



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 9, 2016

### **H.R. 4782** **Veterans' Compensation Cost-of-Living Adjustment Act of 2016**

*As ordered reported by the House Committee on Veterans' Affairs  
on May 18, 2016*

#### **SUMMARY**

H.R. 4782 would modify several programs administered by the Department of Veterans Affairs (VA), including veterans' disability and burial benefits. H.R. 4782 also would create a pilot program intended to help veterans apply for VA benefits and would reserve burial plots at Arlington National Cemetery for recipients of the Medal of Honor. CBO estimates that enacting H.R. 4782 would, on net, decrease direct spending by \$312 million over the 2017-2026 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting the bill would not affect revenues.

In addition, CBO estimates that implementing the bill would have discretionary costs totaling \$7 million over the 2017-2021 period; that spending would be subject to the availability of appropriated funds.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 4782 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

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

The estimated budgetary effect of H.R. 4782 is shown in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

**TABLE 1. ESTIMATED BUDGETARY EFFECTS OF H.R. 4782, THE VETERANS' COMPENSATION COST-OF-LIVING ADJUSTMENT ACT OF 2016**

|   | By Fiscal Year, in Millions of Dollars |      |      |      |      | 2017-2021 |
|---|--|------|------|------|------|-----------|
|   | 2017                                   | 2018 | 2019 | 2020 | 2021 |           |
| <b>DECREASES IN DIRECT SPENDING<sup>a</sup></b>       |  |      |      |      |      |           |
| Estimated Budget Authority                            | -22                                    | -22  | -25  | -28  | -29  | -125      |
| Estimated Outlays                                     | -22                                    | -22  | -25  | -28  | -29  | -125      |
| <b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b> |  |      |      |      |      |           |
| Estimated Authorization Level                         | 2                                      | 3    | 3    | *    | *    | 7         |
| Estimated Outlays                                     | 2                                      | 3    | 3    | *    | *    | 7         |

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

a. In addition to the changes in direct spending shown above, enacting H.R. 4782 would have effects beyond 2021. CBO estimates that enacting H.R. 4782 would decrease net direct spending by \$312 million over the 2017-2026 period.

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that H.R. 4782 will be enacted near the beginning of fiscal year 2017, that appropriations will reflect the estimated changes each year, and that outlays will follow historical spending patterns for the affected programs.

### **Direct Spending**

H.R. 4782 contains several provisions that would affect direct spending. On net, CBO estimates that enacting H.R. 4782 would decrease direct spending by \$125 million over the 2017-2021 period, and \$312 million over the 2017-2026 period (see Table 2).

**Cost-of-Living Adjustment Round Down.** Section 2 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) that recipients of Social Security will receive in 2017. Those increased payments would be effective December 1, 2016.

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 that

COLA is assumed in CBO’s baseline, authorizing the COLA 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 \$396 million in fiscal year 2017. (The annualized cost would be about \$528 million in subsequent years.) That estimate assumes that the COLA effective on December 1, 2017, would be 0.7 percent.

**TABLE 2. IMPACT OF H.R. 4782 ON DIRECT SPENDING**

|  | By Fiscal Year, in Millions of Dollars |      |      |      |      |      |      |      |      |      |           |           |
|--|--|------|------|------|------|------|------|------|------|------|-----------|-----------|
|  | 2017                                   | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2017-2021 | 2017-2026 |
| <b>Cost-of-Living Adjustment Round Down</b>              |  |      |      |      |      |      |      |      |      |      |           |           |
| Estimated Budget Authority                               | -23                                    | -25  | -28  | -31  | -33  | -36  | -39  | -42  | -44  | -47  | -140      | -348      |
| Estimated Outlays  | -23                                    | -25  | -28  | -31  | -33  | -36  | -39  | -42  | -44  | -47  | -140      | -348      |
| <b>Transportation of Deceased Veterans to Cemeteries</b> |  |      |      |      |      |      |      |      |      |      |           |           |
| Estimated Budget Authority                               | 1                                      | 3    | 3    | 3    | 4    | 4    | 4    | 4    | 4    | 5    | 15        | 36        |
| Estimated Outlays  | 1                                      | 3    | 3    | 3    | 4    | 4    | 4    | 4    | 4    | 5    | 15        | 36        |
| <b>Total Changes</b>                                     |  |      |      |      |      |      |      |      |      |      |           |           |
| Estimated Budget Authority                               | -22                                    | -22  | -25  | -28  | -29  | -32  | -35  | -38  | -40  | -42  | -125      | -312      |
| Estimated Outlays  | -22                                    | -22  | -25  | -28  | -29  | -32  | -35  | -38  | -40  | -42  | -125      | -312      |

Note: Components may not sum to totals because of rounding.

Section 2 also would require that the increased payments resulting from the cost-of-living adjustment be rounded down to the next lower whole dollar. The previous authority to round down the COLA expired at the end of calendar year 2013. Based on projections of the number of people receiving benefits and payments made each year, CBO estimates that enacting this section would reduce direct spending by \$348 million over the 2017-2026 period.

**Transportation of Deceased Veterans to Cemeteries.** Section 3 would allow VA to pay for the costs of transporting the remains of deceased veterans to state or tribal cemeteries up to the amount it would cost to transport those remains to the nearest national cemetery. Under current law, VA may pay the costs for transporting the remains of deceased veterans to the nearest national cemetery.

