



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 6, 2017

### **H.R. 3218** **Harry W. Colmery Veterans Educational Assistance Act of 2017**

*As cleared by the Congress on August 2, 2017, and signed by the President  
on August 16, 2017*

#### **SUMMARY**

Enacting H.R. 3218 would affect several education benefits programs administered by the Department of Veterans Affairs (VA). It would also increase compensation benefits for a small number of World War II veterans. On net, those changes would decrease direct spending by \$177 million over the 2018-2027 period.

In addition, H.R. 3218 would make several changes to the management of education benefits and would require several reports on VA programs. In total, CBO estimates that implementing those provisions would cost \$53 million over the 2018-2022 period, subject to appropriation of the necessary amounts.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting the bill would not affect revenues. CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3218 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary effect of H.R. 3218 is shown in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

**TABLE 1. ESTIMATED BUDGETARY EFFECTS OF H.R. 3218**

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2027	2017-2027
<b>CHANGES IN DIRECT SPENDING</b>													
Estimated Budget Authority	0	17	59	37	2	-35	-6	-30	-28	-29	-33	82	-42
Estimated Outlays	0	17	30	-10	-14	-42	-28	-31	-31	-34	-38	-17	-177
<b>SPENDING SUBJECT TO APPROPRIATION</b>													
Estimated Authorization Level	0	38	3	3	3	3	3	3	3	3	3	53	68
Estimated Outlays	0	28	10	4	4	4	3	3	3	3	3	53	68

**BASIS OF ESTIMATE**

For this estimate, CBO assumes that the estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns for affected programs. Except where indicated, the provisions of the bill would take effect on August 1, 2018.

**Direct Spending**

H.R. 3218 would make a number of changes to education benefits administered by VA. It also would increase disability compensation for certain veterans of World War II.

**Post-9/11 GI Bill.** H.R. 3218 would make several changes to the Post-9/11 GI Bill. On net those changes would decrease direct spending by \$1.5 billion over the budget window (see Table 2).

Under the Post-9/11 GI Bill, VA pays for the educational expenses at institutions of higher learning of eligible veterans and military personnel. VA pays an amount equal to the actual tuition and fees charged to in-state residents for students attending public institutions, and up to a maximum amount for students at private institutions (\$21,970 for the 2016-2017 academic year). The program also provides a monthly housing allowance to beneficiaries who attend school at half-time or greater. Beneficiaries who served on active duty for 36 months or more receive this benefit; those that serve fewer than 36 month receive a reduced benefit. Beneficiaries can also receive additional assistance from VA under the Yellow Ribbon GI Education Enhancement Program (YRP) if their costs of attendance exceed the amount of their benefit and the school defrays some of those excess costs.

**TABLE 2. ESTIMATE OF THE EFFECTS OF H.R. 3218 ON DIRECT SPENDING**

	By Fiscal Year, in Millions of Dollars												2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2022	2027	
<b>INCREASE OR DECREASE (-) IN DIRECT SPENDING</b>														
<b>Reduced Housing Allowances</b>														
Estimated Budget Authority	0	-50	-170	-270	-380	-390	-410	-430	-440	-450	-460	-1,260	-3,450	
Estimated Outlays	0	-50	-170	-270	-380	-390	-410	-430	-440	-450	-460	-1,260	-3,450	
<b>Increased Benefits for Length of Service</b>														
Estimated Budget Authority	0	0	0	12	74	79	84	89	94	98	103	165	633	
Estimated Outlays	0	0	0	12	74	79	84	89	94	98	103	165	633	
<b>Chapter 33 Scholarships</b>														
Estimated Budget Authority	0	0	25	75	75	75	100	100	100	100	100	250	750	
Estimated Outlays	0	0	6	32	60	69	79	90	94	95	95	167	620	
<b>Restoration of Education Benefits</b>														
Estimated Budget Authority	0	50	54	54	58	15	16	17	18	19	19	231	320	
Estimated Outlays	0	50	54	54	58	15	16	17	18	19	19	231	320	
<b>Eligibility for the Yellow Ribbon Program</b>														
Estimated Budget Authority	0	*	2	2	2	4	17	18	19	20	21	10	105	
Estimated Outlays	0	*	2	2	2	4	17	18	19	20	21	10	105	
<b>Credit for Reserve Service</b>														
Estimated Budget Authority	0	1	6	7	8	10	11	12	13	13	14	32	95	
Estimated Outlays	0	1	6	7	8	10	11	12	13	13	14	32	95	
<b>Education Benefits for Purple Heart Recipients</b>														
Estimated Budget Authority	0	1	5	6	6	6	7	7	8	8	8	24	62	
Estimated Outlays	0	1	5	6	6	6	7	7	8	8	8	24	62	
<b>Transfer of Benefits</b>														
Estimated Budget Authority	0	4	4	4	4	4	5	5	5	5	5	20	45	
Estimated Outlays	0	4	4	4	4	4	5	5	5	5	5	20	45	
<b>Reserve Educational Assistance Program</b>														
Estimated Budget Authority	0	4	5	6	5	5	4	3	1	1	1	25	35	
Estimated Outlays	0	4	5	6	5	5	4	3	1	1	1	25	35	
<b>Payments for Tests</b>														
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	1	2	
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	1	2	

