



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 16, 2013

### **H.R. 357** **GI Bill Tuition Fairness Act of 2013**

*As ordered reported by the House Committee on Veterans' Affairs on May 8, 2013*

#### **SUMMARY**

H.R. 357 would: modify the monthly rates payable to veterans, their dependents, and survivors for disability compensation and dependency and indemnity compensation; amend the approval criteria for educational institutions at which veterans may use their education benefits; and make other changes to programs administered by the Department of Veterans Affairs (VA), the Department of Defense (DoD), and the Department of Labor (DOL).

If enacted, CBO estimates that, on net, the bill would decrease direct spending by \$139 million over the 2014-2018 period and by \$347 million over the 2014-2023 period. Because the bill would affect direct spending, pay-as-you-go procedures apply. Enacting H.R. 357 would not affect revenues.

In addition, CBO estimates that implementing H.R. 357 would have a discretionary cost of \$132 million over the 2014-2018 period, assuming appropriation of the estimated amounts.

H.R. 357 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 357 is shown in Table 1. The costs of this legislation fall within budget functions 700 (veterans benefits and services) and 050 (national defense).

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**TABLE 1. ESTIMATED BUDGETARY EFFECTS OF H.R. 357**

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	By Fiscal Year, in Millions of Dollars					
	2014	2015	2016	2017	2018	2014-2018
<b>CHANGES IN DIRECT SPENDING</b>						
Estimated Budget Authority	-1	-28	-36	-37	-37	-139
Estimated Outlays	-1	-28	-36	-37	-37	-139
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Estimated Authorization Level	16	25	34	35	35	147
Estimated Outlays	7	21	33	34	35	132

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Notes: In addition to the direct spending effects shown here, enacting H.R. 357 would have effects on direct spending beyond 2018 (see Table 2). CBO estimates that total direct spending would decrease by \$347 million over the 2014-2023 period.

Components may not sum to totals because of rounding.

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## **BASIS OF ESTIMATE**

For the purposes of this estimate, CBO assumes that the legislation will be enacted near the beginning of fiscal year 2014, that the necessary amounts will be appropriated each year, and that outlays will follow historical spending patterns for similar and existing programs.

### **Direct Spending**

Table 2 summarizes H.R. 357's effects on direct spending for veterans' compensation and pension programs and veterans' education, training and rehabilitation programs. In total, CBO estimates that enacting those provisions would reduce direct spending for veterans' programs by \$347 million over the 2014-2023 period.

**TABLE 2. IMPACT OF H.R. 357 ON DIRECT SPENDING**

	By Fiscal Year, in Millions of Dollars											2014-	2014-	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2018	2023		
<b>Rate Adjustment</b>														
Estimated Budget Authority	-25	-26	-26	-27	-27	-28	-29	-29	-30	-31	-131	-278		
Estimated Outlays	-25	-26	-26	-27	-27	-28	-29	-29	-30	-31	-131	-278		
<b>In-State Tuition for Veterans</b>														
Estimated Budget Authority	0	-6	-14	-15	-16	-16	-17	-18	-18	-19	-51	-139		
Estimated Outlays	0	-6	-14	-15	-16	-16	-17	-18	-18	-19	-51	-139		
<b>Increase to Eligibility Period for Vocational Rehabilitation and Training Assistance</b>														
Estimated Budget Authority	3	3	3	4	5	5	5	5	6	6	18	45		
Estimated Outlays	3	3	3	4	5	5	5	5	6	6	18	45		
<b>Extension of Veterans Retraining Assistance Program</b>														
Estimated Budget Authority	20	0	0	0	0	0	0	0	0	0	20	20		
Estimated Outlays	20	0	0	0	0	0	0	0	0	0	20	20		
<b>Extension of Work Study Program</b>														
Estimated Budget Authority	1	1	1	1	1	0	0	0	0	0	5	5		
Estimated Outlays	1	1	1	1	1	0	0	0	0	0	5	5		
<b>Total Changes in Direct Spending</b>														
Estimated Budget Authority	-1	-28	-36	-37	-37	-39	-41	-42	-42	-44	-139	-347		
Estimated Outlays	-1	-28	-36	-37	-37	-39	-41	-42	-42	-44	-139	-347		

**Rate Adjustment.** Section 12 would 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 would take effect on December 1, 2013. 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.

Because the COLA is assumed in CBO’s baseline, the COLA provision 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 \$1.9 billion in fiscal year 2014. (The annualized cost would be about \$2.6 billion in subsequent years.) This estimate reflects the assumption that the COLA effective on December 1, 2013, would be 1.5 percent.

Section 12 also would extend for a year a provision of law that requires the increased monthly rates resulting from the COLA to be rounded down to the next lower whole dollar. This provision of law applies to both disability compensation and dependency and indemnity compensation payments. This provision is set to expire at the end of fiscal year 2013. Based on projections of the number of beneficiaries and number of payments made each year, CBO estimates that this section would result in direct spending savings of \$278 million over the 2014-2023 period.

