



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 6, 1999

### **H.R. 44**

**A bill to amend title 10, United States Code, to authorize the payment of special compensation to certain severely disabled uniformed services retirees**

*As introduced on January 6, 1999*

#### **SUMMARY**

H.R. 44 would authorize the Department of Defense (DoD) and certain other agencies to make additional payments to disabled retirees from the uniformed services. CBO estimates that implementing the bill would cost about \$45 million in 2000 and about \$226 million over the 2000-2004 period, assuming appropriation of the necessary amounts. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

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

The estimated budgetary impact of the bill is shown in the following table. The costs of the bill fall within budget function 050 (national defense).

Under current law, disabled veterans who are retired from the military, the Coast Guard, the Public Health Service (PHS), or the National Oceanic and Atmospheric Administration (NOAA) cannot receive both full retirement annuities and disability compensation. Such veterans usually forgo a portion of their retirement annuity equal to the nontaxable veterans' benefit. The bill would allow retirees to receive additional payments if they receive nondisability annuities, completed at least 20 years of service, and have service-connected disabilities rated as 70 percent or greater within four years of their retirement.

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
Spending Under Current Law for Military Personnel						
Estimated Authorization Level <sup>a</sup>	70,988	70,988	70,988	70,988	70,988	70,988
Estimated Outlays	70,367	73,005	68,472	70,590	70,633	70,633
Proposed Changes <sup>b</sup>						
Estimated Authorization Level	0	45	45	45	45	46
Estimated Outlays	0	45	45	45	45	46
Spending Under the H.R. 44 for Military Personnel						
Estimated Authorization Level <sup>a</sup>	70,988	71,033	71,033	71,033	71,033	71,034
Estimated Outlays	70,367	73,050	68,517	70,635	70,678	70,679

NOTE: The current law amounts shown here assume that appropriations remain at the 1999 level. If they are adjusted for inflation, the base amounts would rise by about \$2 billion a year, but the estimated changes would remain as shown.

- a. The 1999 level is the amount appropriated for that year.
- b. Additional costs for the Coast Guard, NOAA, and PHS would be negligible.

The potential costs of the bill depend on the number of beneficiaries, their disability levels, and the benefit amounts. CBO estimates that in 1999 about 20,000 retirees meet the criteria under the bill, assuming that 80 percent of the estimated 25,000 retirees who meet the other criteria had their disability rated as at least 70 percent within four years of retirement. Nearly all beneficiaries would be military retirees, but about 300 retired members of the Coast Guard, NOAA, and PHS would be eligible for payments.

CBO projects the potential caseload for future years using expected mortality rates and expected rates of growth in the population of new beneficiaries. On this basis, we expect that the number of beneficiaries would change only slightly over the next several years.

CBO estimated the distribution of those beneficiaries among disability levels using data from a report prepared by the General Accounting Office (GAO) in 1995. According to information from the Department of Veterans Affairs, veterans with disabilities rated 70 percent or greater generally receive that rating soon after leaving military service. Veterans with service-connected disabilities may have their ratings reevaluated over time, but those veterans whose ratings are increased usually have low-rated disabilities. Also,

veterans with psychiatric disabilities may have highly rated disabilities, but most reevaluations of their disabilities lead to reductions rather than increases.

The bill would define the additional benefit as follows:

- o \$300 per month for a retiree whose disability is rated as total,
- o \$200 per month for a retiree whose disability is rated as 90 percent, and
- o \$100 per month for a retiree whose disability is rated as 70 percent or 80 percent.

CBO estimates that the bill would cost about \$45 million in 2000 and \$226 million over the 2000-2004 period, assuming that the bill would be enacted and implemented by October 1, 1999. The benefits would be paid out of discretionary appropriations for pay and benefits, and the bill specifies how each Secretary would allocate funding that is insufficient to pay all eligible beneficiaries.

**PAY-AS-YOU-GO CONSIDERATIONS:** None

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

The proposed legislation contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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