CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 30, 2011

S. 914
Veterans Programs Improvement Act of 2011

As ordered reported by the Senate Committee on Veterans' Affairs on June 29, 2011

SUMMARY

S. 914 would authorize the construction of several major medical facility projects, expand programs for homeless veterans and make other changes to health care, compensation, housing, education, and other programs offered by the Department of Veterans Affairs (VA). In total, CBO estimates that implementing the bill would have a discretionary cost of $1.3 billion over the 2012-2016 period, assuming appropriation of the specified and estimated amounts.

In addition, CBO estimates that enacting the bill would decrease direct spending by $7 million over the 2012-2021 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting S. 914 would not affect revenues.

S. 914 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

S. 914 would impose a private-sector mandate, as defined in UMRA, on certain mortgage holders and other creditors. Based on information from industry sources, CBO expects that the cost of the mandate would fall below the annual threshold for private-sector mandates ($142 million in 2011, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 914 is summarized in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 914, THE VETERANS PROGRAMS IMPROVEMENT ACT OF 2011

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	1,304	42	-5	-6	-7	1,328
Estimated Outlays	347	344	313	215	77	1,296
CHANGES IN DIRECT SPENDING[a]						
Estimated Budget Authority	-18	0	1	2	-1	-16
Estimated Outlays	-18	0	1	2	-1	-16

a. In addition to the changes in direct spending shown above, enacting S. 914 would have effects beyond 2016 (see Table 3). CBO estimates that over the 2012-2021 period, S. 914 would decrease net direct spending by $7 million.

BASIS OF ESTIMATE

For this estimate, CBO assumes the legislation will be enacted near the start of fiscal year 2012, that the necessary amounts will be appropriated each year, and that outlays will follow historical patterns for similar and existing programs.

Spending Subject to Appropriation

CBO estimates that implementing S. 914 would have a discretionary cost of $1.3 billion over the 2012-2016 period, assuming appropriation of the specified and estimated amounts (see Table 2). Most of the bill's estimated costs stem from provisions that would authorize appropriations for medical construction projects.

Medical Facilities. Title VI would authorize funding to construct, renovate, and lease several medical facilities. CBO estimates that implementing title VI would cost about $1 billion over the 2012-2016 period, assuming appropriation of the authorized and estimated amounts.

Major Construction Projects. Section 602 would authorize the appropriation of $850 million to construct and modify medical facilities in Palo Alto, California; St. Louis, Missouri; and San Juan, Puerto Rico. CBO estimates that, if appropriated, those amounts would result in discretionary costs of $824 million over the 2012-2016 period.

TABLE 2. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER S. 914

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
Medical Facilities						
Major Construction Projects						
Authorization Level	850	0	0	0	0	850
Estimated Outlays	37	229	277	204	77	824
Leases for Medical Facilities						
Estimated Authorization Level	50	22	22	22	22	138
Estimated Outlays	45	22	22	22	22	133
Seismic Corrections and Renovations						
Estimated Authorization Level	68	0	0	0	0	68
Estimated Outlays	3	18	22	16	6	65
Subtotal, Medical Facilities						
Estimated Authorization Level	968	22	22	22	22	1,056
Estimated Outlays	85	269	321	242	105	1,022
Health Care						
Reimbursement for Ambulance Services						
Estimated Authorization Level	-45	-48	-51	-53	-56	-253
Estimated Outlays	-41	-47	-50	-53	-55	-246
Travel Reimbursements for Vet Centers						
Estimated Authorization Level	7	14	14	15	15	65
Estimated Outlays	6	13	14	15	15	63
Telehealth and Telemedicine Programs						
Estimated Authorization Level	2	3	4	6	8	23
Estimated Outlays	2	3	4	6	8	23
Chiropractic Care						
Estimated Authorization Level	1	1	2	2	2	8
Estimated Outlays	1	1	2	2	2	8
Centers of Excellence for Rural Health						
Estimated Authorization Level	*	1	1	1	1	4
Estimated Outlays	*	1	1	1	1	4