(Continued)

**TABLE 2. CONTINUED**

	By Fiscal Year, in Millions of Dollars												2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2022	2027	
Monthly Housing Allowance for Activated Reservists														
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	*	*	1
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	*	*	1
Subtotal Post-9/11 GI Bill														
Estimated Budget Authority	0	10	-69	-104	-148	-192	-166	-179	-182	-186	-189	-502	-1,402	
Estimated Outlays	0	10	-88	-147	-163	-198	-187	-189	-188	-191	-194	-585	-1,532	
Survivors' and Dependents' Educational Assistance														
Estimated Budget Authority	0	0	88	97	105	111	112	114	118	120	122	401	987	
Estimated Outlays	0	0	88	97	105	111	112	114	118	120	122	401	987	
Independent Study														
Estimated Budget Authority	0	1	7	14	15	15	16	17	18	18	19	52	140	
Estimated Outlays	0	1	7	14	15	15	16	17	18	18	19	52	140	
Payments for Reports														
Estimated Budget Authority	0	0	10	10	10	10	10	10	10	10	5	40	85	
Estimated Outlays	0	0	10	10	10	10	10	10	10	10	5	40	85	
Pilot Program for High-Technology Training														
Estimated Budget Authority	0	0	15	15	15	15	15	0	0	0	0	60	75	
Estimated Outlays	0	0	5	11	14	14	14	9	3	0	0	44	70	
Funding for State Approving Agencies														
Estimated Budget Authority	0	2	4	5	5	6	6	7	7	8	9	22	59	
Estimated Outlays	0	2	4	5	5	6	6	7	7	8	9	22	59	
Work-Study Program														
Estimated Budget Authority	0	0	0	0	0	*	1	1	1	1	1	*	5	
Estimated Outlays	0	0	0	0	0	*	1	1	1	1	1	*	5	
Subtotal Other Education Benefits														
Estimated Budget Authority	0	3	124	141	150	157	160	149	154	157	156	575	1,351	
Estimated Outlays	0	3	114	137	149	156	159	158	157	157	156	559	1,346	
Disability Compensations Claims for Mustard Gas or Lewisite														
Estimated Budget Authority	0	4	4	*	*	*	*	*	*	*	*	9	9	
Estimated Outlays	0	4	4	*	*	*	*	*	*	*	*	9	9	
Total changes in Direct Spending														
Estimated Budget Authority	0	17	59	37	2	-35	-6	-30	-28	-29	-33	82	-42	
Estimated Outlays	0	17	30	-10	-14	-42	-28	-31	-31	-34	-38	-17	-177	

Note: \* = less than \$500,000.

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*Reduced Housing Allowances.* Under chapter 33, VA provides monthly housing allowances to most beneficiaries while they attend school half-time or more. Those allowances are set at the amount of the housing allowance paid by the Department of Defense (DoD) to enlisted service members with dependents and a rank of E-5. Additionally, VA provides some disabled veterans enrolled in education and training for rehabilitation with a monthly stipend at that same rate. Section 501 would reduce those payments.

The Department of Defense sets its housing allowances on the basis of average housing costs for each locality. The National Defense Authorization Act for Fiscal Year 2016 (Public Law 114-92), authorized the department to reduce those allowances by up to 5 percent below the average cost. DoD has cut that allowance by 3 percentage points to 97 percent of the average for 2017. CBO expects that DoD will phase in the rest of the reduction by 1 percentage point a year through 2019. Under current law, VA's housing allowances are exempt from those reductions. Section 501 would strike VA's exemption, resulting in a decrease in the allowances provided by VA. The reduction would apply to payments to individuals who begin using benefits after January 1, 2018.

Based on current enrollment data, CBO estimates that about 200,000 people will use Chapter 33 benefits for the first time in 2018, and that the housing allowance per beneficiary will average about \$7,900 in that year. By 2021, roughly 800,000 beneficiaries would be affected by the reduction. (Many beneficiaries are not eligible to receive a housing allowance from VA, and most of those who do only receive the allowance during the nine-month academic year or only receive a percentage of the allowance; thus, the average payment is significantly less than the approximately \$19,000 in housing allowance that an E-5 with dependents will receive in 2018 under current law.) On that basis, and accounting for growth in the eligible population and incorporating annual inflation, CBO estimates that enacting section 501 would reduce direct spending for Chapter 33 benefits by \$3.2 billion over the 2018-2027 period.

