

At a Glance

H.R. 1282, Major Richard Star Act

As ordered reported by the House Committee on Armed Services on June 21, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	4,550	9,750
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	4,550	9,750
Spending Subject to Appropriation (Outlays)	0	2,950	7,150

Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2034?	> \$2.5 billion	Statutory pay-as-you-go procedures apply?	Yes
Mandate Effects			
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2034?	> \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Allow certain military retirees with combat-related disabilities to collect the full amount of both their military retired pay and their veterans' disability compensation.

Estimated budgetary effects would mainly stem from

- Increased net payments from the Department of Defense to military retirees with combat-related disabilities.
- Increased accrual payments by the Department of Defense to account for the future cost of those increased retirement payments.

Areas of significant uncertainty include

- Estimating the number of service members with combat-related disabilities who will receive disability retirements.

Detailed estimate begins on the next page.

Bill Summary

The Major Richard Star Act would permit certain veterans with qualifying combat-related disabilities who are eligible for military retirement and veterans’ disability compensation to receive the full amount of both of those benefits.

Estimated Federal Cost

The estimated budgetary effects of H.R. 1282 are shown in Table 1. The costs of the legislation fall within budget functions 050 (national defense), 600 (income security), and 950 (undistributed offsetting receipts).

Table 1. Estimated Budgetary Effects of H.R. 1282													
By Fiscal Year, Millions of Dollars												2023- 2028	2023- 2033
2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033			
Increases in Direct Spending													
Estimated Budget Authority	0	850	900	900	950	950	1,000	1,000	1,050	1,050	1,100	4,550	9,750
Estimated Outlays	0	750	900	900	950	1,050	900	1,000	1,050	1,050	1,200	4,550	9,750
Increases in Spending Subject to Appropriation^a													
Estimated Authorization	0	0	700	750	750	750	800	800	850	850	900	2,950	7,150
Estimated Outlays	0	0	700	750	750	750	800	800	850	850	900	2,950	7,150

a. Outlays for accrual payments to the Military Retirement Fund are intragovernmental transactions that have no net effect on federal spending.

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted in late fiscal year 2023 and will apply to military retirement payments beginning in fiscal year 2024. CBO expects that the accrual payments that the Department of Defense (DoD) makes to the Military Retirement Fund will increase as a result of the bill beginning in fiscal year 2025.

Direct Spending

Veterans with disabilities connected to their military service can receive compensation from the Department of Veterans Affairs (VA). Since 1890, federal law has prevented veterans from receiving both military retired pay and veterans’ disability compensation. Military

retirees who are eligible for disability compensation typically have their retired pay offset dollar-for-dollar by the amount of disability compensation that they receive from VA.¹

Beginning in 2002, the Congress enacted exceptions to that restriction by allowing certain retirees to receive both retired pay and disability compensation through two programs:

- Concurrent Retirement and Disability Pay allows retirees to receive the full amount of their retired pay and disability compensation, provided they served at least 20 years and have a VA disability rating of at least 50 percent.
- Combat Related Special Compensation (CRSC) allows retirees with qualifying combat-related disabilities to receive special compensation up to the amount by which the military retired pay is offset for disability compensation, irrespective of their years of service or disability rating.

For service members who retired based on disability after fewer than 20 years of service, the CRSC payment plus any residual retirement payment (after applying the disability offset) cannot exceed the amount of retired pay they would have received based on their years of service. For retirees who suffered severe combat-related disabilities after a short time in the military, that rule significantly limits the amount they receive from DoD.

H.R. 1282 would eliminate the disability offset altogether for combat-disabled military retirees who served fewer than 20 years, allowing them to receive both the full amount of retired pay they earned and the VA disability compensation to which they are entitled.

DoD makes CRSC payments to slightly more than 50,000 disability retirees who have fewer than 20 years of service. CBO expects that number to increase by about 7,000 by 2033.² The average disability offset for those retirees was just over \$1,900 per month in 2022, almost three times the average CRSC payment of just under \$700 per month. Under H.R. 1282, those disability retirees would instead receive the full amount of their retired pay. Thus, they would receive about \$1,200 more each month in total compensation under the bill than they will under current law. (Both retired pay and disability compensation are adjusted upward based on inflation, so CBO projects those monthly amounts would increase over time.) On that basis, CBO estimates that enacting the bill would increase direct spending for compensation to military retirees by \$9.75 billion over the 2024-2033 period.

1. Given the dollar-for-dollar offset, a retiree might choose not to apply for disability compensation. However, because disability compensation is not subject to income tax, whereas military retired pay generally is, receiving disability compensation is generally financially advantageous.

2. Disabilities incurred outside of armed conflict can be considered combat related—and therefore establish eligibility for CRSC—if they involve hazardous duty (such as parachute or demolition duty), an instrumentality of war (such as a military vehicle or vessel), or simulated war (such as training with live ammunition). Thus, CBO anticipates service members will continue to become eligible for CRSC over the 2024-2033 period, even absent any new U.S. combat operations.

Spending Subject to Appropriation

DoD makes annual accrual payments into the Military Retirement Fund. Those payments are the amounts necessary to cover the present value of estimated payments for future retirement benefits—other than concurrent receipt payments—earned during the year.³

Under current law, CBO projects that DoD’s annual accrual payments will climb from about \$24 billion in 2024 to about \$31 billion in 2033. CBO expects that under the bill, DoD’s annual accrual payments would increase by almost 3 percent, as future retirees with combat-related disabilities receive the full amount of their retired pay. On that basis, CBO estimates that implementing H.R. 1282 would increase spending subject to appropriation by \$7.15 billion over the 2025-2033 period; such spending would be subject to the appropriation of the estimated amounts. The accrual payments from DoD are recorded in the budget as offsetting collections in the Military Retirement Fund. Because those transactions are intragovernmental, they have no net effect on federal spending.

Uncertainty

CBO estimates that the number of service members who are retired because of combat-related disabilities will continue to rise over the next decade, albeit at a slower rate than over the past two decades. Costs would differ if the number of retirees changes at a different rate than projected. For example, if the number of CRSC-eligible retirees with fewer than 20 years of service remains at the current level over the next decade, the estimated increase in direct spending under the bill would be about \$0.75 billion less than estimated here.

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 Table 1.

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 1282 would increase net direct spending by more than \$2.5 billion in each of the four consecutive 10-year periods beginning in 2034.

CBO estimates that enacting H.R. 1282 would increase on-budget deficits by more than \$5 billion in each of the four consecutive 10-year periods beginning in 2034.

3. The Treasury makes an annual accrual payment into the Military Retirement Fund to cover the present value of future concurrent receipt payments. The Treasury accrual payment is classified as mandatory and is not subject to appropriation. That annual transaction is intragovernmental and has no net effect on federal spending.

Mandates: None.

Previous CBO Estimate

On June 13, 2023, CBO transmitted [a cost estimate for H.R. 1282](#), the Major Richard Star Act, as introduced in the House of Representatives on March 1, 2023. The text of the bill as introduced is nearly identical to the text of the bill as ordered reported by the House Committee on Armed Services on June 21, 2023. The cost estimates for the two versions are the same.

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