



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 22, 2001

### **H.R. 801** **Veterans' Opportunities Act of 2001**

*As ordered reported by the House Committee on Veterans' Affairs on March 21, 2001*

#### **SUMMARY**

H.R. 801 contains provisions that would affect a range of veterans' programs, including burial benefits, readjustment benefits, and pensions. The bill also would extend coverage under Servicemembers' Group Life Insurance (SGLI) and expand outreach efforts by the Department of Veterans Affairs (VA). CBO estimates that enacting this bill would increase direct spending by \$46 million in 2002, \$290 million over the 2002-2006 period, and about \$700 million over the 2002-2011 period. Direct spending would also increase in fiscal year 2001 should the bill be enacted before the end of this fiscal year. In addition, implementing the bill would increase spending subject to appropriation by less than \$500,000 a year.

Because the bill would affect direct spending, pay-as-you-go procedures would apply. H.R. 801 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs to states as a result of enactment of this bill would be incurred voluntarily.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 801 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, Outlays in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
<b>DIRECT SPENDING</b>						
<i>Veterans' Burial Benefits</i>						
Spending Under Current Law	133	128	129	131	131	133
Proposed Changes	0	36	38	41	43	46
Spending Under H.R. 801	133	164	167	172	174	179
<i>Veterans' Readjustment Benefits</i>						
Spending Under Current Law	1,693	1,880	2,000	2,107	2,238	2,341
Proposed Changes						
Training for Technological Occupations	0	2	3	4	5	6
Distance Education	0	1	2	2	3	3
Work-Study	0	1	2	2	3	3
MGIB Eligibility	0	0	*	*	*	*
Adapted Housing Grants	0	4	4	5	5	5
Automobile Grants	<u>0</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal-Proposed Changes	0	9	12	15	18	19
Spending Under H.R. 801	1,693	1,889	2,012	2,122	2,256	2,360
<i>Veterans' Pensions</i>						
Spending Under Current Law	2,836	3,142	3,155	3,182	3,545	3,233
Proposed Changes	0	1	2	3	3	4
Spending Under H.R. 801	2,836	3,143	3,157	3,185	3,548	3,237
<i>Summary of Changes in Direct Spending</i>						
Estimated Outlays	0	46	52	59	64	69

NOTES: \* = Less than \$500,000.  
Estimated changes in budget authority would equal estimated changes in outlays.

## **BASIS OF ESTIMATE**

The bill would raise direct spending in several programs, including burial benefits, readjustment benefits, and pensions.

**Burial Benefits.** Section 301 would increase three different burial benefits and index those payments after 2001 to the same cost-of-living adjustments payable to Social Security recipients. The allowance to help cover burial and funeral expenses for veterans whose deaths are attributed to a service-connected disability would increase from the current rate of \$1,500 to \$2,000. Based on information from the VA, CBO estimates that this provision would apply to 9,600-9,800 burials per year and would cost \$5 million in 2002, \$33 million over the 2002-2006 period, and \$79 million over the 2002-2011 period.

This section also would increase burial benefits from \$300 to \$500 for veterans who were receiving compensation or pension payments at the time of their deaths or who died in a VA facility or other department-approved nursing home or hospital. The benefit is also available in cases when the veteran's body is held by a government entity and there is no next of kin or otherwise available resources to cover burial expenses. CBO estimates that this provision would apply to approximately 80,000 burials per year and would cost \$18 million in 2002, \$99 million over the 2002-2006 period, and \$219 million over the 2002-2011 period.

Section 301 also would increase the burial plot allowance from \$150 to \$300. This allowance can be paid to a state or local veterans' cemetery or a public cemetery with a separate veterans' section that buries a qualified veteran without charging for the cost of a plot or interment. It can also be paid to the family of a qualified veteran who is buried in a private cemetery or in a general section of a public cemetery. CBO estimates that this provision would cost \$13 million in 2002, \$75 million over the 2002-2006 period, and \$177 million over the 2002-2011 period.

**Readjustment Benefits.** Title I contains several provisions that would enhance veterans' education benefits and expand eligibility for certain readjustment benefits.

*Training for technological occupations.* Section 103 would expand the types of education allowed under the Montgomery GI Bill (MGIB) to include training required for certification in technological occupations. Based on information from the VA and local technical training schools, CBO estimates this would increase the trainee population by about 0.5 percent over several years at a 10-year cost of \$60 million.

*Distance education.* Under current law, independent study programs are allowed under MGIB only if they lead to a standard college degree. Section 105 would allow independent study in certificate-granting programs. Based on information from the VA, CBO estimates

this provision would increase the trainee population by 0.2 percent over several years at a 10-year cost of \$27 million.

