



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 17, 2008

S. 2617
Veterans' Compensation Cost-of-Living Adjustment Act of 2008

*As cleared by the Congress on September 10, 2008,
and signed by the President on September 24, 2008*

S. 2617, enacted as Public Law 110-324, 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, 2008, and the results of the adjustment will be rounded to the next lower dollar. S. 2617 also codifies the rates of disability compensation as adjusted by the 2007 COLA.

The COLA authorized by the act 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). Thus, for Congressional scorekeeping purposes, no cost is ascribed to S. 2617.

The Social Security Administration has announced that the COLA increase for 2009 will be 5.8 percent. On that basis, CBO estimates that the actual cost of this legislation will be about \$1.8 billion in 2009 (the annualized cost will be about \$2.4 billion in subsequent years).

On July 17, 2008, CBO transmitted a cost estimate for S. 2617, the Veterans' Compensation Cost-of-Living Adjustment Act of 2008, as ordered reported by the Senate Committee on Veterans' Affairs on June 26, 2008. On May 12, 2008, CBO transmitted a cost estimate for H.R. 5826, the Veterans' Compensation Cost-of-Living Adjustment Act of 2008, as ordered reported by the House Committee on Veterans' Affairs on April 30, 2008. CBO's previous estimates noted an expected cost of \$857 million for 2009 and about \$1.1 billion in subsequent years, assuming a COLA of 2.8 percent. The recent announcement of a 5.8 percent COLA raises the effective cost for both 2009 and subsequent years.

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