



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 16, 2011

H.R. 1407 **Veterans' Compensation Cost-of-Living Adjustment Act of 2011**

As ordered reported by the House Committee on Veterans' Affairs on May 12, 2011

H.R. 1407 would extend the authority of the Department of Veterans Affairs (VA) to provide certain housing grants and increase the rates of disability compensation and dependency and indemnity compensation by the same cost-of-living adjustment (COLA) applied to Social Security benefits. CBO estimates that enacting H.R. 1407 would increase direct spending by less than \$500,000 over the 2012-2021 period, relative to CBO's baseline projections.

Section 2 would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same COLA payable to Social Security recipients. The increase would take effect on December 1, 2011, and the resulting adjustment would be rounded to the next lower dollar.

The COLA that would be authorized by this bill is assumed in CBO's baseline, consistent with 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) as extended by the Veterans Benefits Act of 2003 (Public Law 108-183).

Because the COLA is assumed in CBO's baseline, section 2 would have no budgetary effect relative to the baseline. Relative to current law, CBO estimates that enacting this bill would increase spending for those programs by \$475 million in fiscal year 2012. (The annualized cost would be about \$630 million in subsequent years.) This estimate assumes that the COLA effective on December 1, 2011, would be 1.1 percent.

Section 4 of the bill would extend by five years VA's authority to provide adaptive housing grants to veterans residing temporarily in housing owned by a family member. Under current law, veterans who are classified by VA as totally disabled and who have certain mobility limitations are entitled to receive housing grants of up to \$63,780 to be used to purchase, construct, or modify a home to meet their specific needs. Totally disabled

veterans who are blind or have lost the use of their hands are entitled to receive grants of up to \$12,756 for those same purposes.

Qualifying veterans may use up to \$14,000 from the larger grant or \$2,000 from the smaller grant to adapt the home of a family member when the veteran resides with that family member temporarily; this pilot program will expire on December 31, 2011. Section 4 would extend that authority to December 31, 2016.

Based on recent rates of usage of this benefit, CBO estimates that, over the five years of the proposed extension, about 35 veterans would use those grants to modify a family member's home, with each grant averaging about \$13,600. If enacted, CBO estimates section 4 would increase direct spending by less than \$500,000 over the 2012-2017 period.

Enacting H.R. 1407 would affect direct spending; therefore, pay-as-you-go procedures apply. However, CBO estimates that the net effects would be insignificant for each year. Enacting the bill would not affect revenues.

H.R. 1407 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Dwayne M. Wright. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.