and the New York Regional Office's benefits administration were both GPRA pilots.) VA has made significant progress in reporting performance information in the Annual Financial Statement prepared under the CFOs Act.

Medical Care

In March, VHA rolled out plans to restructure the existing system of 173 independent hospitals into 22 vertically integrated service networks (VISNs). The plan focuses on bringing more accountability to the Medical Care system, as well as providing structural incentives for efficiency, quality and improved access.

VHA's plan to integrate new and existing financial and clinical systems to measure performance ties neatly into the effort to restructure the health system. VHA intends to use its measures to evaluate the new health networks and their success in shifting from inpatient to outpatient care, emphasizing preventative medicine, and controlling costs.

We are impressed with VHA's effort, we recommend three general enhancements:

- VHA should include more ***cost-control*** measures linked to eligibility reform, reorganization, and NPR2. Eligibility reform will require VHA to shift large numbers of patients from inpatient to outpatient care. VHA will need to monitor and manage this shift to ensure that reform remains budget neutral. "Cost-effectiveness" was not listed in VHA's mission statement.

- Increase the number of items which VHA capitates. In addition, VHA should explore opportunities to use its huge buying power to contract out "risk" in areas such as pharmaceuticals.

- VA needs to monitor health outcomes and, more generally, its place in the market; who does not use VA facilities and why.

Disability Compensation

To date, VA has developed crude performance measures of overall timeliness and total claims pending covering only parts of the claims adjudication function. VA has not taken a comprehensive view of claims adjudication by developing goals and corresponding measures in all key areas of the claims processing function, such as accuracy, cost and customer satisfaction, to complement the timeliness and backlog measures.

VA's efforts in this area have been largely driven by OMB and Congressional pressure to correct the long time to process a claim and the large volume of unprocessed claims. In June 1993, VA and OMB signed a limited performance agreement which defined timeliness goals. VA failed to meet the its timeliness goal for 1994.

Hammer Award

VA's New York Regional Office (NYRO) is a performance pilot under the GPRA. The NYRO has been reorganized into adjudication teams rather than following the traditional "assembly line" approach used in VA's other regional offices. Concurrent with their reorganization, the NYRO has begun to define more refined and comprehensive performance goals and measures. Other VA regional offices are also currently exploring alternatives to traditional "assembly line" claims processing.

What do we know about program performance? We know that in FY 1994 there were 448,589 compensation claims pending, of which 27% were over six months old. The days-to-process-a-claim amount increased from 151 in 1990 to 213 in 1994. The claims backlog decreased during 1994 due to heavy overtime during the year.

We also know that claims have changed over time. Instead of clear combat related disabilities, new claims are more subjective and complex requiring more processing time. A significant number of benefit claim denials that are appealed to the Board of Veterans Appeals (BVA) and the Court of Veterans Appeals (COVA) are remanded to VA. Very few cases actually reach the BVA or COVA, however the high remand rate may be a reflection on the quality of adjudicated claims or the overloaded burden on the BVA and COVA.

What we don't know? Except for timeliness, we don't know what the program and policy objectives are for the claims adjudication function. More specifically, we don't know how accurately claims are adjudicated or the cost of adjudicating a claim. We don't know whether investments in information technology or the "team" approach to adjudication are enhancing performance. We don't have a set of comprehensive goals and measures that address timeliness, accuracy, cost and customer satisfaction.

What might we learn from the FY 1997 Budget submission? VA will increase the amount of performance information reported in the FY 1997 budget as compared to the FY 1996 budget. The additional performance information may give us a better understanding of how well VA is doing in obtaining information from other agencies (primarily DOD) and VA hospitals to adjudicate claims and how accurately VA makes approval or denial decisions (not whether a claim is accurately rated).

Home Loan Guaranty

As a financial service entity that does business with thousands of other financial institutions around the country, VA's Loan Guaranty Service has long had measures of financial performance. Also, as a GPRA pilot, the Loan Guaranty Service has begun to make some headway in developing non-financial performance measures, particularly in the area of customer satisfaction.

VA identifies two primary objectives of this program: helping veterans purchase and retain their homes. Four sub-objectives include: (1) providing courteous, responsive and timely service to veteran borrowers, (2) assisting veterans in avoiding foreclosure, (3) providing courteous and responsive service to participating lenders, and (4) being efficient and effective. VA divides performance measures into four types: outputs, effectiveness, efficiency, and outcomes. Currently, VA is able to produce relevant and credible output and effectiveness measures but not efficiency or outcome measures. Its plan would improve the measurement of efficiency but add little to our knowledge of program outcomes.