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
State Prescription Monitoring Programs						
Estimated Authorization Level	1	*	*	*	*	1
Estimated Outlays	1	*	*	*	*	1
Subtotal, Health Care						
Estimated Authorization Level	-34	-29	-30	-29	-30	-152
Estimated Outlays	-31	-29	-29	-29	-29	-147
Homeless Veterans						
Extension of Certain Authorities for Homeless Veterans						
Estimated Authorization Level	107	37	*	0	0	144
Estimated Outlays	96	43	4	0	0	143
Supportive Services for Low-Income Families						
Authorization Level	101	0	0	0	0	101
Estimated Outlays	91	9	*	*	0	100
Homeless Providers Grants and Per Diem Program						
Authorization Level	100	0	0	0	0	100
Estimated Outlays	90	9	0	0	0	99
Workforce Reintegration Program						
Authorization Level	50	0	0	0	0	50
Estimated Outlays	4	31	14	1	0	50
Homeless Veterans with Special Needs						
Authorization Level	5	5	0	0	0	10
Estimated Outlays	5	5	*	*	*	10
Case Management Services for HUD-VASH Program						
Estimated Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
Services for Homeless Veterans						
Estimated Authorization Level	1	*	0	0	0	1
Estimated Outlays	1	*	*	*	*	1
Subtotal, Homeless Veterans						
Estimated Authorization Level	365	43	1	1	1	411
Estimated Outlays	288	98	19	2	1	408
Other Provisions						
VA Office in Philippines						
Estimated Authorization Level	5	6	2	0	0	12
Estimated Outlays	5	6	2	0	0	12
Reports and Plans						
Estimated Authorization Level	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	1
Subtotal, Other Provisions						
Estimated Authorization Level	5	6	2	0	0	13
Estimated Outlays	5	6	2	0	0	13
Total Changes to Spending Subject to Appropriation						
Estimated Authorization Level	1,304	42	-5	-6	-7	1,328
Estimated Outlays	347	344	313	215	77	1,296

Notes: VA = Department of Veterans Affairs; HUD-VASH = Housing and Urban Development-Department of Veterans Affairs Supported Housing.

* = less than $500,000.

Leases for Medical Facilities. Section 603 would authorize the appropriation of $50 million for leasing eight medical facilities. Based on information from VA's 2012 budget request, CBO expects that VA would enter into 20-year lease agreements for those facilities. CBO estimates that in addition to the specified amounts authorized to be appropriated in 2012, VA would incur additional costs of $22 million a year starting in 2013. (Costs are higher in the first year than in other years because VA would pay up front for necessary improvements and upgrades.) CBO estimates that entering into those leases

would cost $133 million over the 2012-2016 period, assuming appropriation of the authorized and estimated amounts.

Seismic Corrections and Renovations. Section 601 would authorize the appropriation of $87 million for seismic corrections and renovations at facilities in Los Angeles and Seattle, Washington. Based on VA's current estimated construction costs and the amounts that have already been appropriated for those projects, CBO estimates that VA would require additional funding of $68 million in 2012. CBO estimates that implementing those projects would cost a total of $65 million over the 2012-2016 period, assuming appropriation of the estimated amounts.

Health Care. Title I contains sections that would change reimbursements for certain VA health care services and related travel, as well as expand health care services. CBO estimates that implementing title I would reduce costs by a net of $147 million over the 2012-2016 period, assuming appropriation of the authorized and estimated amounts.

*Reimbursement for Ambulance Services***.** Section 108 would allow VA to pay the provider of ambulance services the lesser of the actual charge or the amount determined by the Medicare fee schedule for ambulance services. Under current law, VA does not have a standard fee for ambulance services; rather they reimburse the transportation costs for certain veterans based upon the "actual necessary expense" as submitted by the provider. CBO expects that paying Medicare rates for ambulance services would lower such costs by roughly 20 percent (comparable to the difference between Medicare Part B physician payment rates and those of the private sector). On that basis, CBO estimates that using the Medicare fee schedule would reduce spending for ambulance services by $246 million over the 2012-2016 period, assuming appropriations for such benefits continue.

Travel Reimbursements for Vet Centers. VA is required to reimburse the travel expenses of certain veterans seeking vocational rehabilitation, counseling, or treatment at a VA facility or other approved locations at a general rate of 41.5 cents per mile. According to the Veterans Health Administration, there are nearly 10 million claims made each year for travel reimbursement.