**In-State Tuition for Veterans.** Section 3 would require the Secretary of Veterans Affairs to approve, for the purposes of participating in education benefits programs administered by VA, only those public institutions of higher education that charge all veterans tuition and fees no more than the in-state rate. Eligible individuals would no longer be able to use their education benefits at institutions not approved; however, individuals enrolled in those institutions before July 1, 2015, would still be able to use their benefits through July 1, 2019.

Under current law, VA pays up to the actual net cost of in-state tuition and fees for individuals who are eligible for the full Post-9/11 GI Bill benefit. Students attending public institutions where non-resident tuition and fees exceed the maximum amount payable may be eligible for additional assistance under the Yellow Ribbon GI Education Enhancement Program. When an institution enters into a Yellow Ribbon Program (YRP) agreement with VA, it agrees to cover a portion of the student's tuition shortfall. VA then matches the institution's contribution to further reduce or eliminate the student's out-of-pocket expenses.

Based on information from VA, CBO estimates that, if H.R. 357 is enacted, approximately 3,800 veterans would no longer be charged tuition and fees at the non-resident rate each year. Under current law, those veterans will receive about \$3,900 each in YRP assistance in 2015 and, after taking into consideration annual increases in tuition costs, \$4,900 each by 2023. In total, CBO estimates that the reduction in YRP assistance would decrease direct spending by \$139 million over the 2014-2023 period.

**Increase to Eligibility Period for Vocational Rehabilitation and Training Assistance.** Under current law, VA may provide assistance for vocational training and rehabilitation to certain eligible veterans for up to 12 years following the veteran's discharge or separation from service on active duty. Section 7 would extend that period to 17 years. Based on information from VA, CBO estimates that under this provision, about 400 additional veterans would receive assistance each year. Based on data from VA, CBO estimates the average cost of providing vocational rehabilitation and training assistance to each of those veterans would be about \$10,000 in 2014 and, after accounting for inflation, about \$13,000 by 2023. In total, this provision would increase direct spending by \$45 million over the 2014-2023 period, CBO estimates.

**Extension of Veterans Training Assistance Program (VRAP).** VRAP provides up to 12 months of assistance to certain unemployed veterans pursuing programs that prepare them to work in fields determined by DOL to have significant employment opportunities. The monthly amount of assistance is equal to the maximum monthly amount of basic assistance payable under the Montgomery GI Bill (in 2014, that monthly amount will be about \$1,640). Under current law, VA may not provide such assistance beyond March 31, 2014. Section 11 would extend VRAP through June 30, 2014. Based on information from VA, CBO estimates that about 5,000 veterans would benefit from this three-month extension, with each of those veterans receiving, on average, about 2½ months of additional assistance. CBO estimates that extending the VRAP by three months would increase direct spending by \$20 million over the 2014-2023 period.

**Extension of Work-Study Program.** Veterans using their educational benefits on a full-time or 3/4-time basis may be eligible to receive a work-study allowance for performing VA-related work on school campuses and at other qualifying locations. Those veterans are paid the federal minimum wage or their state's minimum wage, whichever is greater. Under current law, VA's authority to pay work-study allowances to certain veterans performing outreach services, providing hospital and domiciliary care to veterans in state homes, or performing activities at national or state veterans' cemeteries expires on June 30, 2013. Section 8 would extend that authority through June 30, 2018. Assuming the legislation is enacted near the beginning of fiscal year 2014, there would be an interruption in VA's authority to pay work-study allowances for about 400 positions. Based on information from VA, CBO estimates that, if H.R. 357 is enacted, VA would quickly fill those 400 work-study positions and the veterans filling those positions would each be paid, on average, about \$2,800 annually. Over the 2014-2023 period, this provision would increase direct spending by \$5 million, CBO estimates.

### **Spending Subject to Appropriation**

H.R. 357 contains provisions that would extend or modify several discretionary programs that provide assistance to servicemembers separating from active duty and certain other veterans. It also would limit the amount of performance awards VA may pay to senior staff. CBO estimates that implementing those provisions of the bill would cost \$132 million over the 2014-2018 period, assuming appropriation of the estimated amounts (see Table 3).

**TABLE 3. IMPACT OF H.R. 357 ON SPENDING SUBJECT TO APPROPRIATION**

	By Fiscal Year, in Millions of Dollars					2014- 2018
	2014	2015	2016	2017	2018	
<b>Required Contents of the Transition Assistance Program</b>						
Estimated Authorization Level	*	9	18	19	19	65
Estimated Outlays	*	8	18	18	19	63
<b>VA Support of Paralympic Program</b>						
Authorization Level	10	10	10	10	10	50
Estimated Outlays	10	10	10	10	10	50
<b>Homeless Veterans Reintegration Program Eligibility</b>						
Estimated Authorization Level	10	10	10	10	10	50
Estimated Outlays	1	7	9	10	10	37
<b>Performance Awards for Senior Executive Staff</b>						
Estimated Authorization Level	-4	-4	-4	-4	-4	-18
Estimated Outlays	-4	-4	-4	-4	-4	-18
<b>Total Changes in Discretionary Spending</b>						
Estimated Authorization Level	16	25	34	35	35	147
Estimated Outlays	7	21	33	34	35	132

Notes: Components may not add to totals because of rounding.

