



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

May 14, 2013

**H.R. 570**  
**American Heroes COLA Act**

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

**SUMMARY**

H.R. 570 would provide a permanent annual cost-of-living adjustment (COLA) to the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation, and would round down that adjustment to the next lower whole dollar. The effective date of those provisions would be December 1, 2014. CBO estimates that enacting H.R. 570 would decrease direct spending by \$26 million in 2015 and by about \$1.4 billion over the 2015-2023 period.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting H.R. 570 would not affect revenues.

H.R. 570 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. 570 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
<b>CHANGES IN DIRECT SPENDING</b>												
Estimated Budget Authority	0	-26	-55	-84	-112	-144	-177	-212	-252	-290	-277	-1,351
Estimated Outlays	0	-26	-55	-84	-112	-144	-177	-212	-252	-290	-277	-1,351

## **BASIS OF ESTIMATE**

### **Automatic COLA**

Section 2 would provide a permanent annual COLA to the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation. The COLA would equal the cost-of-living adjustment payable to Social Security recipients and would take effect on December 1 of each year.

The COLA that would be authorized by this bill is assumed in CBO's baseline, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act. Because the COLA is assumed in CBO's baseline, enacting this provision would have no budgetary impact relative to that baseline. CBO estimates that the projected COLA for 2015 (1.9 percent), which would take effect in the second quarter of fiscal year 2015, would equal \$2.2 billion. The full-year cost of that increase would equal \$2.8 billion. Over the 2015-2023 period, CBO estimates that the COLA would amount to \$74.9 billion.

### **Permanent Extension of Provision to Round-Down COLA**

Section 2 also would require that increases in the monthly rates resulting from the COLA be rounded down to the next lower whole dollar. This provision would apply to both disability compensation and dependency and indemnity compensation payments. A similar provision exists under current law and will expire at the end of 2013. Based on projections of the number of beneficiaries and payments made each year, CBO estimates that this section would result in direct spending savings of about \$1.4 billion over the 2015-2023 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. 570, as ordered reported by the House Committee on Veterans' Affairs on May 8, 2013**

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By Fiscal Year, in Millions of Dollars

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013- 2018	2013- 2023
<b>NET DECREASE (-) IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	0	-26	-55	-84	-112	-144	-177	-212	-252	-290	-277	-1,351

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**INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 570 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

**ESTIMATE PREPARED BY:**

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