



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 12, 2013

S. 944 **Veterans Health and Benefits Improvement Act of 2013**

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

SUMMARY

S. 944 would expand health services offered by the Department of Veterans Affairs (VA), increase certain fees for guaranteeing home loans, enhance education benefits, and make other changes to compensation and employment benefits. In total, CBO estimates that implementing the bill would have a discretionary cost of \$171 million over the 2014-2018 period, assuming appropriation of the specified and estimated amounts.

In addition, CBO estimates that enacting the bill would decrease net direct spending by \$94 million over the 2014-2023 period; therefore, pay-as-you-go procedures apply to the bill. Enacting S. 944 would not affect revenues.

S. 944 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 S. 944 is summarized in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 944, THE VETERANS HEALTH AND BENEFITS IMPROVEMENT ACT OF 2013

	By Fiscal Year, in Millions of Dollars					2014-2018
	2014	2015	2016	2017	2018	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	-5	80	38	36	24	173
Estimated Outlays	-5	73	42	36	25	171
CHANGES IN DIRECT SPENDING^a						
Estimated Budget Authority	-1	-4	13	15	-193	-170
Estimated Outlays	-1	-4	13	15	-193	-170

a. In addition to the changes in direct spending shown above, enacting S. 944 would have effects beyond 2018 (see Table 3). CBO estimates that enacting S. 944 would decrease net direct spending by \$94 million over the 2014-2023 period.

BASIS OF ESTIMATE

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

Spending Subject to Appropriation

CBO estimates that implementing S. 944 would have a discretionary cost of \$171 million over the 2014-2018 period, assuming appropriation of the specified and estimated amounts (see Table 2 for details).

Health Care. Title III would expand the provision of complementary and alternative health care, prosthetics and orthotics, and chiropractic care at the VA. Other provisions in this title would provide veterans with transportation to and from VA health care facilities and expand eligibility for health care benefits to certain veterans previously stationed at Camp Lejeune, North Carolina. CBO estimates that implementing title III would cost \$53 million over the 2014-2018 period, assuming appropriation of the estimated amounts.

TABLE 2. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER S. 944

	By Fiscal Year, in Millions of Dollars					2014- 2018
	2014	2015	2016	2017	2018	
HEALTH CARE						
Complementary and Alternative Medicine						
Estimated Authorization Level	0	8	6	7	*	21
Estimated Outlays	0	7	6	7	*	20
Prosthetic and Orthotic Care						
Authorization Level	0	10	0	0	0	10
Estimated Outlays	0	9	1	*	*	10
Transportation Benefits						
Authorization Level	4	4	0	0	0	8
Estimated Outlays	4	4	*	*	*	8
Chiropractic Care						
Estimated Authorization Level	0	*	*	4	4	8
Estimated Outlays	0	*	*	4	4	8
Expand Eligibility for Camp Lejeune Health Benefits						
Estimated Authorization Level	2	2	1	1	0	6
Estimated Outlays	2	2	1	1	*	6
Pilot Program for Health Promotion						
Estimated Authorization Level	0	1	*	*	*	1
Estimated Outlays	0	1	*	*	*	1
Subtotal, Health Care						
Estimated Authorization Level	6	25	7	12	4	54
Estimated Outlays	6	23	8	12	4	53
SURVIVORS AND DEPENDENTS BENEFITS						
Grief Counseling						
Estimated Authorization Level	0	2	4	2	0	8
Estimated Outlays	0	2	4	2	*	8
Spina Bifida Benefits						
Estimated Authorization Level	0	*	1	1	1	3
Estimated Outlays	0	*	1	1	1	3
Subtotal, Survivors and Dependents Benefits						
Estimated Authorization Level	0	2	5	3	1	11
Estimated Outlays	0	2	5	3	1	11

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars					2014- 2018
	2014	2015	2016	2017	2018	
ACCOUNTABILITY AND ADMINISTRATIVE IMPROVEMENTS						
Regional Support Centers for VISNs						
Estimated Authorization Level	0	1	2	2	2	7
Estimated Outlays	0	1	2	2	2	7
Commission on Capital Planning						
Estimated Authorization Level	2	2	1	0	0	5
Estimated Outlays	2	2	1	*	*	5
Public Access to VA Research and Data Sharing						
Estimated Authorization Level	0	1	1	1	1	4
Estimated Outlays	0	1	1	1	1	4
Budget Transparency						
Estimated Authorization Level	*	*	0	0	0	1
Estimated Outlays	*	*	0	0	0	1
Subtotal, Accountability and Administrative Improvements						
Estimated Authorization Level	2	4	4	3	3	17
Estimated Outlays	2	4	4	3	3	17
PROCESSING CLAIMS OF COMPENSATION						
Medical Examinations for Military Sexual Trauma						
Estimated Authorization Level	0	2	2	2	2	8
Estimated Outlays	0	2	2	2	2	8
Working Group						
Estimated Authorization Level	*	*	0	0	0	1
Estimated Outlays	*	*	0	0	0	1
Task Force						
Estimated Authorization Level	*	*	0	0	0	1
Estimated Outlays	*	*	0	0	0	1
Subtotal, Processing Claims of Compensation						
Estimated Authorization Level	*	2	2	2	2	10
Estimated Outlays	*	2	2	2	2	10
OUTREACH						
Outreach Coordination						
Authorization Level	0	3	3	0	0	5
Estimated Outlays	0	3	3	0	0	5