Relation of performance to objectives. OMB staff would like VA to more clearly and directly relate its various measures of program performance to program objectives. The fulfillment of certain objectives is not discussed at all. For instance, there is no measure of VA's performance at helping veterans retain their homes or avoid foreclosure.

Completeness of measures. OMB staff would like VA to widen the scope of its performance measures to include all significant activities of the program. One major missing item is the performance of VA's direct home loans, most of which are issued to non-veterans ostensibly to expedite the disposition of VA-owned property. Also, although VA includes measures of administrative costs in the efficiency category, it does not include measures of total program costs.

Measuring effectiveness. OMB staff would like VA's effectiveness measures to facilitate comparison of the cost differences between services provided directly by VA and services delegated or contracted out to others. For instance, VA underwrites a small portion of the loans it guarantees; the rest are underwritten by pre-approved lenders. In measuring cost per loan guaranteed, VA should report two costs, one for VA underwriting and one for automatic lender underwriting.

reasons for program:
market failure
ec. stimulus

1/3 size of FHA ~~[illegible]~~

Weakness of outcome measures. Finally, OMB staff would like VA to expand its list of outcome measures. VA really has only one outcome measure and it is entirely subjective (based on a survey of veterans' opinions). VA needs to strengthen this measure by adding objective measure of its success at helping veterans become homeowners, e.g., veteran home ownership rates. Also, VA needs to adjust its measures for factors that influence program outcomes over which VA has no control, e.g., measuring veterans home ownership rates after taking age and income into account and measuring foreclosure rates after adjusting for changing economic conditions.

Department of Veterans Affairs
Spring Review on Program Performance
FY 1997 Budget

ATTACHMENT B

RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS
DEPARTMENT OF VETERANS AFFAIRS
MEDICAL CARE

Business Line: Health Care Programs

1. Policy and Program Objectives:

   A. Improve and enhance VHA's health care delivery system for veterans
   B. Re-engineer the management structure
   C. Improve the quality and cost-efficiency of VA health care services
   D. Improve patient satisfaction with VA's health care services

2. Performance Measures (are available and will be used in the FY 1997 budget)

   Outputs:
   A. Total days of acute and rehabilitative care per unique user per year
   B. Total number of outpatient visits per unique user per year

   Effectiveness:
   A. Average waiting time for a new appointment in Primary care
   B. Average waiting time for a subspecialty referral (stable patient)
   C. Average time from check-in to being seen by provider

   Efficiency:
   A. Cost per unique user
   B. Cost per outpatient visit
   C. Cost per inpatient discharge
   D. Ratio inpatient cost to hospitalized patient cost

Outcomes:

A. Percent of all patients satisfied with care and services

B. Percent of patients reporting problems in areas of their preferences for care and services

C. Average JCAHO grid scores for surveyed hospitals

D. Proportion of patients receiving care in accordance with set and accepted standards

E. Proportion of facilities successfully accredited by survey organizations (JCAHO, CARF, AABB, NRC, etc)

Business Line: Research Programs

1. Policy and Program Objectives:

A. Conduct a national research program that improves medical care and health of veterans

B. Establish close linkage between VA's research strategy, funding and the common clinical conditions treated by VA

C. Enhance research activity in key areas

D. Increase the number of extra-mural funding partners

2. Performance Measures (are available and will be used in the FY 1997 budget)

Outputs:

A. Total number of funded programs in basic and health systems research areas per year

B. Total number of new grants funded per year

C. Proportion of grants receiving extra-mural funding

D. Proportion of funds coming from extra-mural sources

Effectiveness:

A. Number of peer review articles published by VA researchers per year

B. Number of awards or recognition for VA researchers per year

Efficiency:

A. Administrative overhead per grant funded

B. Administrative cost per peer review publication

C. Average total cost per grant

Outcomes:

A. Grants funded by extra-mural sources

B. Satisfaction of internal customers that research programs are addressing important areas of VA care

Business Line: Educational Programs

1. Policy and Program Objectives:

   A. Provide training and education to medical, dental, nursing, and allied health professionals that supports VA's programs and needs

   B. Ensure that educational activities support the immediate and long-range needs of the VA health care system

   C. Ensure the fair and equitable treatment of VA needs by academic affiliates

2. Performance Measures (are available and will be used in the FY 1997 budget)

   Outputs:

   A. Total number of FTE trained per year

   B. Total number of unique individuals receiving training per year

   C. Total number of academic affiliations in place per year

   Effectiveness:

   A. Satisfaction of trainees with educational experience

   B. Proportion of finishing trainees offered employment in VA who accept the offer

   C. Satisfaction of internal customers that programs support VA needs

Efficiency:

A. Administrative cost per affiliation

B. Average cost per trainee by type per year

Outcomes:

A. Proportion of trainees obtaining certification following training

B. Proportion of trainee slots in key areas filled by national matching program

4. Summary of current program resources:

Medical Care Program
FY 1996 Budget Estimates

Programs	FY 1996 BA	FY 1996 Outlays	FY 1997 BA	FY 1997 Outlays
Medical Care	16,961	16,838	16,453	16,514
Research	257	256	249	251

5. Using the outcome of NPR Phase II as a base, discuss briefly:

A. What might be done to improve the performance of the program:

During the NPR Phase II review, VA emphasized the need to make its health care system more rational, cost-effective, and customer friendly - both for those who come to VA and to those who operate the system. A cornerstone of this effort will be to reform the eligibility requirements that up to now have proved to be major hurdles in delivering rational health care. This eligibility reform will permit VA's health care providers to dispense care in what they deem to be the most appropriate setting and reflecting the current trends and thinking in the health care industry. Part of this effort will be to streamline the process that veterans and medical administration personnel must go through to determine a veterans income level and priority in the system. The NPR proposal will dramatically simplify the process by tying the income verification to a veterans taxable income.

Other initiatives include studying an expansion of opportunities for sharing with the Department of Defense, retaining a portion of the money collected from 3rd-party providers, participating in pilot projects under Medicare, and looking at contracting out and privatizing support activities. All these initiatives will play a major part in not only streamlining VA operations, but increasing revenue streams and reducing resources used for support services which can then be transferred to direct patient care.

B. Are there laws or administrative controls that are obstacles to improved performance?

As part of the NPR II review, VA will propose several legislative and administrative initiatives that will be necessary to improve performance. Eligibility reform will require legislation that will remove several currently existing barriers to allowing our health care providers to deliver the most appropriate care. A primary example to these restrictions includes limiting prescribing many prostheses only to hospitalized patients and treating patients on an outpatient basis only on a pre or post hospitalization basis or to obviate the need for hospitalization. To implement a simplification of the "means test" there will have to be an agreement with IRS to allow for a match against IRS data. Medicare pilots will also require legislation. One option for handling support activities involves Canteen Service taking over some functions currently handled by medical center employees. To do this will require legislation making Canteen Service a non-appropriated fund instrumentality (NAFI). NAFI authority will be part of a broad legislative package that will be a vital part of implementing the NPR initiatives. Additional legislative and administrative changes may be identified as VA moves forward on these NPR activities.

6. Use of program and financial data and information:

VHA program managers always review financial and program data for their individual programs. VHA is also improving its ability to do cross-cutting analyses by creating national data sets which enables managers to compare their program's performance with that of like facilities or with the national average or some other benchmark. Examples are the QUIC data base for quality improvement comparisons and the RPM data base for cost comparisons.

Two major impediments to our ability to use information to make management decisions timely at most organizational levels are: our current inability to integrate clinical and financial information systems and the relative infrequency of updating the national data bases. The GPRA performance pilots, which VHA has just begun, will help focus attention on priorities for development of data not currently available which are necessary to measure progress toward our objectives, e.g., actual costs of treating specific patients.

VHA believes good management information must be derived from actual operational data. Therefore, our information systems are based in the transactional local applications of Decentralized Hospital Computer System (DHCP). The Decision Support System which will provide specific patient and service costs when fully implemented will use local data to generate local cost information as well as provide roll-up capability. Integration of the clinical and financial information in the DSS system will provide the capacity for continuous improvement in both areas simultaneously.

In addition to our broad IMR activities, VHA has an integrated mechanism for implementing actions to correct deficiencies identified through IG reports, JCAHO reviews and other internal control reviews. Evaluations such as that of the pilot Consolidated Mail-Out Pharmacy and the Contract Community Nursing Home Study have identified ways to improve system efficiency which we have been implementing. Our Cost Containment Center generates regular and special reports for the medical centers' use on costs of supplies (e.g., home oxygen) and best approaches to common problems (e.g., needle stick injuries).

All of these mechanisms and approaches are necessary in a complex health care delivery environment. The accomplishment of our policy and program objectives have multiple interconnections and feedback effects, not all of which are explicit. Necessary direct linkages will be made as we implement the Vision for Change, evaluate our GPRA pilot experience, and reorient all levels of the organization to the accomplishment of our common objectives.