About 30,000 disabled veterans enrolled in college, apprenticeship programs, or on-the-job training through VA's rehabilitation services receive the same housing stipend as that provided to Chapter 33 beneficiaries. Those stipends would be similarly affected by section 501. CBO estimates that cutting the stipends as described above would reduce direct spending for rehabilitative benefits by about \$220 million over the 2018-2027 period.

In total, enacting section 501 would reduce direct spending by \$3.4 billion over the 2018-2027 period.

*Increased Benefits for Length of Service.* To be eligible for benefits under the Post-9/11 GI Bill, the individual must have served on active duty since September 11, 2001, for at least 90 days or been discharged for a disability connected to their military service after at least 30 days on active duty after that date.

Individuals who serve at least 36 months on active duty receive 100 percent of the education benefit. Beneficiaries who have served more than 90 days but less than 6 months receive 40 percent of that full benefit. Those who serve more than 6 months but less than 12 months receive 50 percent of the full benefit.

Section 105 would increase the benefits for those lengths of service to 50 percent and 60 percent of the full benefit, respectively. That increase would take effect on August 1, 2020. About 35,000 individuals who would use Chapter 33 benefits under current law would receive an additional \$1,200 in 2020, CBO estimates.

Additionally, some individuals who are eligible for between 40 percent and 50 percent of the full benefit will not use the benefit at all under current law. CBO expects that increasing the value of the benefits will induce some of those people to attend school. On the basis of an analysis of the differences in the amount of benefits used at each benefit level, CBO estimates that an additional 3,500 people each year would use the Chapter 33 benefit under the bill. Those new enrollees would receive an average of \$9,000 per person in 2020.

After incorporating annual inflation, CBO estimates that enacting section 105 would increase direct spending for Chapter 33 benefits by about \$633 million over the 2020-2027 period.

*Chapter 33 Scholarships.* Section 111 would provide scholarships of up to nine additional months of assistance for certain beneficiaries of the Post-9/11 GI Bill. Eligible students would be those who would exhaust their Chapter 33 benefits while pursuing a post-secondary degree in certain science or health-related fields of study that require more than the standard 128 credit hours to complete. Each individual would be paid the rate they were eligible for under chapter 33 up to a maximum of \$30,000. The total amount VA could pay all recipients would be limited to \$25 million in 2019, \$75 million in each year for 2020 to 2022, and \$100 million in 2023 and each year thereafter, for a total of \$750 million in budget authority over the 2019-2027 period.

Under those limits, VA would be able to provide scholarships to about 4,500 beneficiaries in most years, CBO estimates. However, VA would not be able to determine in advance the exact amount that would be paid to each beneficiary at the time it awards the scholarships. As a result, the department would have to carefully manage the number of scholarships it awards to ensure it would not exceed the limits on spending specified in

the bill. Thus, CBO expects that outlays would be less than the total amounts that would be made available in the bill for the scholarships. In total, enacting section 111 would increase direct spending by \$620 million over the 2019-2027 period.

*Restoration of Education Benefits.* Section 109 would increase spending for education benefits by restoring some of those benefits to students who attend institutions that permanently close during an academic term. The provision would take effect 90 days after enactment of the act. In total, CBO estimates that enacting section 109 would increase direct spending by \$320 million over the 2018-2027 period.

Most of the individuals who would gain from enactment of section 109 would be those using benefits under the Post-9/11 GI Bill. Through that program, VA pays educational institutions at the start of the academic term for beneficiaries' tuition and fees. It then reduces the months of education benefits available to those students by the duration of that term. If a school permanently closes during the term, students will have been charged for use of the benefit, but may not have received academic credit. Additionally, VA discontinues payment of the monthly housing allowance to students at the time the school closes. Military personnel earn 36 months of chapter 33 benefits if they serve on active duty after September 11, 2001; however, beneficiaries may have fewer than 36 months available if service members transfer a portion of the benefit to dependents or use education benefits under a different VA education program. The bill would direct VA to restore lost months of education benefits to students who do not receive credit for a term as a result of school closures occurring in 2015 or thereafter.

Restoring benefit months would increase VA's payments only for those students who would otherwise use every month of education benefit currently available to them. In addition, those new costs would not begin to accrue for a beneficiary until that individual had used each month of eligibility available to them under current law and continued on to use months newly available under this provision. Thus, CBO expects that additional costs resulting from closures in a particular year would occur over several subsequent years.

On the basis of data from VA regarding usage rates for its education programs, CBO expects that roughly 2,500 students using the Post-9/11 GI Bill will be affected by school closures each year and that about half of those beneficiaries will use every month of education benefits available to them under the current program. Thus, CBO estimates that under section 109, about 1,250 beneficiaries each year would receive about five months of restored eligibility that they would use over the succeeding years. CBO further estimates that the average cost of that additional usage would be \$6,700 in 2018 and would increase with inflation in subsequent years. On that basis, restoring benefits under section 109 would increase direct spending by about \$85 million over the budget window, CBO estimates.

