



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 17, 1999

S. 4

Soldiers', Sailors', Airmen's, and Marines' Bill of Rights Act of 1999

As passed by the Senate on February 24, 1999

SUMMARY

On February 12, 1999, CBO prepared a cost estimate for S. 4 as reported by the Senate Committee on Armed Services. This estimate reflects the changes resulting from amendments approved by the Senate. Compared to the bill as reported, the amendments adopted by the Senate would increase direct spending by \$1 billion and spending subject to appropriations by \$3.8 billion over the 2000-2004 period. In 2009, S. 4 as passed would raise direct spending by \$2.9 billion and discretionary spending by \$6.7 billion. Because the bill would affect direct spending and revenues, pay-as-you-go procedures would apply.

Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any legislative provisions that are necessary for the national security. That exclusion might apply to the provisions of this bill. In any case, the bill contains no intergovernmental or private-sector mandates.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget functions 050 (national defense), 570 (Medicare), 600 (income security), and 700 (veterans' affairs).

TABLE 1. ESTIMATED COSTS OF S. 4 AS PASSED BY THE SENATE
(By fiscal year, outlays in millions of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct Spending										
Change in Spending Under S. 4 as Reported	537	599	870	887	927	1,108	1,435	1,940	2,270	2,633
Amendments										
Radiation-exposed veterans	19	77	124	149	160	183	178	171	194	201
Dual compensation	59	62	65	68	72	75	79	82	86	90
Expand MGIB applicability	1	1	1	1	1	1	1	1	1	1
Accelerate education payments	20	4	0	0	0	0	0	0	0	0
Modify education entitlement period	5	5	5	5	5	5	5	5	5	5
Demonstration of Medicare subvention	10	35	35	10	0	0	0	0	0	0
Tricare provisions	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>
Subtotal	114	184	230	233	238	264	263	259	286	297
Change in Spending Under S. 4 as Passed	651	783	1,100	1,120	1,165	1,372	1,698	2,199	2,556	2,930
Revenues										
Change in Revenues Under S. 4 as Reported	-10	-44	-67	-86	-103	-113	-120	-127	-134	-141
Amendment										
Thrift Savings Plan	0	-1	-3	-3	-4	-4	-5	-5	-5	-5
Change in Revenues Under S. 4 as Passed	-10	-45	-70	-89	-107	-117	-125	-132	-139	-146
Spending Subject to Appropriation										
Change in Spending Under S. 4 as Reported	1,075	2,164	3,103	3,487	3,963	4,354	4,832	5,400	5,928	6,520
Amendments										
Radiation-exposed veterans	5	10	17	18	20	21	22	23	25	26
Tricare provisions	a	a	a	a	a	a	a	a	a	a
Special subsistence allowance	22	44	44	44	44	0	0	0	0	0
Increase in special pay (non-aviation)	47	47	53	62	74	89	105	113	120	123
Increase in special pay (aviation)	65	65	65	65	65	65	65	65	65	65
Extend bonuses and special pay (active)	368	662	836	592	379	230	109	27	3	0
Extend special pay (reserve)	5	5	5	5	5	5	5	5	5	5
Increase tuition assistance	b	b	b	b	b	b	b	b	b	b
Special supplemental nutrition pay	<u>13</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	525	848	1,035	801	588	410	306	233	218	219
Change in Spending Under S. 4 as Passed	1,600	3,012	4,138	4,288	4,551	4,764	5,138	5,633	6,146	6,739

SOURCES: Congressional Budget Office and Joint Committee on Taxation.

- a. Section 601 contains several provisions that would affect costs of DoD's health program known as Tricare. CBO does not have the information to estimate the costs of these provisions.
- b. Less than \$500,000.

BASIS OF ESTIMATE

Amendments to the bill would affect direct spending, revenues, and spending subject to appropriation.

Disability Compensation and Medical Care for Radiation-Exposed Veterans

Section 603 would add lung cancer, colon cancer, and tumors of the brain and central nervous system to the list of 15 diseases currently presumed to be connected to military service for certain veterans who were exposed to nuclear radiation. Data from the Defense Special Weapons Agency (DSWA) indicate that approximately 410,000 military, civilian, and contract personnel employed by the Department of Defense (DoD) participated in atmospheric nuclear tests or in the post-war occupation of Hiroshima and Nagasaki, Japan. CBO estimates that about 200,000 of these veterans are alive today. By requiring a presumption that, for these veterans, the three illnesses are service-connected, the bill would add to the number of radiation-exposed veterans who are eligible for disability compensation or whose spouses are eligible for dependency and indemnity compensation benefits.