Section 103 would require Vet Centers to be treated as VA facilities for the purpose of reimbursement for travel. Based on information from VA, CBO estimates that under the bill VA would approve between 280,000 and 300,000 new travel claims each year from Vet Center patients over the 2012-2016 period. Based on information from VA regarding recent travel claims, CBO estimates that VA would pay an average of $47 per claim in 2012, rising to $50 per claim in 2016. Assuming appropriation of the necessary amounts, a one-year phase-in period, and annual adjustments for inflation, CBO estimates that implementing this provision would cost $63 million over the 2012-2016 period.

Telehealth and Telemedicine Programs. Section 101 would prohibit the VA from charging copayments to veterans for any telehealth or telemedicine consultations. VA currently charges copayments of $15 for primary care visits and $50 for specialty care visits. Based on information from the department, CBO estimates that in 2012 VA will have a workload of over 67,000 such consultations for which it will receive $2 million in copayments. In recent years, those programs have experienced a 25 percent annual rate of growth in workload. Some of that growth represents new workload in terms of medical visits that would not have been made for reasons of distance or other difficulty in accessing VA care. The remainder of the growth is accounted for by veterans using telehealth and telemedicine in place of physical visits to a VA facility. CBO expects that eliminating the copayments for virtual visits would accelerate the shift from regular visits, which would continue to incur copayments.

CBO estimates that implementing this provision would decrease collections by $2 million in 2012, growing to $8 million by 2016.

Such collections are offsets to discretionary appropriations. As part of the annual appropriations process, the Congress gives VA authority to spend those collections. Therefore, maintaining the same level of health care services for veterans would necessitate additional funding each year to make up for the loss of copayments under this provision. Thus, CBO estimates that implementing this provision would cost $23 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

Chiropractic Care. Section 107 would require VA to provide comprehensive chiropractic services at two or more locations in each of the 21 Veterans Integrated Services Networks (VISNs), which are VA's regional networks of medical facilities, and in other locations as the Secretary determines appropriate. Nine VISNs currently meet those requirements and the remaining 12 VISNs each provide care at one location. VA reports that the average salary for a chiropractor is roughly $115,000. After adjusting for inflation, CBO estimates that providing chiropractic care at one additional location in each of those 12 VISNs would cost $8 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

Centers of Excellence for Rural Health. Section 106 would require VA to establish centers of excellence for research, education, and clinical activities related to providing health care in rural areas. CBO assumes VA would use existing facilities, but would increase personnel. CBO estimates that establishing the centers of excellence would cost $4 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

State Prescription Monitoring Programs. Section 110 would allow VA to share information on prescription drug usage with state programs that seek to minimize misuse

of prescription drugs. CBO estimates minimal costs to establish and maintain the necessary IT capabilities. CBO estimates that implementing this provision would cost $1 million over the 2012-2016 period, assuming the availability of appropriated funds.

Homeless Veterans. Title II includes several provisions that would extend and expand programs providing assistance to homeless veterans. CBO estimates that implementing title VI would cost $408 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

Extension of Certain Authorities for Homeless Veterans. Section 205 would extend, for various periods, the expiring authorities for several programs that provide services to homeless veterans. CBO estimates that extending such programs would cost $143 million over the 2012- 2016 period, assuming appropriation of the necessary amounts.

Supportive Services for Low-Income Families. Section 207 would extend through 2012 a VA program that provides grants to entities serving certain low-income families and authorize the appropriation of $101 million for that program in 2012.

The program, which expires in 2011, provides grants to entities that help the families of low-income veterans that are homeless, making the transition to permanent housing, or already in permanent housing. Those entities provide a variety of services including outreach, case management, and assistance accessing VA or other public benefits. CBO estimates that implementing that provision would cost $100 million over the 2012-2016 period, assuming appropriation of the specified amount.

Homeless Providers Grants and Per Diem (GPD) Program. Section 201 would increase the annual amounts authorized for the VA's Homeless Providers Grant and Per Diem Program (GPD) from $150 million to $250 million in 2012.[1] The GPD program provides capital grants for constructing, renovating, or acquiring buildings and per diem payments to fund operating costs. After factoring in historical spending patterns for this program, CBO estimates that implementing that provision would cost $99 million over the 2012-2016 period, assuming appropriation of the specified amount.