Under section 109, additional benefits would be restored for students who attended schools that closed between January 1, 2015, and the date of enactment of the bill, if those students were not able to transfer credits received from the closed school. VA would restore benefits equal to the number of months each student attended those institutions before they closed. On the basis of information from VA, CBO estimates that about 5,000 beneficiaries would receive an average of 18 months of additional education benefits at a total cost of about \$170 million.

Section 109 also would restore benefits under other education programs that are used by fewer individuals and cost less per person than the Post-9/11 GI Bill. CBO estimates that those individuals would receive about five months of restored eligibility. On that basis, in 2018 about 50 users of the Montgomery GI Bill would get benefits that would cost an average of \$4,600; roughly 70 users of the Survivors' and Dependents Educational Assistance program would get benefits that would cost an average of \$3,100; and, about 90 users of the Montgomery GI Bill for the Selected Reserve would get benefits that would cost an average of \$1,000. In total, restoring benefits under those programs would increase direct spending by about \$5 million over the 2018-2027 period.

Section 109 also would require VA to continue to pay the monthly housing allowance under the Post-9/11 GI Bill to beneficiaries affected by school closures for the lesser of four months or the remainder of the cancelled term. Some individuals using Survivors' and Dependents Educational Assistance program also receive that housing allowance. Under that requirement, CBO estimates that 2,500 students a year would receive an average of three additional months of housing allowance at a cost of \$2,000 per person in 2018. After incorporating annual inflation, those additional payments would increase direct spending by a total of nearly \$60 million over the 2018-2027 period, CBO estimates.

*Eligibility for the Yellow Ribbon Program.* The Marine Gunnery Sergeant John David Fry Scholarship provides 36 months of education benefits under the Post-9/11 GI Bill to spouses and children of service members who died on active duty after September 11, 2001. Section 103 would allow recipients to receive additional benefits under the Yellow Ribbon GI Education Enhancement Program. It also would make the program available to recipients of the Purple Heart who served on active duty for less than 36 months. Similarly, section 104 would provide YRP benefits to active-duty personnel beginning on August 1, 2022. In total, enacting those sections would increase direct spending by \$105 million over the 2018-2027 period, CBO estimates.

As part of the Post-9/11 GI Bill, the YRP provides additional payments for some students—such as those at certain private schools and students attending public schools outside of their states of residence—who face tuition and fees above what VA will typically cover. Institutions participating in the YRP agree to cover a portion of the



difference between the tuition charged and the amount that VA would otherwise pay. VA then matches that financial assistance, thereby reducing or eliminating students' out-of-pocket expenses. Only students receiving the full amount of the Chapter 33 benefit are eligible for YRP assistance.

In 2016, VA made payments averaging \$4,000 for 8 percent of the students who were eligible for the Yellow Ribbon Program. About 3,800 people with Fry Scholarships will attend school each year, CBO estimates. Assuming the same percentage of students with Fry Scholarships get similar YRP benefits (incorporating annual inflation in tuition and housing), those additional payments would increase direct spending by \$19 million over the 2018-2027 period, CBO estimates.

Section 103 would also provide YRP benefits to recipients of the Purple Heart medal who are not eligible for the full Chapter 33 benefits. CBO estimates that about 60 such individuals would receive YRP benefits at a cost of \$3 million over the 2018-2027 period.

About 30,000 active-duty personnel who have earned the full benefit under Chapter 33 benefits will use those benefits each year, CBO estimates. Of those, 2,600 would receive YRP benefits as a result of section 104. Those additional benefits would increase direct spending by \$83 million over the 2022-2027 period.

*Credit for Reserve Service.* Sections 401 and 101 would expand the conditions under which active-duty service by reservists would count as qualifying service for accruing education benefits under chapter 33. That change would apply to payments for benefits used after August 1, 2018 and would count active-duty service performed at any time after September 11, 2001. In total, the additional payments from VA for education benefits would increase direct spending by \$95 million over the 2018-2026 period, CBO estimates.

Under section 401, reservists would accrue benefits for active-duty service in the course of certain preplanned training operations or in response to natural disasters. On the basis of historical data from the Department of Defense regarding such activations, CBO estimates that about 5,000 reservists will have served on those orders and spent an average of nine months in that status before the bill is enacted and that about 2,000 reservists will be called to active-duty annually for those operations after that date, and for a similar period of time. For those individuals, that additional qualifying service could result in a roughly 25 percent increase in annual benefits under chapter 33—about \$3,700 per person in 2018. However, some activated reservists will already qualify for the maximum benefit as a result of other time on active duty; others would not use their benefits at all, even if the amount of the benefit were increased; and some reservists with prior qualifying service already will have used the benefits before the increased payment

would be available. After incorporating the effects of annual inflation, CBO estimates that enacting section 401 would increase direct spending for Chapter 33 benefits by about \$60 million over the 2018-2027 period.