To estimate the caseload of veterans having each disease, CBO used age-specific incidence and mortality rates for each disease from the National Cancer Institute. Recognizing that a small number of affected veterans and survivors may draw benefits under current law, that not all potential new beneficiaries would participate, and that it would take about three years to reach the full estimated participation rate, CBO estimates that, of the 18,500 veterans and survivors who would be eligible for benefits in 2000, about 3,700 would receive benefits in that year. CBO used data from the Department of Veterans Affairs (VA) that was specific to the three diseases to calculate the average compensation payment to veterans.

CBO estimates that enacting the bill would increase direct spending by \$19 million in 2000 and by \$529 million over the 2000-2004 period. In addition, it would increase discretionary spending for medical care by \$5 million in 2000 and by \$70 million over the five-year period, assuming appropriation of the necessary amounts.

Dual Compensation

Section 204 would repeal the prohibition on a military retiree receiving a full annuity plus income from federal civilian employment. Currently about 6,000 military retirees receive an average of \$800 a month less in retirement benefits because of this prohibition. CBO expects that the number of such retirees will grow by about 150 individuals a year, based on information provided by DoD, and that per capita costs would grow by the change in the

Consumer Price Index. CBO estimates that the provision would cost \$59 million in 2000 and \$739 million over the 2000-2009 period by raising benefit payments out of the military retirement trust fund.

Education Benefits

Three amendments to S. 4 would increase direct spending for education benefits by \$26 million in 2000 and \$84 million over the 2000-2009 period, compared to the bill as reported.

Expand Montgomery GI Bill Applicability. Section 305 would extend Montgomery GI Bill (MGIB) benefits to cover preparatory courses for college or graduate school entrance exams. Veterans who would otherwise consume their entire entitlement would forgo a payment at the end of their training if they use the benefit under this section, but for all other veterans section 305 would add to spending. CBO estimates that this provision would increase direct spending by about \$1 million a year. The estimate assumes that about 2,000 participants would receive an average benefit of about \$400 for these courses, based on their expected average duration.

Accelerate Education Payments. Section 401 would permit members of the selected reserve to receive a lump-sum payment for benefits they would receive monthly over the term of their training, for example, a semester in college or the period of a course's instruction for other forms of training. CBO estimates that this provision would increase direct spending in 2000 by \$20 million and by \$4 million in 2001. Increased costs would occur initially as payments from one fiscal year are made in the preceding year. There would be no net effect in subsequent years because in a given year payments shifted to the preceding year would be offset by payments shifted from the following year.

Modify Education Entitlement Period. Section 402 would extend the entitlement period for MGIB benefits for certain members of the selected reserve. Selected reserve members who entered service after July 1985 and agree to serve for six years are eligible for MGIB benefits under chapter 1606 of title 10. Under current law a beneficiary may receive assistance during the 10-year period following the day the reservist becomes eligible, but the individual must be in the reserves during that time. The amendment would permit selected reservists who serve longer than 10 years to use their MGIB benefits while they remain in service and for five years after the day they are separated from the selected reserve. CBO estimates that section 402 would increase direct spending by \$5 million in 2001 and \$50 million over the 2000-2009 period.

Health Care

The amendments approved by the Senate involve changes to DoD's health care program and payments by Medicare for veterans' medical care.

Demonstration of Medicare Subvention. Section 604 would establish a three-year demonstration project in which Medicare would pay the Department of Veterans Affairs (VA) for Medicare-covered services furnished in VA facilities to certain Medicare-eligible veterans. The demonstration project would be operated in up to 10 of the VA's 22 regions (Veterans Integrated Services Networks), beginning on January 1, 2000. Medicare would pay for Medicare-covered services furnished to veterans who are not entitled to medical care from the VA on the basis of service-connected disability or income (Category C veterans). Medicare payments to VA would be limited to \$50 million.

The bill would require that VA maintain its current-law level of effort with respect to the value to Medicare of Medicare-covered services furnished to Category C veterans and paid for with non-Medicare funds. However, CBO has concluded that Medicare spending would rise due to erosion of VA's level of effort. That conclusion is based on the inherent tension between VA's mission and satisfaction of the maintenance of effort requirement, the inability to establish a reliable measure of effort, and the lack of an effective mechanism to monitor and enforce compliance with that requirement.¹ CBO estimates that enacting the bill would increase direct spending for Medicare by \$10 million in 2000 and by \$90 million over the 2000-2004 period.

Tricare Provisions. Section 602 would make several changes to DoD's health care program known as Tricare. Some provisions would overlap with current law, while other provisions would leave DoD with discretion over whether and how to implement them. CBO does not have the information to estimate the budgetary impact, but it does not believe the budgetary impact would be great. The provisions that overlap with current law would have no budgetary impact, and the other provisions, with one exception, would have a minor impact because CBO expects that DoD would use its discretion to maintain its current practices.