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars					2014- 2018
	2014	2015	2016	2017	2018	
Advisory Board						
Estimated Authorization Level	0	1	1	1	0	3
Estimated Outlays	0	1	1	1	*	3
Subtotal, Outreach						
Estimated Authorization Level	0	4	4	1	0	8
Estimated Outlays	0	4	4	1	*	8
OTHER PROVISIONS						
Asset Look-Back for Disability Pensions						
Estimated Authorization Level	0	7	7	7	7	28
Estimated Outlays	0	7	7	7	7	28
VA Support of Paralympic Program						
Authorization Level	10	10	2	2	2	26
Estimated Outlays	10	10	2	2	2	26
Limitations on Bonuses						
Estimated Authorization Level	-25	0	0	0	0	-25
Estimated Outlays	-25	0	0	0	0	-25
Long-Term Solution						
Estimated Authorization Level	0	15	*	*	*	15
Estimated Outlays	0	10	3	1	1	15
Issuance of Vet Cards						
Estimated Authorization Level	0	3	3	3	3	12
Estimated Outlays	0	3	3	3	3	12
Reports						
Estimated Authorization Level	*	6	2	1	*	9
Estimated Outlays	*	6	2	*	*	8
Subtotal, Other Provisions						
Estimated Authorization Level	-15	41	14	13	12	65
Estimated Outlays	-15	36	17	13	13	64
Total Changes to Spending Subject to Appropriation						
Estimated Authorization Level	-5	80	38	36	24	173
Estimated Outlays	-5	73	42	36	25	171

Notes: VISN = Veteran Integrated Service Network; VA = Department of Veterans Affairs; * = between 0 and \$500,000.

Components may not sum to totals because of rounding.

Complementary and Alternative Medicine. Several sections of the title would allow VA greater authority to provide complementary and alternative medicine to veterans at its medical facilities. Those sections would take effect one year after enactment.

Complementary medicine generally refers to using a non-mainstream approach together with conventional medicine; alternative medicine refers to using a non-mainstream approach in place of conventional medicine. In total, CBO estimates that implementing these sections would cost \$20 million over the 2014-2018 period.

Section 322 would establish a three-year program to assess the feasibility of integrating complementary and alternative medicine at 15 VA Medical Centers. Based on costs for implementing other pilot programs of similar scope (such as using meditation for veterans with Post Traumatic Stress Disorder), CBO expects that developing and operating the program would require two additional full time employees at each of the 15 facilities to engage in research, training, and assessment of the program. CBO estimates that the annual cost per person for those employees would be \$120,000 in 2014. In total, the estimated cost for those employees would be \$12 million over the five-year period.

CBO expects that the use of complementary and alternative medicine would partially displace the use of traditional care (emergency care, primary care, and physical therapy) but would lead to greater use of medical services on balance, than under current law. Specifically, CBO estimates that the cost to deliver medical services, after adjusting for the expected reduction in usage of traditional health care services, would increase by roughly \$1 million annually during the three-year pilot program. Thus, in total, implementing section 322 would cost \$15 million over the 2014-2018 period, assuming appropriation of the necessary amounts.

Section 323 would authorize the appropriation of \$2 million in 2015 for a study of the use of alternative medicine at the VA. CBO estimates the cost for this study would be \$2 million over the 2014-2018 period, assuming appropriation of the specified amount.

Section 324 would establish a three-year program to assess the value of wellness programs at the VA. Wellness programs may include a number of services, such as disease management and assistance in losing weight or stopping smoking. This section would allow VA to provide grants to public and private entities to assess the use of such programs as part of the mental health care provided to veterans and their families. Based on similar programs at the VA, such as the demonstration project for post-traumatic stress disorder and the pilot program to provide lifestyle coaching by telephone, CBO estimates this program would cost \$3 million over the 2014-2018 period.

Prosthetic and Orthotic Care. Section 312 would authorize the appropriation of \$10 million in 2015 to expand prosthetic and orthotic care at the VA. CBO estimates this expansion would cost \$10 million through 2018, with most of the outlays falling in 2015, assuming appropriation of the specified amount.

Transportation Benefits. Section 304 would authorize the appropriation of \$4 million in 2014 and 2015 for VA to hire professional drivers to provide transportation to veterans receiving medical care, educational counseling, and vocational rehabilitation at VA facilities. Under current law, VA's authority to hire professional drivers expires on January 10, 2014. This section would extend that authority through September 31, 2015. CBO estimates that implementing this section would cost \$8 million over the 2014-2018 period, assuming appropriation of the specified amounts.