Under section 101, the time reservists spend on active duty while receiving medical care or undergoing a medical evaluation also would count for the purpose of accruing such education benefits. For those individuals, that additional qualifying service could result in a roughly 15 percent increase in annual benefits under chapter 33—about \$2,600 per person in 2018. On the basis of data from DoD, CBO estimates that about 1,000 reservists will be called to active duty for those reasons annually, and spend an average of six months in that status. Additionally, about 30,000 reservists have performed such active duty since 2001 and would qualify for a higher payment for benefits used after August 1, 2018.

Based on an analysis of personnel data from DoD, CBO estimates that under section 101, about half of the reservists who are activated would receive and use additional benefits as a result of that service. After incorporating the effects of annual inflation, CBO estimates that enacting section 101 would increase direct spending for Chapter 33 benefits by about \$35 million over the 2018-2027 period.

*Education Benefits for Purple Heart Recipients.* Section 102 would increase the amount paid for Chapter 33 benefits to certain service members or veterans who are awarded the Purple Heart, regardless of the duration of their active-duty service. (The Purple Heart is awarded to military personnel who have been wounded or killed in action against an enemy of the United States.) That change would apply to benefits received after August 1, 2018.

Under current law, individuals who have served at least 36 months on active duty receive 100 percent of the Chapter 33 benefit. Beneficiaries who have served less than 36 months receive between 40 percent and 90 percent of that full benefit payment depending on the length of their active-duty service. Veterans who are discharged before serving 36 months for a disability connected to their military service are eligible for the full benefit payment. Under section 102, individuals who are been awarded the Purple Heart after September 11, 2001, would receive 100 percent of the benefit, regardless of the length of their active-duty service.

On the basis of data from VA and the Department of Defense, CBO estimates that about 3,000 recipients of the Purple Heart will use Chapter 33 benefits each year over the 2018-2027 period. (A beneficiary is entitled to 36 months of education benefits so they may receive payments in more than one fiscal year.) About 80 percent of Chapter 33 beneficiaries receive the full benefit under current law. Thus, under section 102, benefits would increase for about 600 beneficiaries annually. Additionally, some Purple Heart recipients who are eligible for between 40 percent and 90 percent of the full benefit will

not use the benefit at all under current law. CBO expects that increasing the value of the benefits will induce some of those people to attend school. On the basis of an analysis of the differences in the amount of benefits used at each benefit level, CBO estimates that an additional 60 people each year would use the Chapter 33 benefit under section 102. Thus, an average of 660 beneficiaries each year would see increased benefits.

In 2019, the first full year that would be affected by the enactment of section 102, CBO estimates that the average cost for individuals who are entitled to the full benefit will be about \$7,800 more than the average amount paid for individuals who are entitled to less than the full benefit. Thus, payments for individuals who will use benefits under current law would increase by \$4 million in 2019, CBO estimates. Purple Heart recipients who would use benefits solely as a result of the increase provided in the bill would use an average of \$17,900 in education benefits in 2019. Payments for those veterans and service members would increase by \$1 million in that year. After incorporating the effects of annual inflation on higher education costs, CBO estimates that enacting section 102 would increase direct spending by \$62 million over the 2018-2027 period.

*Transfer of Benefits.* Under Chapter 33, service members who serve at least six years on active duty and agree to serve another four years can transfer a total of up to 36 months of benefits to their spouse or children. The initial transfer of benefits must be made while the member is still on active duty. After separation from the military, veterans can increase and decrease the number of months transferred among eligible dependents, but they cannot make transfers to a dependent who had not received any benefits before the veteran separated. Only service members or veterans can make or adjust transfers of benefits.

Under section 110 veterans would be able to transfer benefits to a new dependent if another dependent dies with unused benefits. Additionally, dependents would be able to transfer unused education benefits to another eligible dependent if the veteran dies. The provision would apply to deaths that occurred on or after August 1, 2009 and would authorize the use of such benefits beginning on August 1, 2018.

The Department of Defense advises service members to transfer at least one month of benefits to each of their eligible dependents to enable the veteran to adjust the distribution among those dependents after the members leave the military. Thus, CBO expects that relatively few people would need the authority provided in section 110. On the basis of information from DoD, CBO estimates that approximately 60 new individuals would receive transferred benefits each year and about 220 people would receive an average of \$19,000 in benefits each year. In total, section 110 would increase direct spending by \$45 million over the 2018-2027 period.

