



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 16, 2000

H.R. 5271 **Veterans' Family Farm Preservation Act**

As introduced on September 25, 2000

SUMMARY

H.R. 5271 would exclude any real property used for farming, ranching, or similar agricultural purposes from the net worth limitation for eligibility for veterans' pensions. CBO estimates that enacting this bill would increase direct spending by about \$1 million in 2001, \$41 million over the 2001-2005 period, and \$156 million over the 2001-2010 period. The Department of Veterans Affairs (VA) currently spends about \$3 billion a year for pension benefits. Because H.R. 5271 would affect direct spending, pay-as-you-go procedures would apply.

This bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5271 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

BASIS OF ESTIMATE

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 the VA determines that the estate of the veteran is large enough that some part could be consumed for the veteran's maintenance. H.R. 5271 would exclude from this determination any real property that is used for farming, ranching, and similar agricultural purposes.

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
DIRECT SPENDING					
Estimated Budget Authority	2	5	9	12	16
Estimated Outlays	1	5	8	12	15

Based on data from VA, CBO estimates that about 17,000 veterans were denied pension payments in 2000. That number should increase over the next four years, as the total number of veterans increases, and gradually decline after that. A recent survey by VA of 100 cases in which a veteran had been denied pension benefits or exemptions from certain copayments for medical care revealed that real estate was the major asset reported in 11 of those cases. 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. But most of those 11 cases involved payments for medical care, not pension benefits. Consequently, CBO estimates that, out of each 100 cases of denied pension benefits, two to three would be affected by H.R. 5271.

Assuming a constant rate of additional cases throughout the year, CBO estimates that about 500 additional veterans would be approved for pensions in 2001 under this bill. About 3,000 additional veterans would be approved over the 2001-2005 period and about 6,000 over the 2001-2010 period. Using an average yearly pension benefit of \$6,218 and an automatic cost of living adjustment, CBO estimates that enacting this bill would increase spending for pension benefits by about \$1 million in 2001, \$41 million over the 2001-2005 period, and \$156 million over the 2001-2010 period.

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 budget year and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	1	5	8	12	15	18	21	23	26	27
Changes in receipts	Not applicable									

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5271 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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