Chiropractic Care. Section 301 would require VA to expand the availability of chiropractic care at its medical centers. VA currently has about 40 chiropractors providing care at 39 VA Medical Centers (VAMCs). This section would require VA to provide such care at 42 VAMCs by 2016 and at 76 VAMCs by 2017.

Based on the level of service provided at the VAMCs that currently provide chiropractic care, CBO estimates that VA would require three additional chiropractors in 2016, growing to 41 additional chiropractors in 2017. CBO also assumes that the use of chiropractic care would partially displace the use of traditional care (emergency care, primary care, and physical therapy). Based on an average cost per chiropractor of about \$115,000 in 2012 and adjusting for inflation, CBO estimates that implementing section 301 would result in an increase in costs totaling \$8 million over the 2014-2018 period, assuming appropriation of the necessary amounts.

Expand Eligibility for Camp Lejeune Health Benefits. Section 302 would extend VA health benefits to former military members who were stationed at Camp Lejeune, North Carolina, between 1953 and 1956 and to their dependents whose health was affected by exposure to environmental contaminants while residing on the base.

Under current law, all veterans stationed at Camp Lejeune between 1957 and 1987 are eligible for VA health benefits. Spouses and children are also eligible for health care if they have certain health conditions that may be related to exposure to environmental contaminants (that is, leukemia, lung, kidney, or breast cancer). Under this section, CBO estimates that about 300 additional veterans and dependents would become eligible for health care benefits. Based on participation and other factors in similar programs, we estimate that about half of them would apply and be approved to use the benefit, resulting in estimated costs of \$6 million over the 2014-2018 period, assuming appropriation of the necessary amounts.

Pilot Program for Health Promotion. Effective one year after enactment, section 306 would require VA to carry out a three-year pilot program to assess the feasibility of establishing fitness facilities in select VA medical facilities. This section would require VA to establish fitness facilities in up to five medical centers at a maximum cost of \$60,000 per location and five outpatient clinics at a maximum cost of \$40,000 per location. Adding a

small cost for maintenance and reporting requirements, CBO estimates that this pilot program would cost \$1 million over the 2014-2018 period, assuming the availability of appropriated funds.

Survivors and Dependents Benefits. Title I includes two provisions that would provide assistance to survivors and dependents of veterans. The provisions discussed below would be effective one year after the date of enactment. CBO estimates that implementing those provisions would cost \$11 million over the 2014-2018 period, assuming appropriation of the estimated amounts.

Grief Counseling. Section 108 would require VA to establish a two-year pilot program for grief counseling in retreat settings for surviving spouses and children of veterans who die while serving on active duty. The provision would require that those services be provided through at least six separate retreats. Based on an existing pilot program that provides counseling in retreat settings for female veterans, CBO estimates that the six retreats would cost \$8 million over the 2014-2018 period, assuming appropriation of the necessary amounts.

Spina Bifida Benefits. Section 106 would expand eligibility for benefits related to spina bifida to include the children of veterans who served in Thailand between January 9, 1962, and May 7, 1975, and who may have been exposed to herbicide agents. Those children would be eligible for health care and certain other benefits from VA similar to those provided to children with spina bifida of veterans who served in Vietnam. Based on information from VA about the current population of children receiving health benefits for spina bifida relative to the number of servicemembers who served in Vietnam, and on information about the number of veterans who served in Thailand, CBO estimates that roughly 30 people per year would take advantage of the health care benefits, at an estimated cost of \$32,000 per beneficiary in 2014. Adjusting for inflation, CBO estimates that providing health benefits to this population would cost \$3 million over the 2014-2018 period. The other benefits provided under this provision are discussed in the section of the estimate titled “Direct Spending.”

Accountability and Administrative Improvements. Title IV would require the VA to establish regional support offices for medical care, assess capital planning for medical facilities, and improve data sharing and budget transparency. CBO estimates that implementing title IV would cost \$17 million over the 2014-2018 period, assuming appropriation of the estimated amounts.

Regional Support Centers for VISNs. Section 402 would require VA to establish up to four regional support centers, starting in 2015, to assess the delivery of medical services within Veterans Integrated Service Networks (VISNs). Based on information from VA regarding staff resources at existing rural support offices, which evaluate the provision of VA health

services, CBO estimates that five employees would be needed to operate each new regional center. CBO assumes half of the initial support center staff would be transferred from VA headquarters. Based on information on relocation expenses from the General Services Administration, we estimate that relocation costs would total \$20,000 per person. In total, CBO estimates that implementing section 402 would cost \$7 million over the 2014-2018 period for transferring existing staff, compensating additional staff, and leasing office space for the VISN regional support centers.