*Reserve Educational Assistance Program.* Section 106 would restore education benefits

for certain military reservists who served on active duty in response to a war or national emergency. Under the Reserve Educational Assistance Program (REAP), those reservists earned up to 80 percent of the education benefit paid under the Montgomery GI Bill, based on the length of their qualifying active-duty service. The National Defense Authorization Act for 2016 (Public Law 114-92) terminated that program effective November 25, 2019, and limits the use of benefits under REAP to those students who were enrolled in school when that law was enacted. Reservists who were not enrolled at that time can no longer use their REAP benefits.

Active-duty service that qualifies for the purpose of earning REAP benefits also would qualify for earning benefits under the Post-9/11 GI Bill. However, reservists must irrevocably decide, at the time that they apply to use VA education benefits, towards which program that service would be credited. Individuals who chose to claim benefits under REAP and who were not enrolled in school on November 25, 2015, are not able to count their service towards Post-9/11 GI Bill benefits, nor are they eligible to continue using benefits under REAP.

Section 106 would allow such personnel to receive benefits under chapter 33. The number of months would be limited to the amount of unused REAP benefits remaining to the individual. Payments would be set at 50 percent of the full benefit level for chapter 33, or about \$7,400 in 2018. On the basis of data from DoD, CBO estimates that the 2,800 reservists who were affected by the termination of REAP would use, on average, 18 months of education benefits. After adjusting the annual payment level for inflation, CBO estimates that the use of those additional benefits would increase direct spending by \$35 million over the 2018-2027 period.

*Payments for Tests.* Section 108 would change the method that VA uses to reimburse veterans for licensing and certification tests, and for national testing programs such as the SAT, an admissions test for colleges. Beneficiaries can be reimbursed up to \$2,000 per test under current law and veterans education benefits are reduced by one month for every \$1,833 or less paid for such tests, rounded to the nearest nonzero whole month. (That amount is adjusted annually for inflation.) The average amount VA paid per test in 2016 was about \$600.

Under section 108, those benefits would be reduced by a fraction of a month based on the actual costs of the tests. On the basis of data from VA, CBO estimates that beneficiaries who take such tests would be eligible for an additional two-thirds of a month of benefits if the bill was enacted. However, VA would only make additional payments for students who exhaust their benefit under current law.

If veterans and service members exhaust their benefits during an academic term, VA will continue to pay the full monthly benefit until end of that term. That continuation policy does not apply to spouses and children with transferred education benefits. Thus, section 108 would not change the benefits that most individuals would receive.

Very few beneficiaries are reimbursed for such tests—about 3,000 in 2016. Only 166 of those payments were for tests taken by dependents using transferred benefits. On that basis, CBO estimates that each year about 200 people would receive an additional \$1,200 in education benefits under section 108. Payments would be less than \$500,000 each year and would total \$2 million over the 2018-2027 period, CBO estimates.

*Monthly Housing Allowance for Activated Reservists.* Section 113 would change the payment of the monthly housing allowance under the Post-9/11 GI Bill for reservists who discontinue a course of education because they are ordered to active duty. Under current law, the housing allowances for those reservists are terminated for the entire month in which they stop attending school, even if they attend for part of the month. If the reservist resumes the course of education at a later date they are paid the housing allowance for the full month in which they return to school. Under section 113, VA would prorate the amount of the payment of the monthly housing allowance based on the number of days the reservist attended school in that month.

For reservists who do resume their course of education, prorating the payment would change the timing, but not the total amount they receive in housing allowances. However, reservists who do not return to school would receive an allowance for part of a month that they would not receive under current law. On the basis of information from VA, CBO expects that each year approximately 150 reservists would receive additional payments of about \$500. In total, enacting section 113 would increase direct spending by \$1 million over the 2018-2027 period.

**Other Education Benefits.** Several sections of H.R. 3218 would make changes to education benefits administered by VA other than the Post-9/11 GI Bill. In total, those changes would increase direct spending by \$1.3 billion.

*Survivors' and Dependents' Educational Assistance.* Under the Survivors' and Dependents' Educational Assistance program (Chapter 35), dependents of veterans who are permanently and totally disabled as a result of a service-related condition or of veterans who died while on active duty or as a result of a service-related condition can receive a monthly stipend for up to 45 months while they pursue programs of education. Sections 203 and 202 would change the amount and duration of those benefits. Those changes would increase net direct spending by \$987 over the 2018-2027 period, CBO estimates.

For 2017, the amount of the monthly stipend is as follows:

- \$1,024 for full-time students;
- \$767 for students attending the equivalent of 75 percent of the full time rate; and
- \$510 for students attending the equivalent of 50 percent of the full time rate.

Those amounts are adjusted annually for inflation. Under section 203 the amounts for 2019 would be increased to \$1,224 for full-time students, \$967 for three-quarter time students, and \$710 for half-time students. Approximately 95,000 beneficiaries would receive an average of \$860 more in 2019, CBO estimates. Furthermore, CBO expects that an additional 5,000 eligible dependents would decide to use Chapter 35 benefits as a result of the increase in benefits provided by section 203. Those new enrollees would receive an average of \$6,600 in 2019. After incorporating annual inflation, the change in payments would increase direct spending by a total of nearly \$1.1 billion over the 2018-2027 period, CBO estimates.

