



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 3, 2005

S. 1234
Veterans' Compensation Cost-of-Living Adjustment Act of 2005

*As ordered reported by the Senate Committee on Veterans' Affairs
on July 28, 2005*

S. 1234 would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same cost-of-living adjustment (COLA) payable to Social Security recipients. The increase would take effect on December 1, 2005, and the results of the adjustment would be rounded to the next lower dollar.

The COLA that would be authorized by this bill is assumed in CBO's baseline, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act, and savings from rounding it down were achieved by the Balanced Budget Act of 1997 (Public Law 105-33) and extended to 2013 by the Veterans Benefits Act of 2003 (Public Law 108-183).

Because the COLA is assumed in CBO's baseline, the COLA provision would have no budgetary effect relative to that baseline. Relative to current law, CBO estimates that enacting this bill would increase spending for these programs by \$538 million in 2006. (The annualized cost would be about \$720 million in subsequent years.) This estimate assumes that the COLA effective on December 1, 2005, would be 2.3 percent.

S. 1234 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On June 29, 2005, CBO transmitted a cost estimate for H.R. 1220, the Veterans' Cost-of-Living Adjustment Act of 2005, as ordered reported by the House Committee on Veterans' Affairs on June 23, 2005. H.R. 1220, as ordered reported, contains provisions that are not included in S. 1234—specifically, provisions that would increase the amount of additional assistance paid to surviving spouses with dependent children under age 18; direct the Department of Veterans Affairs (VA) to conduct a demonstration project to improve business

practices within the Veterans Health Administration for recovering payments from third-party payors; and authorize VA to establish six centers to conduct research, education, and clinical activities related to Parkinson's disease. Differences in the estimated costs reflect differences in the two bills.

On June 2, 2005, CBO transmitted a cost estimate for H.R. 1220, as introduced on March 10, 2005. S. 1234 contains similar language to H.R. 1220, as introduced, and the associated costs are identical.

The CBO staff contact is Dwayne M. Wright. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.