



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 8, 2013

S. 893

Veterans' Compensation Cost-of-Living Adjustment Act of 2013

As ordered reported by the Senate Committee on Veterans' Affairs on July 24, 2013

S. 893 would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation (DIC) 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 \$0.9 million in fiscal year 2014. This estimate assumes that the COLA effective on December 1, 2013, would be 1.5 percent. (The annualized cost would be about \$1.2 billion in subsequent years. CBO previously estimated that the COLA change relative to current law would be about \$2.6 billion on an annualized basis in contrast to that corrected figure of about \$1.2 billion.)

Enacting S. 893 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 893 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.

On May 16, 2013, CBO transmitted a cost estimate for H.R. 357, the GI Bill Tuition Fairness Act of 2013, as ordered reported by the House Committee on Veterans' Affairs on May 8, 2013. Section 12 of H.R. 357 is similar to S. 893 but includes a provision calling for rounding down the COLA to the next lower dollar; that "round down" provision is not included in S. 893. As a result of that difference, CBO estimated budgetary savings of \$278 million over the 2014-2023 period for H.R. 357.

On May 14, 2013, CBO transmitted a cost estimate for H.R. 570, the American Heroes COLA Act, as ordered reported by the House Committee on Veterans' Affairs on May 8, 2013. H.R. 570 would provide a permanent annual COLA to the amounts paid for disability compensation and DIC starting in 2015. H.R. 570 also would round down that adjustment to the next lower dollar. That difference would produce estimated savings of \$1.4 billion over the 2015-2023 period for H.R. 570.

The CBO staff contact for this estimate is Dwayne M. Wright. The estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.