Workforce Reintegration Program. Section 206 would authorize the appropriation of $50 million a year for 2012 for the homeless veteran reintegration program at VA. CBO estimates that implementing that provision would cost $50 million over the 2012-2016 period, assuming appropriation of the specified amount.

1. Section 201 also would authorize the appropriation of an additional $68 million for fiscal year 2011. However, since CBO assumes this bill will be enacted near the start of 2012, the estimate does not include that funding.

Homeless Veterans with Special Needs. Section 208 would authorize the appropriation of $5 million a year for 2012 and 2013 to provide support to health care facilities and providers that offer services to homeless veterans who are: women, elderly, terminally ill, or chronically mentally ill. CBO estimates that implementing that provision would cost $10 million over the 2012-2016 period, assuming appropriation of the specified amounts.

Case Management Services for Housing and Urban Development-Department of Veterans Affairs Supported Housing (HUD-VASH) Program. Section 209 would authorize the VA to enter into contracts or agreements with other entities in the provision of case management services to certain homeless veterans in the HUD-VASH program. This section also would provide training grants to collaborating entities. The HUD-VASH program is a collaboration between HUD and VA to provide permanent housing to homeless veterans and their families. Veterans enrolled in the HUD-VASH program receive case management and supportive services through VA. Based on information from VA, CBO expects that, under this provision, contract case managers would be added as necessary. CBO estimates that VA would add an additional 10 case managers on a part-time basis. CBO estimates that implementing this provision would cost $5 million over the 2012-2016 period, assuming the availability of appropriated funds.

Services for Homeless Veterans. Section 203 would expand the provision of certain services provided to homeless veterans suffering from mental illness to include all homeless veterans. The underlying authority to provide those services is extended elsewhere in the bill through December 31, 2012. CBO expects that the primary effect of this provision would be to ensure that all homeless veterans are eligible for temporary housing. Based upon information from VA, CBO estimates that under this provision, placements into temporary housing would increase by nearly 10 percent, or about 1,500. On average, per diem costs are roughly $55 per day and the average length of stay is about 50 days. On that basis, CBO estimates that implementing section 203 would cost $1 million over the 2012-2013 period, assuming the availability of appropriated funds.

Other Provisions. Several other provisions would increase discretionary costs. Implementing those requirements would, CBO estimates, have a total cost of $13 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

*VA Office in Philippines***.** Section 709 would extend the authority to maintain a VA Office in the Philippines from December 31, 2011, to December 31, 2013. Based on information from VA, the cost of maintaining that office is about $6 million a year; therefore, CBO estimates that implementing section 709 would cost $12 million over the 2012-2014 period, assuming appropriation of the necessary amounts.

Reports and Plans. S. 914 would require several reports and plans to be completed by VA. CBO estimates that those provisions, collectively, would cost about $1 million over the 2012-2016 period, assuming availability of appropriated funds.

Direct Spending

S. 914 contains provisions that would both increase and decrease direct spending. CBO estimates that, on net, enacting S. 914 would decrease direct spending by $7 million over the 2012-2021 period (see Table 3).

Extension of Income Verification. Section 708 would extend VA's authority to verify income reported by recipients of VA pension benefits by allowing it to acquire information on income from the Internal Revenue Service (IRS). The authorization allowing the IRS to provide income information to VA was made permanent by Public Law 110-245, but the authorization allowing VA to acquire the information is scheduled to expire on September 30, 2011. Section 708 would extend that authority through September 30, 2013.

Over the last several years, VA saved, on average, $4 million each year in new pension benefit payments by using the IRS data to verify veterans' incomes. CBO estimates that the incremental savings from utilizing the IRS data for income verification would be about $4 million in new savings each year. Those savings would compound, rising to about $8 million in 2013. After adjusting for cost-of-living increases and mortality rates, savings would decline starting in 2014 after the authority to use IRS data expires. CBO estimates that section 708 would reduce direct spending by $56 million over the 2012-2021 period.