\*= less than \$500,000.

**Required Contents of the Transition Assistance Program (TAP).** Under current law, servicemembers receive pre-separation counseling through the TAP to help prepare them for the transition from military service. Section 10 would require DoD to provide the following elements as a component of TAP to all separating servicemembers planning to use their education benefits upon discharge or release from active duty:

- An overview of the servicemember’s use of such entitlement,
- Testing to determine the academic preparedness of the servicemember for postsecondary education,
- Counseling on how to finance postsecondary education, and
- Information on the veterans’ benefits programs administered by VA.

Based on information from DoD, CBO estimates that the department would have to hire about 180 full-time employees to provide the required instruction, academic preparedness testing, and education counseling to about 85,000 separating servicemembers each year.

CBO estimates that hiring those employees and carrying out the provisions of section 10 would cost \$63 million over the 2014-2018 period.

Section 10 also would require DOL to incorporate into its existing TAP curriculum information about disability-related employment and education protections. Based on information from DOL, CBO estimates that revising DOL's TAP curriculum and updating its handout materials would cost less than \$500,000 over the 2014-2018 period.

**VA Support of Paralympic Program.** Sections 4 and 5 would extend, through 2018, two programs related to VA's authority to support the United States Olympic Committee (USOC) Paralympic Program. Those provisions are scheduled to expire at the end of fiscal year 2013. The first program authorizes VA to provide an allowance to certain veterans for any month in which they are in training for a USOC event or are residing at the USOC training center. Under section 4, \$2 million would be authorized annually to provide the monthly allowances through the Office of National Veterans Sports and Special Events.

The second program authorizes VA to make grants to the USOC to plan, develop, manage, and implement the Paralympic Program for disabled veterans and disabled members of the armed service. Section 5 would authorize VA to provide \$8 million in grant money per year to the USOC for those purposes.

Together, CBO expects that implementing sections 4 and 5 would cost \$50 million over the 2014-2018 period, assuming appropriation of the authorized amounts.

**Homeless Veterans Reintegration Program (HVRP) Eligibility.** Section 6 would expand the number of veterans eligible to receive benefits under HVRP. That program, administered by DOL, provides job placement, training, and vocational counseling to homeless veterans to expedite their reintegration into the labor force. This provision would expand eligibility under HVRP to include veterans participating in the Department of Housing and Urban Development-VA Supportive Housing (HUD-VASH) program and veterans transitioning from being incarcerated. Under current law, the authorization of appropriations for the HVRP will expire at the end of fiscal year 2013; however, the authority for DOL to provide those reintegration services is indefinite (subject to the availability of appropriations). Based on information from DOL, VA, and the Department of Justice, CBO estimates that an additional 5,000 veterans would receive those services each year at a cost of \$37 million over the 2014-2018 period.

**Performance Awards for Senior Executive Staff.** Section 13 would eliminate performance awards to senior executive staff at VA over the 2014-2018 period. In recent years, VA paid slightly less than \$4 million annually for performance awards. Assuming that similar amounts would be provided under current law going forward, CBO estimates that implementing section 13 would reduce costs for pay and performance by \$18 million over the 2014-2018 period.

**Responsibilities of the Directors of Veterans’ Employment and Training (DVETs).**

Under current law, the Secretary of Labor appoints DVETs in each state to manage and coordinate training and employment activities of the state. Section 9 would require DVETs to complete certain functions in the performance of their duties. Based on information from DOL, those prescribed functions are either already specified in statute or included in the performance standards of all DVETs. Thus, CBO estimates that implementing section 9 would codify those existing performance standards and have no effect on the federal budget.

**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. 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 H.R. 357 as ordered reported by the House Committee on Veterans’ Affairs on May 8, 2013**

	By Fiscal Year, in Millions of Dollars											2013-	2013-
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2018	2023
<b>NET DECREASE (-) IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	-1	-28	-36	-37	-37	-39	-41	-42	-42	-44	-139	-347

**ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 357 contains no intergovernmental mandates as defined in UMRA. The bill would require public institutions of higher education to charge veterans no more than in-state tuition and fees regardless of the veteran’s state of residency if veterans enrolled in those institutions are to be eligible to use their VA education benefits at those institutions. Any costs those institutions might incur to comply would be incurred voluntarily as conditions of participating in a voluntary federal program.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

H.R. 357 contains no new private-sector mandates as defined in UMRA.

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