One provision would allow DoD to bill third-party insurers using Medicare rates rather than what current law refers to as reasonable costs. According to DoD, Medicare rates are usually slightly lower than DoD's costs, but third-party payers are more familiar with Medicare rates. That familiarity may make them more likely to approve a claim from DoD, thereby offsetting some of the lost reimbursements due to lower rates per claim. Thus, CBO expects

1. See CBO cost estimate for H.R. 3828, Veterans Medicare Access Improvement Act of 1998, May 29, 1998.

there to be a relatively small net budgetary effect from this provision, but it cannot estimate the precise impact.

Military Compensation

Several amendments to S.4 would raise military compensation and extend new benefits to improve recruitment and retention.

Thrift Savings Plan. The version of the bill reported by the Senate Committee on Armed Services would allow active-duty members to participate in the Thrift Savings Plan. An amendment approved by the Senate would extend that benefit to members of the selected reserve. The Joint Committee on Taxation estimates that the amendment would result in a tax deferral on reservist pay of up to \$5 million annually by 2006.

Special Subsistence Allowance. As reported, the bill contains a provision to offer a Special Subsistence Allowance to servicemembers who qualify for the Food Stamp program. Because that program includes housing allowances in calculating gross income, a servicemember's eligibility can depend on whether his family lives on or off base. As amended by the Senate, eligibility criteria for the Special Subsistence Allowance would exclude housing allowance payments. CBO estimates that the increase in participation would raise annual costs from \$26 million to \$70 million.

Increases in Special Pay. Sections 105 through 113 would increase special pays for active-duty servicemembers with specific skills. Under those provisions, additional funding would go to aviators, certain naval officers, servicemembers performing diving duty, and individuals with proficiency in foreign languages. CBO estimates that in 2000 the increases would cost about \$47 million and \$65 million for non-aviation and aviation specialties, respectively.

Extended Bonuses and Special Pay. Sections 114, 115, and 116 would renew authorities for special pays and bonuses that will expire in December 1999 under current law. The renewal of payments for active-duty members would raise outlays by about \$368 million in 2000. Because many of those authorities involve multiyear contracts, the three-year renewal in S. 4 would raise costs through 2008. Section 118 would extend special-duty-assignment pay to reservists. That provision would result in an additional \$5 million of discretionary costs.

Increase Tuition Assistance. Section 104 would allow full funding of tuition for servicemembers who are deployed overseas on contingency operations. Currently, DoD is required to fund only 75 percent of these costs. CBO estimates that funding for additional tuition would total less than \$500,000 annually.

Special Supplemental Nutrition Pay

The bill would require DoD to carry out the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) for military personnel and civilians living overseas. The WIC program is operated under the Food and Nutrition Service of the Department of Agriculture (USDA), and provides food assistance and nutrition services to pregnant and post-partum women and children up to five years of age who meet income and nutrition eligibility guidelines. The provision would require USDA to provide \$10 million and such funds as are necessary from its WIC appropriation to DoD for the supplemental food costs of the overseas WIC program.

Assuming DoD retains current income and nutrition eligibility rules, CBO estimates that about 33,000 women and children would participate in the program in an average month with total food costs of \$10 million in 2000 and \$44 million over the 2000-2004 period. Administrative and nutrition services for the program would be paid out of money available to DoD. Those costs are typically 25 percent of the total costs for the WIC program. Based on the estimated food costs, administrative costs would be \$4 million in 2000 and \$16 million over the 2000-2004 period.

The estimated participation is based on information from DoD and USDA. DoD estimates that about 31,000 children live overseas and meet age and household income requirements for assistance. In addition, another 12,000 women would be eligible based on rules of thumb used for this program. Assuming that 9,000 of the eligible children are up to one year of age, those factors would suggest that 12,000 pregnant, post-partum, and breast-feeding women would be eligible. Thus, a total of about 43,000 women and children would be eligible for assistance.

About 80 percent of those 43,000 individuals would also be determined to be at nutritional risk, and CBO assumes 95 percent of those eligible would participate, for a total of 33,000 participants in an average month. The estimated average monthly food cost of about \$28 per month per participant is based on a DoD estimate of the cost of an average WIC food package in military commissaries, adjusted for inflation.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that would result from S. 4 as passed by the Senate (not just the amendments) that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	651	783	1,100	1,120	1,165	1,372	1,698	2,199	2,556	2,930
Changes in receipts	0	-10	-45	-70	-89	-107	-117	-125	-132	-139	-146

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any legislative provisions that are necessary for the national security. That exclusion might apply to the provisions of this bill. In any case, the bill contains no intergovernmental or private-sector mandates.

PREVIOUS CBO ESTIMATE

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ESTIMATE PREPARED BY:

Federal Cost: Jeannette Deshong (military personnel)
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