Attachment B

RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS
DEPARTMENT OF VETERANS AFFAIRS
COMPENSATION FOR SERVICE-CONNECTED DISABILITY AND DEATH

1. Program and Policy Objectives:

   VA and OMB agreed not to address this area for the entitlement part of this program. VA also elected not to provide this information for the administrative part of the program.

2. Performance measures to assess progress in achieving objectives (NOTE: measures currently available are marked by an asterisk):

   A. Number of adjudication actions completed each year:

      1. Original claims*
      2. Supplemental claims*
      3. Ancillary and special reviews*
      4. Vocational rehabilitation - basic eligibility determinations*

   B. Qualitative information on new or improved data exchanges implemented (Note: VA interacts with other agencies and within its department to obtain and verify a veterans' information - specific measures not provided):

      1. Other VA elements*
      2. Social Security*
      3. IRS*
      4. DoD*
      5. Other organizations*

C. Claims processing timeliness for original claims and adjudication actions:

1. Average number of days to process*
2. Percentage of cases worked within 30, 90, 120, 180, or more than 180 days
3. Actual direct labor hours expended*

D. Accuracy of claim determinations:

1. Percentage of cases in which there was no control or development error*
2. Percentage of cases in which there was no error in the decision reached*
3. Percentage of cases in which there was no error in the notification provided to the claimant*

E. Customer service performance based on periodic surveys.

F. Percentage of personnel who meet internal proficiency standards.

G. Average unit cost or cost per claim, expressed in terms of:

1. Direct labor per adjudication action.
2. Total adjudication division costs per adjudication action.
3. Total adjudication division costs and support costs per adjudication action.
4. Full department cost per adjudication action.

3. Performance measures that will be used in the FY 1997 budget process to assess progress in achieving the objectives:

Same as the measures with an asterisk in #2 above.

4. Summary of current program resources:

Disability Compensation Program
FY 1996 Budget Estimates
(In millions of dollars)

	FY 1996 BA	FY 1996 Outlays	FY 1997 BA	FY 1997 Outlays
Benefits	$14,834	$13,805	$15,629	$15,560
GOE	694	709	673	667
Total	$15,528	$14,514	$16,302	$16,227

5. Using the outcome of NPR Phase II as a base, discuss briefly:

a. What might be done to improve the performance of the program:

NPR Phase II did not include any initiatives pertaining to the compensation program.

b. Are there laws or administrative controls that are obstacles to improved performance:

NPR Phase II did not include any initiatives pertaining to the compensation program.

6. Use of Program and Financial Data and Information:

Programmatic and performance information for the compensation program is provided by our automated claims processing system (TARGET), our automated management information and operational resources reporting systems (DOOR), our automated payroll system (PAID), the administrative accounting system (FMS), and the manual quality reviews conducted by regional office and central office staff members. Compensation financial data is provided by the Hines Compensation and Pension System.

Reports from the automated systems are generally available by the middle of the succeeding calendar month. With only occasional exceptions, this information is accurate and reliable. Reports are drawn from a common data base.

VETSNET will improve our ability to create ad hoc reports and to modify or establish recurring reports. It also will improve the timeliness and accuracy of compensation financial data. VETSNET will also permit us to monitor interim steps within the claims process. Generally, recurring reports should be available the day following the end of each month. Most ad hoc reports will be produced overnight.

Complete financial cost data is not available. It is our goal to develop this data over time as we move to implement GPRA.

RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS
DEPARTMENT OF VETERANS AFFAIRS
LOAN GUARANTY PROGRAM

1. Program and Policy Objectives:

   Help veterans purchase and retain homes by providing: (a) courteous, responsive, and timely service to veterans and service persons seeking to use their loan guaranty benefits; (b) assistance to help veterans avoid foreclosure; (c) courteous and responsive service to lenders who are voluntarily participating in the VA loan guaranty program; and (d) the loan guaranty benefit in the most cost-effective and efficient manner possible.

2. Performance measures on which information is now available to assess progress in achieving the objectives (NOTE: The list below represents an "ideal" set of performance measures; those for which information is now available are marked by an asterisk):

   A. Number of loans guaranteed*
   B. Number of claims paid*
   C. Number of properties disposed*
   D. Veteran satisfaction in obtaining a certificate of eligibility*
   E. Early foreclosure rate (Credit Management)*
   F. Defaults reported as a percentage of loans outstanding*
   G. Administrative cost per loan guaranty issued
   H. Administrative cost per default processed*
   I. Administrative cost per portfolio loan serviced*
   J. Administrative cost per property disposed*
   K. Property inventory compared to six-month pipeline inventory*
   L. Veteran home buyer satisfaction*
   M. Percentage of loan recipients who say they could not have purchased their home without using their VA Loan

Guaranty benefit

N. Lender satisfaction*

3. Performance measures that will be used in the FY 1997 budget process to assess progress in achieving the objectives:

Same as the measures with an asterisk in #2 above.

4. Summary of current program resources:

Loan Guaranty Program
FY 1996 Budget Estimates
(In millions of dollars)

	FY 1996		FY 1997	
	BA	Outlays	BA	Outlays
Guaranty and Indemnity Fund				
Administration	78	78	84	84
Loan Costs	504	525	377	404
Loan Guaranty Revolving Fund				
Administration	52	52	42	42
Loan Costs	23	-55	29	23
Direct Loan Revolving Fund				
Administration	1	1	0	0
Loan Costs	0	-4	0	-3
Native American Veterans Housing Loan Program				
Administration	1	1	0	0
Loan Costs	0	1	0	2

5. Using the outcome of NPR Phase II as a base, discuss briefly:

A. What might be done to improve the performance of the program?

As proposed during the NPR Phase II review, VA will contract out the servicing of its portfolio loans. The number of portfolio loans has dropped to the point where it is no longer efficient for VA to invest in the system upgrades necessary to continue to service these loans. Most private sector servicing companies service hundreds of thousands of loans and achieve significant economies of scale that VA cannot achieve with its relatively small loan portfolio. Most of the portfolio loans were made in connection with VA property sales and were not made to veterans. In addition, VA will study whether it is more cost-effective to continue to acquire properties that were the security for foreclosed VA guaranteed loans and resell them with direct financing, or to rely on lenders to dispose of foreclosed properties without benefit of VA-provided seller financing.

Continued modernization of the Loan Guaranty information technology systems is important for VA to be able to improve performance. Improved information systems and the use of electronic data interchange (EDI) will enable VA to improve service delivery to veterans and lenders and cut staff by simplifying or eliminating routine data entry and processing.

Training is also necessary to give employees the skills to improve program performance and increase customer satisfaction. The Loan Guaranty program is a highly technical financial program. Although VA has passed more and more of the front-end workload of processing applications and approving loans onto participating lenders, where field employees are still needed they perform highly specialized work as credit underwriters, staff appraisers, construction analysts, loan service representatives, and realty specialists. The Comprehensive Loan Guaranty Training Program has been developed to provide the appropriate financial and technical training for new hires as well as seasoned employees. Over time, however, VA may be able to devolve more and more of these technical functions onto the private sector.

B. Are there laws or administrative controls that are obstacles to improved performance?

In conjunction with the proposal developed during the NPR Phase II review, VA seeks authority to contract for the servicing of VA loans for up to 15 years. Current law limits most government contracts to five years. However, loan servicing contracts in the private sector typically run for the life of a pool of loans, which can be up to 30 years. The proposal would also allow for the payment of the contract to be deducted from the collections due on the loans being serviced, as is the common business practice for private sector servicing contracts.

VA also seeks legislation to make permanent several expiring provisions of the law governing the Loan Guaranty Program, including negotiated interest rates, adjustable rate mortgages, energy efficient mortgages, enhanced loan asset sale authority, and the Lender Appraisal Processing Program. These provisions have proven beneficial to veterans and/or have enhanced the operation of the program, though some of them may also add to program costs.

6. Use of program and financial data and information:

The Loan Guaranty Program has been a Performance Measurement Pilot Project under the Government Performance and Results Act. A family of measures has been developed to give program managers and the public a comprehensive view of program performance. For 1997, VA is merging the GPRA Performance Plan with the budget request in the form of a comprehensive business plan for the program.

The administrative unit costs of delivering the Loan Guaranty benefit and performing other program functions have been developed for inclusion in the 1997 budget on a national level. Reliable data must still be developed to be able to calculate these unit costs for each individual regional office.

VA has been aggressively seeking customer input on program performance. Since 1994, VA has been regularly surveying veteran borrowers and participating lenders. A special survey was sent to veterans who received an Interest Rate Reduction Refinancing Loan during the refinancing wave of 1994. The surveys are being used to identify areas where VA must work to improve customer satisfaction. Where performance has been measured with internally defined standards of timeliness, it will be measured by the satisfaction of the customer.