*Work-study.* Section 102 would expand the opportunities of veterans receiving education benefits to receive work-study stipends. Currently, the jobs available under the work-study program are limited to providing services required in connection with VA activities, or the administration of veterans' education programs for the military reserves, the National Guard or the Coast Guard. Under this bill, eligible veterans would be paid work-study stipends for work in the department of their major academic discipline or in certain state-operated facilities that assist veterans. Based on information from the VA, CBO estimates the increased opportunities would result in approximately 1,500 additional work-study participants a year, at a 10-year cost of about \$29 million.

*MGIB eligibility.* Section 101 would increase the number of Reserve Officer Training Corps (ROTC) graduates that are eligible to participate in MGIB. Currently, reservists who receive ROTC scholarships for tuition and fees totaling more than \$2,000 for every year they participate in the program may not subsequently begin to participate in the MGIB. This bill would raise that maximum to \$3,400 a year. Based on information from the Defense Department, CBO estimates that an extra 800 ROTC graduates a year would enter the military eligible to participate in MGIB, beginning in fiscal year 2002. Using normal retention patterns and MGIB usage rates, CBO estimates this provision would result in a cost of \$12 million over the 2006-2011 period.

*Adapted housing grants.* Section 305 would increase the amounts of grants provided to aid certain severely disabled veterans to acquire specially adapted housing or to modify their current residence. The grants to the most severely disabled would be increased from \$43,000 to \$48,000. For those veterans with certain specific but lesser disabilities, the current grant of \$8,250 would be increased to \$9,250. Assuming a slight increase in participation in the program, CBO estimates the cost would be about \$4 million in 2002, \$22 million over the 2002-2006 period, and \$46 million over the 2002-2011 period.

*Automobile Grants.* Section 304 would increase the amount of grants available to certain severely disabled veterans for the purchase of an automobile and adaptive equipment. Based on current usage, and allowing for an increase in demand for such grants, CBO estimates that increasing the grant from \$8,000 to \$9,000 would increase costs by about \$15 million over 10 years.

**Pension Benefits.** Under current law, veterans with low incomes may apply for pension benefits if their permanent and total disabilities are not service-connected and they have at least 90 days of active military service, one day of which was during a period of war. The

payment of pensions can be denied or discontinued if VA determines that the estate of the veteran is large enough that some part of it could be consumed for the veteran's maintenance. Section 306 would exclude from this determination any real property that is used for farming, ranching, and similar agricultural purposes.

VA estimates that about 130 claims were denied in 2000 because of the value of veterans' real property. Most of the land involved in those cases is probably being used for agricultural purposes since low-income veterans would be unlikely to afford the higher tax burden on lands used for other purposes. CBO assumes the number of claims that would be affected by this section will likely decline in future years as the overall number of pension cases declines. Using an average yearly benefit of \$6,438 and an automatic cost-of-living adjustment, CBO estimates that enacting this bill would increase spending for pension benefits by about \$1 million in 2002, \$13 million over the 2002-2006 period, and \$37 million over the 2002-2011 period. These figures include an assumption that VA will see a higher number of claims in the first year after enactment as veterans who had recently been denied pension benefits due to the value of their real property apply again under the new law. Given the advanced age and declining health of the average pension claimant, CBO assumes that only one-third of those who had been denied pensions within the last three years will reapply.

**SGLI.** Section 302 would expand coverage of SGLI to include dependents of active-duty servicemembers and reservists. Section 303 would make retroactive to October 1, 2000, an increase in the maximum coverage amount of SGLI for servicemembers who have died in the performance of duty. Since premiums paid by policy holders cover all the costs of this program, neither section would have any net budgetary impact.

**Other Provisions.** The following provisions would have an insignificant budgetary impact:

- Section 104 would extend eligibility for restorative training to the spouses of certain disabled or deceased veterans. Based on information from the VA, CBO expects few people would be affected by this provision.
- Section 205 directs the VA to intensify its veterans outreach program by providing information on all veterans' and dependents' benefits when a veteran or dependent first applies to VA for any benefit. Based on information from the VA, this increased outreach, which would be subject to the availability of appropriations, would cost less than \$500,000 annually.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts 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.

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	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	0	46	52	59	64	69	73	77	82	86	90
Changes in receipts						Not applicable					

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

H.R. 801 contains no intergovernmental or private-sector mandates as defined in UMRA. Provisions of the bill would require state approving agencies (state offices that approve programs of study for eligibility under veterans' educational assistance) to provide outreach services to eligible veterans. Because these services are provided voluntarily by states under a contract with the Department of Veterans Affairs, the new duties are not considered mandates under UMRA. Furthermore, because such services are already being provided under current law, states would incur no significant additional costs.

### **ESTIMATE PREPARED BY:**

Federal Costs: Sarah T. Jennings and Michelle S. Patterson  
Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins  
Impact on the Private Sector: Sally Segraves

### **ESTIMATE APPROVED BY:**

Robert A. Sunshine  
Assistant Director for Budget Analysis