



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 22, 2006

H.R. 4843
Veterans' Compensation Cost-of-Living Adjustment Act of 2006

*As ordered reported by the House Committee on Veterans' Affairs
on June 22, 2006*

H.R. 4843 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, 2006, 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 \$530 million in 2007. (The annualized cost would be about \$710 million in subsequent years.) This estimate assumes that the COLA effective on December 1, 2006, will be 2.2 percent.

H.R. 4843 would also apply the COLA to a benefit for surviving spouses with children under age 18. Under current law, surviving spouses who are eligible for Dependency and Indemnity Compensation (DIC) and have one or more children under age 18 have their monthly DIC payment increased by \$250 for up to two years from the date that the survivor becomes eligible for DIC. Section 2 would increase the \$250 benefit by the same cost-of-living adjustment payable to Social Security recipients on December 1, 2006. Based on an assumed COLA of 2.2 percent, CBO estimates that this monthly benefit would increase to \$255 (after rounding down to the next lowest dollar) for 2007 and each subsequent year.

relative to current law and CBO's baseline. Therefore, CBO estimates that enacting this provision would increase direct spending for veterans compensation by less than \$200,000 in 2007, by \$1 million over the 2007-2011 period, and by \$2 million over the 2007-2016 period.

H.R. 4843 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 May 11, 2006, CBO transmitted a cost estimate for H.R. 4843 as introduced on March 2, 2006. H.R. 4843, as ordered reported, is similar to the introduced bill, but also contains a provision that would increase the additional \$250 benefit for surviving spouses with children under 18 by the same cost-of-living adjustment payable to Social Security recipients on December 1, 2006. The differences in the estimates reflect the differences in the two versions of the bill.

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