Commission on Capital Planning. Section 403 would create a commission of 10 voting, and 10 nonvoting members to evaluate and provide recommendations for capital planning for VA medical facilities. The commission—which would terminate two and a half years after its initial meeting—would consist of veterans, federal employees, and representatives of veteran service organizations with knowledge of construction and leasing of capital assets. Nonfederal employees on the commission would be compensated based on the Executive Pay Schedule.

While section 403 specifies that federal employees may be detailed to the commission without further reimbursement, CBO anticipates that other employees would cover the regular duties of the commission members in their absence, thereby resulting in costs for overtime hours for some employees. CBO estimates that 5 federal employees would work part time for the commission at a cost of \$42,000 each per year, 15 nonfederal employees would work part time at a cost of \$23,000 each year, and 5 additional federal staff would work full time at a cost of \$210,000 each per year. In total, CBO estimates that the cost for staff and travel reimbursements for the commission would be \$5 million over the 2014-2018 period.

Public Access to VA Research and Data Sharing. Section 404 would require VA to provide access on their website to all of the data files used for research by VA and to submit an annual report on the use of that data. This section would also require VA to create a digital archive of all publications that use data from VA, and to make that archive available on its website. Based on input from VA on the costs of establishing and maintaining a data archive, CBO estimates that implementing section 404 would cost \$4 million over the 2014-2018 period, assuming an effective date of 2015.

Budget Transparency. Section 405 would require VA to include in its annual budget justification a statement of the amounts the agency is requesting for outreach as a whole and for each individual administration within the agency. CBO estimates that compiling that data would cost about \$1 million over the 2014-2018 period.

Processing Claims of Compensation. Title V would require VA to provide medical examinations for all veterans identifying military sexual trauma as the basis for their claim for disability compensation and to form a working group and task force to review VA's

claims process. CBO estimates that implementing title V would cost \$10 million over the 2014-2018 period, assuming appropriation of the estimated amounts.

Medical Examinations for Military Sexual Trauma. Section 501 would require VA to include a medical examination as part of the adjudication process on disability claims based on military sexual trauma (MST) and to provide a report on the number of MST claims submitted to VA. Under current law, VA can deny a claim without an examination based on the evidence presented for the claim.

VA receives about 4,000 claims per year that are based on MST. Assuming a similar trend over the 2014-2023 period, and given the approximately 50 percent denial rate for MST, CBO expects that enacting this provision would require VA to provide about 1,900 examinations to veterans who would otherwise not be eligible. Based on a cost per exam of about \$1,000, CBO estimates that providing such examinations would cost about \$8 million over the 2014-2018 period. CBO also estimates that enacting this provision would increase mandatory spending for veterans disability compensation. That estimate is discussed below, under the “Direct Spending” heading.

Working Group. Section 511 would require VA to establish a working group to provide recommendations for improving the employee work credit and work management systems of the Veterans Benefits Administration. The working group would include individuals assigned by the Secretary who have knowledge about the claims review process. The working group would be required to submit a report with findings and recommendations within a year from date of creation of the group. CBO estimates that implementing section 511 would cost \$1 million over the 2014-2018 period.

Task Force. Section 512 would require VA to establish a task force, composed of federal employees and certain members of the public, to assess the retention and training of claims processors and adjudicators employed by VA and other federal agencies. The task force would last no longer than two years and would be required to submit a report to the Congress. The provision would not authorize compensation for members of the task force. CBO estimates that the administrative costs of implementing section 512 would amount to \$1 million over the 2014-2018 period.

Outreach. Effective in 2015, title VI would assess and improve VA’s outreach efforts. CBO estimates that implementing title VI would cost \$8 million through 2018, assuming appropriation of the estimated amounts.

Outreach Coordination. Section 601 would require VA to carry out a program to assess the feasibility of using state and local governments and nonprofit agencies to increase veterans’ awareness of available benefits and services and to improve coordination of outreach activities among VA, states, and local governments regarding veterans’ benefits.

The provision would authorize \$2.5 million for each of 2015 and 2016 to provide grants to state and local governments and non-profit agencies to carry out the program. CBO estimates that implementing section 601 would cost \$5 million over the 2014-2018 period.

Advisory Board. Section 604 would require VA to create an advisory board on outreach practices at every Veterans Integrated Service Network and any subdivisions of those networks (46 locations in total). Those boards would be authorized for three years. Membership on the boards would be largely composed of knowledgeable individuals from the private sector, but would include a small number of employees of VA. CBO expects that duties related to the advisory board would be a small part of their duties for the VA employees. Members from the private sector would serve without compensation. CBO estimates that staff and administrative costs for the advisory boards would total \$3 million over the 2014-2018 period.

Other Provisions. Other provisions would have differing effects on discretionary cost. CBO estimates that implementing those requirements would have a net cost of \$64 million over the 2014-2018 period, assuming appropriation actions consistent with the bill.

Asset Look-Back for Disability Pensions. Section 801 would authorize VA to conduct a review of the financial records of all applicants for pensions. The review would cover the three years preceding each application. This look-back would determine if the applicant disposed of any assets or resources for less than fair market value. Individuals who were found to have disposed of such assets would be ineligible to receive pensions for up to three years, depending on the value of the assets involved. This provision would affect only those individuals applying for veterans' or survivors' pension benefits starting in 2015.

