



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 30, 2006

S. 2562
Veterans' Compensation Cost-of-Living Adjustment Act for 2006

*As cleared by the Congress on September 30, 2006,
and signed by the President on October 16, 2006*

S. 2562, enacted as Public Law 109-361, will 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 will take effect on December 1, 2006, and the results of the adjustment will be rounded to the next lower dollar.

The Social Security Administration has announced that the COLA increase this year will be 3.3 percent. On that basis, CBO estimates that this legislation will increase spending for veterans' programs by about \$800 million in 2007 (the annualized cost would be about \$1.1 billion in subsequent years). However, a COLA equal to that payable to Social Security recipients 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). As a result, Public Law 109-361 will have no budgetary effect relative to the baseline—as adjusted to reflect the announced COLA of 3.3 percent—and thus it does not affect scorekeeping totals for direct spending.

S. 2562 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, 2006, CBO transmitted an estimate for S. 2562, the Veterans' Cost-of-Living Adjustment Act of 2006, as ordered reported by the Senate Committee on Veterans' Affairs on June 22, 2006. The CBO estimate provided in June assumed that the COLA would be 2.2 percent. Differences in the estimated cost reflect the difference between the estimated and actual COLA increase.

On June 22, 2006, CBO transmitted an estimate for H.R. 4843, the Veteran's Cost-of-Living Adjustment Act of 2006, as ordered reported by the House Committee on Veterans' Affairs on June 22, 2006. S. 2562 does not contain a provision that would increase the additional \$250 benefit for surviving spouses with children under 18 by a cost-of-living adjustment. The differences in the estimated costs reflect the differences in the language and the difference between the estimated and actual COLA increase.

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.