



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

November 22, 2005

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

As cleared by the Congress on November 18, 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 Social Security Administration has announced that the COLA increase this year will be 4.1 percent. On that basis, CBO estimates that enacting this legislation would increase spending for these veterans' programs by \$973 million in 2006 (the annualized cost would be about \$1.3 billion in subsequent years). However, a COLA equal to that payable to Social Security recipients is assumed in the budget resolution 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). As a result, the act would have no budgetary effect relative to the baseline and thus it does not affect scorekeeping totals for direct spending.

On August 3, 2005, CBO transmitted a cost estimate for S. 1234, as ordered reported by the Senate Committee on Veterans' Affairs on July 28, 2005. That estimate assumed that the COLA would be 2.3 percent. Differences in the estimated cost, relative to current law, reflect the difference between the estimated and actual COLA increase.

On June 29, 2005, CBO transmitted a cost estimate for H.R. 1220, the Veterans' Compensation Cost-of-Living Adjustment Act of 2005, as ordered reported by the House Committee on Veterans' Affairs on June 23, 2005. That estimate also assumed that the COLA would be 2.3 percent. H.R. 1220, as ordered reported, contains provisions that are not included in S. 1234, as cleared by the Congress—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 of 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 between the two bills.

This estimate was prepared by Dwayne M. Wright. The estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.