Based on information from VA on the time needed to process a pension claim, CBO estimates that to implement this provision, VA would eventually hire about 70 additional employees to maintain the current processing times. VA reports that under this provision, most of the hiring of additional employees would take place in 2015. At an average cost of about \$100,000 per employee, CBO estimates that implementing section 801 would cost \$28 million over the 2014-2018 period. The savings from reduced spending for pension benefits are discussed below, under "Direct Spending."

VA Support of Paralympic Program. Sections 802 and 803 would extend, through 2018, two programs related to VA's authority to support the United States Olympic Committee (USOC) Paralympic Program. Those programs are scheduled to expire on December 31, 2013. The first program would authorize 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 802, \$2 million would be authorized annually to provide the monthly allowances through the Office of National Veterans Sports and Special Events. The second program would authorize 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 services. Section 803 would authorize VA to provide \$8 million in grant money in 2014 and 2015 to the USOC for those purposes.

Together, CBO estimates that implementing sections 802 and 803 would cost \$26 million over the 2014-2018 period, assuming appropriation of the authorized amounts.

Limitations on Bonuses. Section 812 would limit to \$370 million the amount that VA could pay in awards and bonuses to VA employees in 2014. Over the 2008-2012 period, VA paid an average of \$395 million each year in awards and bonus payments to employees. Assuming such payments will continue at that level, CBO estimates that implementing section 812 would reduce discretionary spending for pay and performance by \$25 million over the 2014-2018 period, assuming appropriation actions consistent with the bill.

Long-Term Solution (LTS). To help VA transition from paper-based to electronic claims processing for Post-9/11 GI Bill benefits, VA has developed and deployed (on a limited basis) the LTS—VA’s automated claims processing system. As described below under “Direct Spending,” sections 104 and 105 would modify programs offered under the Post-9/11 GI Bill. Benefits under that program are paid from a mandatory spending account. To implement those changes, VA would need to modify the LTS to electronically process the claims of affected individuals. Modifying the LTS would cost \$15 million over the 2014-2018 period, CBO estimates.

Issuance of Vet Cards. Effective one year after enactment, section 806 would allow VA to issue identification cards (Vet Cards) to all veterans enrolled in the VA health care system or receiving educational assistance, compensation, or a pension through the VA. Under current law, VA issues Veterans Identification Cards (VICs) to certain eligible veterans. VA reports that 8.5 million VICs were issued through 2012. After adjusting for the number of VICs issued under current law and the anticipated participation rate, CBO estimates that under this provision about 1.5 million new cards would be issued each year at a cost of \$2 per card. Thus, CBO estimates that implementing this proposal would cost \$12 million over the 2014-2018 period.

Reports. S. 944 would require VA to complete reports by various deadlines. CBO estimates that those provisions, collectively, would cost about \$8 million over the 2014-2018 period.

State Certifications and Licensing. As a condition of receiving grants from the Department of Labor (DOL) to provide employment services to veterans, section 702 would require states to establish programs to facilitate the provision of state-issued licenses and credentials to veterans with certain qualifications. The section also would allow states to

receive waivers from having to establish such programs as long as those states certify to DOL that they:

- Take into consideration previous military training for the purposes of issuing licenses or credentials;
- Allow veterans to completely satisfy through examination any training or testing requirement for a license or credential for which they have received military training; and
- Reduce the required training time for such licenses or credentials for veterans unable to completely satisfy that requirement through examination.

Based on information from DOL, CBO estimates that most states would receive waivers and that implementing this provision would cost the federal government less than \$500,000 over the 2014-2018 period.

Jobs Portal. Section 703 would require DOL to identify websites and online tools that would match veterans seeking employment with available jobs based on the skills those veterans acquired while serving in uniform. DOL then would be required to assess the feasibility and costs of creating a single Internet-based portal that would provide those websites and online tools to all veterans seeking employment. CBO estimates that identifying those websites and online tools, conducting the feasibility and cost analysis, and then reporting those findings to the Congress would cost less than \$500,000 over the 2014-2018 period.

Transition Assistance Program (TAP). Under current law, servicemembers receive pre-separation counseling through TAP to help prepare them for the transition from military service. Section 704 would require DOL to incorporate into its existing TAP curriculum information about protections for disabled individuals, such as those provided by the Americans with Disabilities Act and the Rehabilitation Act of 1973. Based on information from DOL, CBO estimates that revising TAP's curriculum and updating handout materials would cost less than \$500,000 over the 2014-2018 period.

Employment of Veterans in the Federal Government. Section 701 would require that at least 15,000 qualified veterans be appointed to positions in the federal government over the five-year period beginning on the date of enactment. Because recent hiring trends are consistent with that goal, CBO estimates that implementing this requirement would probably have no budgetary impact.