Section 202 would shorten the duration of educational assistance beneficiaries can receive through Survivors' and Dependents' Educational Assistance to 36 months. That change would affect beneficiaries who enroll in the program after August 1, 2018. Thus, payments would first be reduced in 2021.

Approximately 15,000 new beneficiaries begin using Chapter 35 benefits each year. VA reports that about 15 percent of beneficiaries will use more than 36 months under current law. On average those affected beneficiaries would receive 4.5 fewer months of benefits as a result of the reduction in section 202, or approximately \$6,000 less per person. In total, section 202 would reduce direct spending by \$75 million over the 2021-2027 period.

*Independent Study.* Section 302 would allow veterans to use their education benefits for independent study programs offered by certain vocational institutions or career and technical education schools. Benefits cannot be used for independent-study programs at such institutions under current law.

On the basis of information from VA, CBO estimates that under this provision, about 900 veterans would use more education benefits than they would use under current law. The average cost of those benefits would be about \$16,000 in 2019. After adjusting for annual inflation, those additional benefit payments would increase direct spending by \$140 million over the 2018-2027 period, CBO estimates.

*Payments for Reports.* Section 304 would increase to \$16 the annual fee that VA pays educational institutions to report certain information on enrollees who are using VA education benefits at those institutions. Under current law, VA will pay \$7 per enrollee

each fiscal year over the 2019-2026 period and \$12 per enrollee in 2027. (In a small number of cases, VA pays a \$15 fee, which also would be increased to \$16.) About 1.1 million people use veterans' education benefits each year and the costs of those benefits—including the reporting fees—are paid from mandatory appropriations. Thus, increasing the fee would increase direct spending by \$10 million annually through 2026, by \$5 million in 2027, and by \$85 million over the 2019-2027 period, CBO estimates.

*Pilot Program for High-Technology Training.* Section 116 would require VA to enter contracts with institutions that provide training in computer programming, computer software, media application, data processing, or information services. Under those contracts veterans who are eligible for VA education benefits could attend that training. VA also would provide a monthly housing stipend to those veterans during the term of instruction. The veterans' eligibility for other VA education benefits would not be reduced as a result of attending the training program.

The authority for the pilot program would expire five years after the first contract is signed. The costs of the program would be paid from the account for readjustment benefits, which is mandatory. The amount VA could spend each year of the program would be limited to \$15 million. CBO expects that it would take about a year to award the first contract. Additionally, VA would need to carefully manage admissions to the program to ensure it would not exceed the limit on spending. Thus, section 116 would increase direct spending by \$70 million over the 2019-2027 period, CBO estimates.

*Funding for State Approving Agencies.* State Approving Agencies determine which education and training programs are appropriate for veterans to enroll in while using VA education benefits. VA provides those agencies a total of \$19 million annually from the readjustment benefits account. Section 301 would increase that payment to \$21 million in 2018 and to \$23 million in 2019. The amount paid would be increased for inflation each year thereafter. In total, section 301 would increase direct spending by \$59 million over the 2018-2027 period, CBO estimates.

As discussed below under the heading "Spending Subject to Appropriation," section 304 would also increase discretionary costs.

*Work-Study Program.* Section 201 would permanently extend the authority to pay veterans to work in certain positions at VA while they are using educational assistance. Under the program, veterans could be paid the applicable state or federal minimum wage for up to 25 hours per week for working in VA hospitals, nursing homes, retirement homes, and veterans' cemeteries, or for performing outreach services to other veterans. The authority to hire veterans in those positions expired on June 30, 2013, and was reauthorized on December 16, 2016. It expires again under current law on June 30, 2022.

In 2012, the last full year before the authority expired, VA paid an average of \$2,750 to about 400 veterans who performed such work. CBO expects that participation would be similar under the renewed program; therefore, we estimate that enacting section 201 would increase direct spending by \$5 million over the 2018-2027 period.

**Disability Compensations Claims for Mustard Gas or Lewisite.** Section 502 would require the Department of Veterans Affairs (VA) to reconsider certain denied claims for veterans' disability compensation because of exposure to mustard gas or lewisite during World War II, and to make any resulting payments retroactive to the original date of the claim.

According to information from DoD, about 4,500 individuals were potentially exposed to mustard gas agents, including lewisite, through testing during World War II. VA reports that about 40 veterans are currently receiving disability compensation for exposure to mustard gas agents, and that it has denied about 90 percent of all claims for disability compensation related to such exposure. Therefore, CBO estimates that about 360 veterans were denied compensation for exposure to mustard gas agents.