Fees for Guaranteed Loans. Section 711 would increase the fees that VA charges for guaranteeing certain mortgages made to veterans. VA guarantees lenders a payment of up to 25 percent of the outstanding loan balance (subject to some limitations on the original loan amount) in the event that the veteran defaults. Such guarantees enable veterans to get better loan terms, for example, lower interest rates or smaller down payments. VA charges fees to some veterans for its guarantee to offset the costs of subsequent defaults.

Under current law, veterans who get a mortgage with a VA guarantee and who don't make a down payment are required to pay an up-front fee equal to 2.15 percent of the principal for loans taken in 2011. In 2012 and thereafter the fee for such loans declines to 1.40 percent. Veterans of the reserve components pay an additional fee of 0.25 percent for loan guarantees. Fees for all veterans are higher if they have previously used the loan-guarantee benefit.

Section 711 would increase the guarantee fee for loans with no down payment made in 2012 to 1.50 percent of the principal. Reserve veterans would continue to pay the additional 0.25 percent premium. In 2013 and thereafter, the fee would decline to 1.40 percent, consistent with current law. Raising the fee in 2012 would increase collections by VA, lowering the subsidy cost of the loan guarantees and reducing direct spending by $32 million in 2012, CBO estimates.

TABLE 3. ESTIMATED CHANGES IN DIRECT SPENDING UNDER S. 914

	Outlays, in Millions of Dollars, by Fiscal Year											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
CHANGES IN DIRECT SPENDING												
Extension of Income Verification	-4	-8	-7	-6	-6	-6	-5	-5	-5	-4	-31	-56
Fees for Guaranteed Loans	-32	0	0	0	0	0	0	0	0	0	-32	-32
Survivors and Dependents Educational Benefits	1	2	2	2	2	2	3	3	3	4	9	24
Retroactive Effective Date for Disability Compensation Claims	15	0	0	0	0	0	0	0	0	0	15	15
Assistance for Veterans Affected by Natural Disasters	1	1	1	1	1	1	1	1	1	1	5	10
Specially Adapted Housing Assistance	0	3	3	3	*	*	*	*	*	*	9	10
Occupancy of Housing by Dependent Children	*	1	1	1	1	1	1	1	1	1	4	9
Waiver of Loan Fee	*	*	*	*	*	*	1	1	1	1	1	5
Temporary Residence Adaptation Grants	1	1	1	1	1	1	1	1	1	1	4	7
Increased Pension for Married Veterans Requiring Aid and Attendance	*	*	*	*	*	*	*	*	*	*	*	1
Total Changes	-18	0	1	2	-1	-1	2	2	2	4	-16	-7

Notes: Components may not sum to totals because of rounding; * = less than $500,000.

Survivors and Dependents Educational Benefits. Spouses and children of certain deceased or totally disabled veterans are eligible for up to 45 months of veterans' educational benefits. If the survivors and dependents are eligible for additional educational benefits because of their own military service or through the transfer of benefits, they are limited to a total of 48 months of benefits. Beginning October 1, 2011, section 702 would allow such survivors and dependents to use a maximum of 81 months of benefits. Based on information from VA and the Department of Defense, CBO estimates that approximately 130 survivors and dependents each year would use the additional benefits. If enacted, we estimate that section 702 would increase direct spending by $24 million over the 2012-2021 period.

Retroactive Effective Date for Disability Compensation Claims. Section 402 would allow VA to pay up to a year's worth of retroactive payments to veterans who submit fully developed claims. This provision would expire on September 30, 2012.

Based on information from VA, less than 1 percent of all disability claims are adjudicated as fully developed claims. Of the roughly 930,000 new claims that were adjudicated by VA in 2010, approximately 5,200 were processed and adjudicated as fully developed. Of those 5,200 claims, 83 percent were disability compensation claims that resulted in 1,300 accessions (24 percent) and 3,000 (59 percent) reopened claims. CBO expects that a similar trend would continue for 2012.

Under section 402, a veteran that submitted a fully developed claim would be eligible for one year's worth of retroactive payments, should his or her claim be approved. Some veterans currently receive a retroactive benefit because they submitted an informal claim in advance of the fully developed claim. Those veterans receive payments for the period between the submission of the first and second applications. CBO estimates that about 25 percent of veterans submit informal claims ahead of their fully developed claim. Therefore, CBO estimates that about 970 new veterans and about 2,400 reopened cases would be eligible for a year's worth of retroactive payments.