Direct Spending

S. 944 contains provisions that would modify several mandatory spending programs; some of those provisions would increase direct spending, and others would decrease it. CBO estimates that, on net, enacting S. 944 would decrease direct spending by \$94 million over the 2014-2023 period (see Table 3).

Fees for Guaranteed Loans. Under its Home Loan program, VA provides lenders guarantees on mortgages made to veterans; those guarantees enable veterans to get better loan terms, such as lower interest rates or smaller down payments. The loan guarantees promise lenders a payment of up to 25 percent of the outstanding loan balance (subject to some limitations on the original loan amount) in the event that a veteran defaults on a guaranteed loan. Section 808 would increase some of the fees that VA charges veterans for providing those guarantees. By partially offsetting the costs of subsequent defaults, those fees lower the subsidy cost of the guarantees.¹

Under current law, the up-front fee varies on the basis of the size of the down payment and whether the veteran has previously used the loan-guarantee benefit. Borrowers who are members of the reserve component pay an additional fee of 0.25 percent of the loan amount. Veterans who receive compensation for service-connected disabilities are exempt from paying the fee. The current fees are:

- 2.15 percent of the loan amount for loans with no down payment,
- 1.50 percent of the loan amount for loans with a 5 percent down payment,
- 0.75 percent of the loan amount for loans with a 10 percent down payment,
- 3.30 percent of the loan amount for all loans if the veteran has used the guarantee benefit in the past.

Those fees are scheduled to decline on October 1, 2017, to 1.40 percent, 0.75 percent, 0.50 percent, and 1.25 percent, respectively.

1. Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses, offset by any payments to the government, including origination fees, other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed.

Under section 808, that scheduled fee reduction would be delayed by seven months, until May 1, 2018. Continuing the fees at their current level for that period would increase collections by VA in 2018, thereby lowering the subsidy cost of the loan guarantees. Based on program data from VA, CBO estimates that enacting section 808 would reduce direct spending by \$206 million in 2018.

TABLE 3. ESTIMATED CHANGES IN DIRECT SPENDING UNDER S. 944

	Outlays, in Millions of Dollars, by Fiscal Year											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
CHANGES IN DIRECT SPENDING												
Fees for Guaranteed Loans	0	0	0	0	-206	0	0	0	0	0	-206	-206
Marine Gunnery Sergeant John David Fry Scholarship	0	0	24	25	24	24	23	23	24	25	73	192
In-State Tuition for Post-9/11 GI Bill Beneficiaries	0	-6	-13	-13	-14	-15	-16	-16	-17	-17	-46	-127
Medical Examinations for Military Sexual Trauma	1	2	3	5	6	7	8	10	11	12	17	65
Additional Assistance for Surviving Spouses	0	4	5	5	5	5	6	6	6	6	19	48
Reporting Fees	-4	-4	-4	-4	-4	-4	-4	-4	-4	-5	-22	-44
Asset Look-Back for Disability Pensions	0	-2	-3	-4	-5	-5	-5	-5	-5	-5	-14	-39
Expansion of the Yellow Ribbon GI Education Enhancement Program	0	*	1	1	1	1	1	1	1	1	4	10
Extension and Expansion of Work-Study Program	2	2	0	0	0	0	0	0	0	0	4	4
Spina Bifida Benefits	<u>0</u>	<u>*</u>	<u>1</u>	<u>3</u>								
Total Changes	-1	-4	13	15	-193	13	13	15	16	17	-170	-94

Notes: Components may not sum to totals because of rounding; * = between -\$500,000 and \$500,000.

Marine Gunnery Sergeant John David Fry Scholarship. Under current law, when servicemembers die in the line of duty while serving in an active-duty status, certain children of those servicemembers become entitled to education benefits under both the Marine Gunnery Sergeant John David Fry Scholarship (Fry Scholarship) and the Survivors' and Dependents' Education Assistance Program (DEAP). However, surviving spouses become entitled to education benefits under the DEAP only. Beginning two years

after the date of enactment, section 104 would expand the eligibility criteria of the Fry Scholarship to include spouses. The Fry Scholarship entitles qualifying recipients to education benefits under the Post-9/11 GI Bill. Those benefits include the payment of in-state tuition and fees for beneficiaries attending public schools, a monthly housing allowance, and a stipend to pay for books and supplies. DEAP currently provides education benefits to qualifying recipients at a maximum rate—for full-time students—of \$987 per month.

Based on information from VA and DoD, CBO estimates that under S. 944 approximately 1,800 spouses per year would elect to receive education benefits under the Fry Scholarship rather than the DEAP over the 2016-2023 period. Each of those spouses would receive, on average, about \$15,700 in Fry Scholarship benefits in 2016 and, after cost-of-living increases, about \$21,000 in 2023, CBO estimates. Under DEAP, we estimate that each of those spouses would have received about \$4,600 in benefits in 2016 and, after cost-of-living increases, about \$5,400 in benefits in 2023. After accounting for the interactive effects of section 201 (discussed immediately below), CBO estimates that this change in eligibility would increase direct spending by \$192 million over the 2014-2023 period. In addition, implementing this section would increase discretionary costs. Those costs are discussed in the “Spending Subject to Appropriation” section of the estimate under the subheading “Long-Term Solution.”