On the basis of information from VA regarding the likelihood of previously denied veterans becoming eligible for a rating for mustard gas under this provision, CBO estimates that of the 360 veterans denied compensation for exposure to mustard gas agents, about 270 (or 75 percent) would have received a compensation rating under this provision. After accounting for mortality rates, CBO estimates that about 135 veterans who were previously denied would be alive in 2018 and receive a compensation rating (and thus a retroactive payment) for exposure to mustard gas agents; additionally, about 35 dependents would qualify for dependency and indemnity compensation (including a retroactive payment). On average, CBO estimates that veterans and survivors qualify for 10 years and 8 years of retroactive payments, respectively.

CBO expects that the vast majority of veterans who were denied a rating would already be receiving disability compensation from VA, and further expects that because of the advanced age of the eligible population (roughly 90 years old), those currently receiving disability compensation have a high level of disability. Thus, CBO estimates that the 135 veterans who would qualify under this provision would receive an increase in their disability rating from 80 percent to 90 percent, or roughly a \$3,600 annual increase, on average, over the 10-year period. CBO further estimates that the 35 surviving dependents would become eligible for an average annual benefit of \$18,520. On that basis, CBO estimates that section 502 would increase direct spending for veterans and survivors by about \$9 million over the 2018-2027 period for both retroactive and prospective compensation payments.



## Spending Subject to Appropriation

CBO estimates that implementing H.R. 3218 would increase administrative costs at VA by a total of \$53 million over the 2018-2027 period, assuming appropriation of the necessary amounts (see Table 3).

**Claims Processing.** Section 115 would require VA to maximize the use of automation and algorithms in systems used to process claims for educational assistance under the Post-9/11 GI Bill and would authorize the appropriation of \$30 million in 2018 for that purpose.

**TABLE 3. ESTIMATE OF THE EFFECTS OF H.R. 3218 ON SPENDING SUBJECT TO APPROPRIATION**

	By Fiscal Year, in Millions of Dollars						2017- 2022
	2017	2018	2019	2020	2021	2022	
<b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b>							
Claims Processing							
Authorization Level	0	30	0	0	0	0	30
Estimated Outlays	0	21	6	1	1	1	30
Funding for State Approving Agencies							
Authorization Level	0	3	3	3	3	3	15
Estimated Outlays	0	3	3	3	3	3	15
Education Benefit Information							
Estimated Authorization Level	0	5	0	0	0	0	5
Estimated Outlays	0	4	1	0	0	0	5
Reports							
Estimated Authorization Level	0	*	*	*	*	*	3
Estimated Outlays	0	*	*	*	*	*	3
Total Changes to Spending Subject to Appropriation							
Estimated Authorization Level	0	38	3	3	3	3	53
Estimated Outlays	0	28	10	4	4	4	53

Note: Details do not add to totals because of rounding.

**Funding for State Approving Agencies.** As discussed in the section on direct spending, section 301 would increase funding for State Approving Agencies. In addition to the increase in mandatory funding, the bill would authorize appropriations of \$3 million annually for those agencies. Spending subject to appropriation would increase by \$15 million over the 2018-2022 period, assuming appropriation of the necessary amounts.

**Education Benefit Information.** Section 308 would require VA to allow institutions of higher learning to obtain information on the educational assistance to which a veteran is entitled via a secure IT system. CBO expects that VA could accomplish that requirement by modifying systems that are currently used to provide other information to such institutions. Based on information from VA, CBO estimates that modifying those systems would cost \$5 million over the 2018-2022 period.

**Reports.** H.R. 3218 would require three annual reports and three one-time reports. Preparing those reports would increase spending subject to appropriation by \$3 million over the 2018-2022 period, CBO estimates.

## 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.

CBO Estimate of Pay-As-You-Go Effects for H.R. 3218, as passed by the House of Representatives on July 24, 2017

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
<b>NET INCREASE OR DECREASE (-) IN THE [ON-BUDGET] DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	17	30	-10	-14	-42	-28	-31	-31	-34	-38	-17	-177

## INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 3218 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state and local education agencies as well as educational institutions that implement the GI Bill by authorizing federal funds to cover administrative expenses. Any costs incurred by those entities would result from participation in voluntary federal programs.

## **PREVIOUS CBO ESTIMATE**

On August 1, 2017, CBO transmitted an estimate of the direct spending effects for H.R. 3218 as passed by the House of Representatives. The estimate for section 202 has been revised to reflect additional information CBO received after that earlier estimate was transmitted.

On March 23, 2017, CBO transmitted a cost estimate for H.R. 1379. That bill is similar to section 102. The costs for the provision in this bill are slightly lower than in the earlier estimate because the provision would take effect at later date.

On August 3, 2017, CBO transmitted a cost estimate for S. 1519, the National Defense Authorization Act for Fiscal Year 2018, as reported by the Senate Committee on Armed Services on July 10, 2017. Section 1084 of that bill is similar to section 502, and the estimated costs are the same.

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