Using information from VA, CBO estimates that in 2012, the average new veteran will enter the rolls with a 40 percent disability rating resulting in an annual payment of about $7,680. Veterans who reopened their cases and received an increase will be—on average—eligible for a 10 percent increase in their disability rating, resulting in a one-year retroactive payment of roughly $3,240. Therefore, CBO estimates that enacting section 402 would increase direct spending in 2012 by about $15 million.

Assistance for Veterans Affected by Natural Disasters. Section 701 would provide additional amounts of assistance to certain veterans with service-connected disabilities who are affected by natural disasters. That assistance includes:

- Additional grants for certain veterans whose homes and automobiles that had been acquired or adapted using a grant from VA were destroyed or damaged in a natural or other disaster;

- Additional payments of a subsistence allowance for certain veterans who were displaced because of a natural or other disaster; and

- Additional services to achieve independence in daily living for those who were displaced because of a natural or other disaster.

Based on information from VA, the Federal Emergency Management Agency, the Department of Transportation, the Insurance Information Institute, and the Insurance Services Office, CBO estimates that an average of about 600 veterans each year would qualify for the additional assistance offered under section 701. If enacted, that assistance is estimated to increase direct spending by about $10 million over the 2012-2021 period, CBO estimates.[2]

Specially Adapted Housing Assistance. Under current law, veterans who are entitled to compensation for permanent and total service-connected disability due to blindness in both eyes with visual acuity of at most 5/200 are also eligible to receive assistance to purchase, construct, or modify a home to meet their specific needs. Section 306 would reduce the required standard of visual acuity from 5/200 to 20/200. Based on information from VA, CBO estimates that under this provision about 1,200 previously ineligible veterans and 20 additional veterans each year would qualify for housing adaptation assistance and that, on average, each of those veterans would receive about $7,600 to meet their needs. If enacted, reducing the standard of visual acuity to 20/200 would increase direct spending by $10 million over the 2012-2021 period, CBO estimates.

Occupancy of Housing by Dependent Children. To qualify for a home mortgage with a VA loan guarantee, a veteran must occupy the home as his or her primary dwelling. Section 303 would allow that requirement to be met by a dependent child of a veteran if the veteran's active-duty status prevents him from residing in the house at the time the loan is issued. Based on information from VA, CBO expects that relaxing the occupancy

2. As the timing and magnitude of natural or other disasters cannot be forecast with certainty, the actual costs of providing assistance to veterans affected by natural or other disasters may differ significantly from the amounts contained in this estimate.

requirement will result in a small increase in the number of loans that VA guarantees. CBO estimates that enacting this provision would increase direct spending by $9 million over the 2012-2021 period.

Waiver of Loan Fee. Veterans who receive compensation for service-related disabilities are exempt from the fee that most veterans pay to VA for guaranteeing a home mortgage loan. Veterans who have submitted a claim for disability compensation, but whose claims have not been adjudicated by VA must pay the fee if the loan closes before VA resolves the claim. Under section 304, veterans who have been assessed as eligible for disability compensation during an exam that took place prior to their discharge from military service or who have received a memorandum from VA indicating a preliminary disability rating also would be exempt from paying the loan fee.

Veterans are only in such limbo status temporarily. Thus, the size of the veteran population who are awaiting adjudication of their claim is relatively stable, as those whose cases have been decided are replaced by new claimants. CBO expects that no more than 200 such veterans would apply for a VA-guaranteed loan in any year. Exempting those veterans from the loan fee would increase direct spending by $5 million over the 2012-2021 period, CBO estimates.

Temporary Residence Adaptation (TRA) Grants. 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 $12,756 or $63,780 (based on the severity of their disabilities) to be used to purchase, construct, or modify a home to meet their specific needs. Under a pilot program, 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. Any amount used to adapt the home of a family member reduces the amount that remains available to be used later for the veteran's own home. This pilot program is scheduled to expire on December 31, 2011.