In-State Tuition for Post-9/11 GI Bill Beneficiaries. Effective July 1, 2015, section 201 would require the Secretary of Veterans Affairs to approve, for the purposes of education benefits provided under the Montgomery GI Bill and Post-9/11 GI Bill programs, only certain public institutions of higher education. Institutions could only be approved if they charge tuition and fees at no more than the in-state rate to veterans who enroll within three years of separation from service on active duty. In order to qualify for the in-state rate, dependents also would need to enroll within three years from when the servicemember from whom they derived their eligibility separated from active duty. As long as the veteran or dependent remained continuously enrolled, institutions would have to continue to offer the in-state rate. Institutions that choose not to comply with those conditions would no longer be approved to participate in Montgomery GI Bill or Post-9/11 GI Bill programs.

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 nonresident tuition and fees exceed the maximum amount payable may be eligible for additional assistance under the Yellow Ribbon GI Education Enhancement Program (YRP). When an institution enters into a 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.

CBO expects that all affected institutions would comply with the requirements of this provision. Based on information from VA, CBO estimates that under the bill approximately 3,400 veterans and dependents would no longer require YRP assistance to help cover the costs of non-resident tuition and fees. Under current law, CBO estimates that 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, the reduction in YRP assistance would decrease direct spending by \$127 million over the 2014-2023 period, CBO estimates. In addition, implementing this section would increase discretionary costs. Those costs are discussed above in the section titled “Long-Term Solution” under “Spending Subject to Appropriation.”

Medical Examinations for Military Sexual Trauma. Section 501 would require VA to provide a medical exam in order to make a decision on a claim of disability based on military sexual trauma (MST). Under current law, VA can deny a claim without an examination based on the evidence presented for the claim. VA generally places post-traumatic stress disorder (PTSD) or mental disorder claims resulting from MST in one of three categories: (1) veterans who have enough substantiated information via examination and reports to grant a claim of service connection because of MST; (2) veterans who do not have enough information to grant a service-connection claim, but whose file contains enough information to grant an examination; or (3) veterans who do not have enough substantiated information to provide an examination, and who therefore receive an automatic denial of benefits. The third category is the one that would be affected by section 501. According to VA, about half of all claims for PTSD or mental disorders because of MST are denied because they lack substantiation.

VA receives about 340 claims per month that are based on MST (about 4,000 annually), and about one-half of those are denied. Of those claims that are denied, about one-quarter involved an examination (the second category above) and three-quarters did not (the third category above). Assuming a similar pattern over the 2014-2023 period, CBO expects that enacting this provision would require VA to provide an additional roughly 1,400 examinations per year to veterans who would otherwise not be eligible. Based on discussions with VA, CBO expects that 10 percent of the new examinations would result in new accessions to the compensation rolls per year, meaning about 140 new accessions. The costs of providing those examinations are discussed in the “Spending Subject to Appropriation” section of the estimate under the subheading “Medical Examinations for Military Sexual Trauma.”

Including adjustments for mortality, CBO expects that under this provision about 140 additional veterans would receive payments in 2014, increasing to a total of about 1,320 recipients in 2023. The average disability rate for a new claim in 2012 for PTSD or a mental disorder was 40 percent, or \$7,464 annually. After accounting for inflation, CBO

estimates that enacting section 501 would increase direct spending by about \$65 million over the 2014-2023 period.

Additional Assistance for Surviving Spouses. Under section 101, surviving spouses who are eligible for Dependency and Indemnity Compensation (DIC) and have one or more children under age 18 would have their monthly DIC payment increased by about \$320 for up to three years from the date that the survivor becomes eligible for DIC. That amount would increase annually with inflation. Under current law, surviving spouses who fit those criteria are eligible for two years of such additional payments. This extension would become effective on September 30, 2014, and would apply to all eligible surviving spouses receiving the additional payments on or after the enactment date of this bill. The additional payments would end sooner if all of the surviving spouse's children reached age 18 before the end of the two-year period.

Based on information from VA, about 25,800 surviving spouses began receiving DIC in 2012. Assuming a similar pattern over the 2014-2023 period, and accounting for mortality and the fact that about 5 percent of all DIC accessions have a dependent under 18, CBO estimates that about 1,280 surviving spouses with children under the age of 18 would receive an additional year of \$250 payments in 2015. Assuming that the ratio of new surviving spouses to surviving spouses with children under the age of 18 remains the same over the 10-year period and that survivors begin receiving payments uniformly over the year, CBO estimates that enacting section 101 would increase direct spending for DIC by \$48 million over the 2014-2023 period.

