



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 11, 1998

S. 730

A bill to amend title 38, United States Code, to improve authorities of the Secretary of Veterans Affairs relating to Medal of Honor special pension, life insurance, and burial benefits, and for other purposes

*As ordered reported by the Senate Committee on Veterans' Affairs
on July 28, 1998*

SUMMARY

S. 730 would affect several veterans' programs, including pension, insurance benefits, burial benefits, and the Board of Veterans' Appeals. CBO estimates that S. 730 would not have a significant budgetary impact. Because it would affect direct spending, pay-as-you-go procedures would apply, but any such effects would be negligible. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

S. 730 would raise both direct spending and spending subject to appropriation by less than \$500,000 a year. The costs of this legislation fall within budget function 700 (veterans' affairs).

Direct Spending

The bill would raise direct spending through changes to three programs.

Medal of Honor Pension. Section 1 would increase the special pension paid to recipients of the Congressional Medal of Honor. It would increase the monthly payments during 1999 from \$400 a month to \$600 a month and increase payments thereafter by annual cost-of-living adjustments. Data from VA indicate that 151 veterans currently receive the special pension. Thus, CBO estimates that this provision would increase spending by less than \$400,000 a year over the 1999-2003 period.

Memorial Headstones and Markers. Section 3 would authorize VA to furnish memorial headstones and markers, under certain circumstances, on behalf of spouses who predecease the veterans. VA currently provides fewer than 1,000 headstones or markers each year to memorialize eligible veterans whose remains were not recovered or identified, or were buried at sea, donated to science, or cremated and scattered. The bill would authorize memorial headstones or markers on behalf of predeceasing spouses who meet those conditions. The bill would also codify VA's practice that spouses who die after the veteran be memorialized with an inscription on the veteran's marker or headstone.

Data from VA indicate that fewer than 500 spouses would become eligible for memorialization under the bill. Because each marker or headstone would cost about \$90, CBO estimates that implementing this provision would cost less than \$100,000 a year over the 1999-2003 period.

Servicemembers' Group Life Insurance. Section 2 would require VA to prescribe regulations under which any terminally ill person insured under either the Servicemembers' Group Life Insurance (SGLI) or Veterans' Group Life Insurance (VGLI) could elect to receive a lump-sum payment in advance. Any remaining portion would be paid upon the death of the individual. The bill would prohibit any advance payment from exceeding 50 percent of the face value of the person's insurance in force on the date of such election, and it would also prohibit an increase in the actuarial value of the total benefit. Under the bill, the election to receive an early benefit would be irrevocable.

The SGLI and VGLI provide low-cost group life insurance to persons on active duty in the military service, ready reservists, members of the Commissioned Corps of the National Oceanic and Atmospheric Administration, cadets and midshipmen of the four service academies, and members of the Reserve Officer Training Corps. These insurance programs are supervised by VA and administered, under a contractual agreement, by the Prudential Insurance Company. VA collects premiums and then disburses those funds to Prudential for the payment of claims and administrative costs. Any changes in premium income are offset by the changes in VA's outlays to Prudential. Therefore, CBO estimates that this provision would not have a net impact on direct spending.

Spending Subject to Appropriation

The bill also contains provisions that could affect spending subject to appropriation, but any such effects would be insignificant.

Board of Veterans' Appeals. The bill would provide the Board of Veterans' Appeals with flexibility over the order in which it hears and considers cases. The bill would enable the board to consider and decide an appeal later than its normal place on the docket if a delay is needed to provide a field hearing for the appellant.

Assessment of Insurance and Survivor Benefits Programs. The bill would require VA to report on its assessment of the adequacy of the insurance and survivor benefits programs in meeting the needs of survivors of veterans with service-connected disabilities. The report would be due no later than May 1, 1999.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. S. 730 would not affect governmental receipts. CBO estimates that enactment of this bill would result in additional direct spending outlays of less than \$500,000 a year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 730 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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