Over the 2011-2014 period, VA paid to transport the remains of about 20 percent of the veterans who were buried in national cemeteries. The average amount paid for that service

in 2015 was about \$600. CBO expects that, under this provision, requests for payment of transportation costs to state or tribal cemeteries would be made at a similar rate and that the average cost would be the same.

The number of veterans buried in state or tribal cemeteries grew from 21,300 in 2011 to 23,200 in 2014. CBO expects that rate of growth to continue over the 2017-2026 period and estimates that the number of such burials will increase from 24,600 in 2017 to 31,900 in 2026. CBO expects that VA would pay to transport remains for about 20 percent of those burials, or about 4,900 in 2017 increasing to about 6,400 in 2026. The average cost of transporting a veteran's remains grew from \$565 in 2011 to \$601 in 2015 and CBO also estimates a similar rate of growth in the average payment per veteran over the 2017-2026 period, leading to an average cost of transport per veteran of \$762 in 2026.

On that basis, CBO estimates that enacting section 3 would increase direct spending by \$36 million over the 2017-2026 period.

**Burial Markers for Medal of Honor Recipients.** Section 4 would make all Medal of Honor recipients who died after April 6, 1917, eligible for a headstone, marker, or medallion that signifies the veteran's status as a recipient of the Medal of Honor. Because of the small number of individuals who would be made eligible under section 4 (about 1,100) and the small average cost per headstone, marker, or medallion (about \$200 for a headstone or marker and \$34 for a medallion in 2015), CBO estimates that enacting section 4 would increase direct spending by less than \$500,000 over the 2017-2026 period.

### **Spending Subject to Appropriation**

H.R. 4782 contains provisions that would affect spending subject to appropriation, including the creation of a pilot program to assist veterans with filing claims for benefits. The bill also would require Arlington National Cemetery to reserve 100 burial plots for recipients of the Medal of Honor. CBO estimates that implementing those provisions would cost \$7 million over the 2017-2021 period, subject to the availability of appropriated amounts.

**Veterans Engagement Teams.** Section 7 would require VA to implement a three-year pilot program to carry out monthly events at 10 locations in the first year and 15 locations in the second and third years, staffed by VA personnel to help veterans file claims for benefits. VA also would be required to submit annual reports on the implementation and effectiveness of such monthly events.

Based on information from VA, CBO expects each such event to be staffed by 15 employees of the Veterans Benefits Administration and two employees of the Veterans Health Administration. After accounting for the necessary resources to complete the

events, including supplies, rental space, mileage, and potential overtime costs, CBO estimates that the cost per event would be about \$14,000. CBO estimates that the cost for completing a total of 480 events over the three-year period would be about \$7 million over the 2017-2019 period.

**Burial Plots for Medal of Honor Recipients.** Section 6 would require the Department of the Army to reserve 100 burial plots at Arlington National Cemetery for deceased veterans who have been awarded the Medical of Honor. Because the cemetery has limited capacity, reserving spaces for such recipients would not increase the total number of interments at the cemetery. Eligible persons would be interred in the order in which requests were submitted until no more interments were possible. Therefore, CBO estimates that there would be no additional costs associated with reserving spaces for recipients of the Medal of Honor.

Section 6 also would require the Army to submit a report on the capacity of Arlington National Cemetery and the ability to expand that capacity in order to accommodate interments and inurnments in the future. CBO estimates that preparing that report would cost less than \$500,000 over the 2017-2021 period.

**Expansion of Presidential Memorial Certificates Program.** Section 5 would make certain deceased veterans who served in the National Guard or Reserves eligible to receive a Presidential Memorial Certificate. According to VA, the average cost in 2015 for a Presidential Memorial Certificate was \$1. After accounting for the small pool of individuals who would be made eligible under section 5, CBO estimates that the cost for implementing that requirement would be less than \$500,000 over the 2017-2021 period.

## 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.

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**CBO Estimate of Pay-As-You-Go Effects for H.R. 4782 as ordered reported by the House Committee on Veterans' Affairs on May 18, 2016**

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|                                    | By Fiscal Year, in Millions of Dollars |      |      |      |      |      |      |      |      |      |      |           |           |
|------------------------------------|--|------|------|------|------|------|------|------|------|------|------|-----------|-----------|
|                                    | 2016                                   | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2016-2021 | 2016-2026 |
| <b>NET DECREASE IN THE DEFICIT</b> |  |      |      |      |      |      |      |      |      |      |      |           |           |
| Statutory Pay-As-You-Go Impact     | 0                                      | -22  | -22  | -25  | -28  | -29  | -32  | -35  | -38  | -40  | -42  | -125      | -312      |

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## **INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS**

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 4782 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## **PREVIOUS CBO ESTIMATE**

On January 22, 2016, CBO transmitted an estimate for H.R. 677, the American Heroes COLA Act of 2015, as ordered reported by the House Committee on Veterans' Affairs on September 17, 2015. Section 2 of H.R. 4782 is similar to section 101 of H.R. 677 except H.R. 677 extended the COLA round down permanently and H.R. 4782 only makes the extension for one year. Differences in the estimates reflect those differences in the legislation.

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