Reporting Fees. VA pays reporting fees to institutions that provide education or training to veterans using VA education benefits. Those fees are paid at a rate of \$12 per calendar year for each eligible enrolled veteran or \$15 in cases where educational institutions assume temporary custody of education assistance checks until the time of registration. Section 204 would reduce the amount of those fees to \$7 and \$11, respectively. Based on current levels of spending for these fees, CBO estimates that change would decrease direct spending by \$44 million over the 2014-2023 period.

Asset Look-Back for Disability Pensions. Section 801 would authorize VA to conduct a review of the financial records of all applicants for pensions. The review would cover the three years preceding each application. This look-back would determine if the applicant disposed of any assets or resources for less than fair market value. This provision would only affect those individuals applying for veterans' or survivors' pension benefits in 2015 or later.

Based on information from VA and the Government Accountability Office about the income and resources of most pension applicants, CBO expects that less than 1 percent of all eligible veterans or survivors have disposed of assets that would disqualify them from

eligibility within the three-year window. Therefore, CBO estimates that in 2015, about 200 veterans and 140 survivors would be disqualified from eligibility because of the review and that a similar pattern would continue over the 2014-2023 period. Such individuals would be disqualified, on average, for three years. CBO estimates an average veteran's pension rate will be about \$9,800 in 2015 and an average survivor's pension rate will be about \$6,300. After accounting for inflation and mortality, CBO estimates that enacting section 801 would decrease direct spending by \$39 million over the 2014-2023 period.

Those estimated savings would occur whether or not VA hires additional personnel; however, CBO expects VA to do so to maintain the current processing time for applications. The costs for those additional employees are discussed in the "Spending Subject to Appropriation" section of the estimate.

Expansion of the Yellow Ribbon GI Education Enhancement Program (YRP). Under current law, dependents receiving education benefits under the Fry Scholarship are not eligible for YRP assistance (a description of the YRP can be found under "In-State Tuition for Post-9/11 GI Bill Beneficiaries"). Section 105 would expand YRP eligibility to Fry Scholarship recipients starting July 1, 2015. Based on information from VA, and assuming that sections 104 and 201 are concurrently enacted, CBO estimates that about 250 children and spouses each year would benefit from this provision, with each receiving an average of about \$4,600 in YRP assistance. Thus, enacting this provision would increase direct spending by \$10 million over the 2014-2023 period, CBO estimates. In addition, implementing this section would increase discretionary costs. Those costs are discussed in the "Spending Subject to Appropriation" section of the estimate under the subheading "Long-Term Solution."

Extension and Expansion of Work-Study Program. Veterans using their educational benefits on a full-time or three-quarters-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. 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 expired on June 30, 2013. Section 202 would extend that authority through June 30, 2015. Assuming the legislation is enacted near the beginning of 2014, VA's authority to pay work-study allowances for about 400 positions would be interrupted for several months.

The section also would expand the work-study program to include certain activities performed in the offices of Members of Congress. That authority would also expire on June 30, 2015. Based on information from VA, CBO estimates that about 700 veterans each year would benefit from the extension and expansion of these work-study programs and that each would be paid, on average, about \$2,800 annually. Over the 2014-2023

period, enacting this provision would increase direct spending by \$4 million, CBO estimates.

Spina Bifida Benefits. Starting one year after enactment, section 106 would expand eligibility for benefits related to spina bifida to include the children of veterans who served in Thailand between January 9, 1962, and May 7, 1975, and who may have been exposed to an herbicide agent. Those children would be eligible for a monetary allowance and certain other benefits from VA similar to those provided to children with spina bifida of veterans who served in Vietnam. Based on information from VA about the current population of children receiving benefits for spina bifida relative to the number of servicemembers who served in Vietnam, and information about the number of veterans who served in Thailand, CBO estimates that about 30 individuals per year would receive a monetary allowance under this provision. With an average allowance of \$700 per month, CBO estimates that enacting section 106 would increase direct spending by \$3 million over the 2014-2023 period. Section 106 would also provide health care for those eligible individuals. The cost of that care is discussed in the “Spending Subject to Appropriation” section of the estimate.

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. S. 944 would modify several programs that provide benefits to veterans. 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 S. 944 as ordered reported by the Senate Committee on Veterans’ Affairs on July 24, 2013

	By Fiscal Year, in Millions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2019-2023
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	-1	-4	13	15	-193	13	13	15	16	17	-170	-94

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 944 contains no intergovernmental mandates as defined in UMRA, but it would place additional conditions on states for participating in voluntary federal programs. The bill would require public institutions of higher education to charge certain veterans no more than in-state tuition and fees regardless of state of residency in order for veterans enrolled in those institutions to be eligible to use their VA education benefits at those institutions. In

addition, the bill would require states to comply with new standards for licensing professionals. Any costs incurred by those institutions or governments would be incurred voluntarily.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no new private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Ann E. Futrell, Bill Ma, David Newman, and Dwayne Wright
Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum
Impact on the Private Sector: Elizabeth Bass

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis