

## Senate Republican Policy Committee Brief

### **Toxic Exposures Fund (TEF) Budgetary Impacts**

Veterans programs are funded through a mix of mandatory and discretionary spending, with the VA health care system historically being funded by discretionary appropriations. However, the way VA programs have been traditionally funded was partially changed by the SFC Heath Robinson Honoring our PACT Act ([P.L. 117-168](#)), legislation Congress approved in 2022.

In the PACT Act, Congress created the Toxic Exposures Fund (TEF) with the intention of providing dedicated, mandatory funding for health care and benefits for veterans who were exposed to toxic substances. However, the PACT Act—as currently written and interpreted—created new budgetary impacts for current and future VA programs. This budgetary issue has, in turn, led to a CBO scoring issue for veterans-related legislation pending in Congress, regardless of whether that legislation deals directly with toxic exposure.

#### VA Budget Implications of the PACT Act:

- Under the PACT Act, any TEF spending is considered mandatory spending. However, the PACT Act did not make clear that VA could only use the TEF to pay for activities specific to toxic exposure. Due to this lack of clarity in the statute, CBO [expects](#) that some portion of VA's current activities that were historically appropriated—and may not be explicitly related to providing care for toxic-exposed veterans—are now mandatory under the statute and lawfully obligated through the TEF.
- In effect, VA could move billions of dollars' worth of discretionary spending (prior to PACT Act) to direct spending under the TEF, creating space below VA's discretionary topline for additional spending. Early evidence indicates that this is indeed happening.
  - CBO's June 2022 [score](#) for the PACT Act estimated a \$5 billion increase in new toxic-exposure related direct spending outlays for fiscal year (FY) 2024 through the TEF, plus more than \$29 billion of prior-law discretionary spending moving to direct spending (CBO later stated that the estimate mistakenly included some funding that cannot be reclassified as direct). However, CBO's estimate had a corresponding decrease in discretionary spending to account for this shift.
  - VA's budget for FY 2024 requested more than \$20 billion in [mandatory](#) spending for the TEF, indicating that the PACT Act authorizes VA to move expenses to the TEF that are not toxic-exposure specific, similar to how CBO scored the bill. The VA also did not include a corresponding cut to their [discretionary](#) funding request, instead asking for a 2.1% increase over FY 2023 levels.

- Consequently, when Congress authorizes new spending by creating or expanding veterans' health care and benefits, VA could use at least a portion of that authorized funding as mandatory spending, even if the bill's funding would have been entirely discretionary before the PACT Act.

#### Legislative Scoring Implications of the PACT Act:

- Because there is ongoing uncertainty about how the VA will use TEF funds, CBO has [identified](#) nine VA budgetary accounts that could provide funding for the TEF. For every bill that authorizes programs that would also be funded through one or more of those accounts, CBO will score a certain percentage of the required funding as mandatory funding through the TEF.
  - For example, CBO indicated that some of the cost of a hypothetical bill to increase the payment rate for reimbursable travel to receive care at VA facilities "would be paid from the TEF because some veterans receiving services related to health care would be eligible for care because of conditions associated with toxic exposures," even though those costs would have been entirely paid through discretionary spending before the PACT Act.
- It is important to note that there are very few mandatory offsets available for VA spending that have the support of the veteran community. So, Congress will continue to encounter these scoring challenges as it processes new veterans legislation, and, as a result, the availability of mandatory offsets for future veterans bills could become scarce.

For further inquiry or additional questions, please contact:

#### **Wayne Jones**

National Security Policy Analyst  
Republican Policy Committee  
(202) 224-0456  
[Wayne\\_Jones@rpc.senate.gov](mailto:Wayne_Jones@rpc.senate.gov)

#### **Trevor Tackett**

National Security Research Analyst  
Republican Policy Committee  
(202) 224-4881  
[Trevor\\_Tackett@rpc.senate.gov](mailto:Trevor_Tackett@rpc.senate.gov)