Sections 305 and 307 would extend the pilot program through December 31, 2021, increase the maximum grant amounts to modify a relative's home from $14,000 and $2,000 to $28,000 and $5,000, respectively, and no longer require that those amounts be subtracted from a veteran's total grant amount. Based on recent rates of usage of TRA grants, CBO estimates that about 25 veterans would benefit from those combined provisions each year, with each veteran receiving about $27,000 in adaptive housing assistance to modify a family member's home. If enacted, those provisions would increase direct spending by $7 million over the 2012-2021 period, CBO estimates.

Increased Pension for Married Veterans Requiring Aid and Attendance (A&A). Section 401 would increase the annual pension payable to married veterans when both

spouses require regular A&A. Under current law, when two married veterans are in need of regular A&A, they are eligible to receive an annual combined pension of $30,480. Section 20 would increase that combined annual payment amount to $31,305.

There are currently about 75 married couples who are both receiving pensions and both in need of regular A&A. Based on information from VA, CBO estimates that the number of eligible couples will decline slightly over the next decade. Therefore, we estimate that enacting section 401 would increase direct spending by about $1 million over the 2012-2021 period.

Presidential Memorial Certificates. Section 503 would expand the VA's Presidential Memorial Certificate program to include survivors of individuals who die while serving in the active military, naval, or air service. Through the Presidential Memorial Certificate program, a relative or friend can request a certificate signed by the President that expresses the country's recognition of a veteran's service. Eligibility for a certificate is currently limited to survivors of veterans who were honorably discharged from military service. Based on information from VA, CBO expects fewer than 100 additional requests would be made each year under this provision; therefore, CBO estimates section 503 would increase direct spending by less than $500,000 over the 2012-2021 period. Costs for the Presidential Memorial Certificates are paid out of the veterans' burial account, which is a mandatory program.

Extended Foreclosure Protection. Section 302 would prevent a lender from foreclosing on a servicemembers mortgage within 12 months after they leave active duty. The Servicemembers Civil Relief Act provides such foreclosure protection for a nine-month period. Federal agencies such as VA and the Federal Housing Administration, which currently guarantee the mortgages of some servicemembers, are responsible for the payment of any interest that accrues between the period when the member stops paying the mortgage and the agency finally settles with the holder of the loan. Therefore, delaying certain foreclosures could result in additional costs to the federal government. Because of the small number of affected mortgages, and the relatively small increase in the forbearance period, CBO estimates that such costs would not be significant.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. S. 914 would modify several programs that provide benefits to veterans. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 914 as ordered reported by the Senate Committee on Veterans' Affairs on June 29, 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
NET INCREASE OR DECREASE (-) IN DIRECT SPENDING												
Statutory Pay-As-You-Go Impact	-18	0	1	2	-1	-1	2	2	2	4	-16	-7

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 914 contains no intergovernmental mandates as defined in UMRA. States that provide nursing home care to eligible veterans would be required to comply with a new payment structure to receive federal reimbursement. Any costs to those governments would be incurred voluntarily as a condition of federal assistance.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

Section 302 would extend the expiration date by three months (from the original nine months) the time after a servicemember's period of military service under which the member receives enhanced protection under the Servicemembers Civil Relief Act relating to mortgages, mortgage foreclosures, and evictions. That action constitutes a mandate on mortgage holders. The cost of complying with the mandate would be the loss associated with delayed mortgage payments, delayed foreclosure, and interest-rate limitations. Based on historical separation rates, foreclosure rates, and mortgage-interest rates, CBO expects that the cost of the mandate would be small relative to the annual threshold for private-sector mandates ($142 million in 2011, adjusted annually for inflation).

PREVIOUS CBO ESTIMATES

On May 16, 2011, CBO transmitted a cost estimate for H.R. 1407, the Veterans' Compensation Cost-of-Living Adjustment Act of 2011, as ordered reported by the House Committee on Veterans' Affairs on May 12, 2011. Section 305 of S. 914 contains language similar to that in H.R. 1407. The difference in the estimated costs between the two

provisions reflects different levels of assistance payable to qualifying veterans and different expiration dates.

On May 16, 2011, CBO transmitted a cost estimate for H.R. 1627, the Honoring American Veterans Act of 2011, as ordered reported by the House Committee on Veterans Affairs on May 12, 2011. Section 502 of S. 914 contains language similar to section 3 of H.R. 1627 and the corresponding estimates of costs are identical.

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