

VETERANS' COMPENSATION COST-OF-LIVING
ADJUSTMENT ACT OF 1995

OCTOBER 6, 1995.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. STUMP, from the Committee on Veterans' Affairs,
submitted the following

R E P O R T

[To accompany H.R. 2394]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 2394) to amend title 38, United States Code, to provide a cost-of-living adjustment in the rates of disability compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for survivors of such veterans, having considered the same, reports favorably thereon, without amendment, and recommends that the bill do pass.

INTRODUCTION

On September 25, 1995, the Chairman of the Subcommittee on Compensation, Pension, Insurance and Memorial Affairs, the Honorable Terry Everett, along with the Chairman and Ranking Member of the Veterans' Affairs Committee, the Honorable Bob Stump and the Honorable G.V. (Sonny) Montgomery, introduced H.R. 2394, which would provide a cost-of-living adjustment (COLA) in the rates of service-connected disability compensation and dependency and indemnity compensation (DIC), effective December 1, 1995.

On September 28, 1995, the full Committee met and ordered H.R. 2394 reported favorably to the House by unanimous voice vote.

SUMMARY OF REPORTED BILL

H.R. 2394 would:

Increase, effective December 1, 1995, the rates of compensation for service-connected disabilities and the rates of dependency and indemnity compensation for surviving spouses and children of veterans who die of service-connected causes, the additional amounts for dependents and survivors, and the clothing allowances for certain veterans. The amount of increase would be the same as increases automatically provided to Social Security beneficiaries.

BACKGROUND OF THE COMPENSATION AND DEPENDENCY AND
INDEMNITY COMPENSATION PROGRAMS

There are approximately 2.23 million veterans receiving disability compensation as of July 31, 1995. The Department of Veterans Affairs expects expenditures for disability compensation to be \$11.43 billion for fiscal year 1996. The basic purpose of the disability compensation program is to provide a measure of relief from the impaired earning capacity of veterans disabled as the result of their military service. The amount of compensation payable varies according to the degree of disability, which, in turn, is required by law to represent, to the extent practicable, the average impairment in earning capacity resulting from such disability or combination of disabilities in civil occupations.

To be eligible to receive disability compensation, a veteran must have contracted a disease, suffered an injury which is not the result of willful misconduct, or aggravated an existing disease or injury in the line of duty during active duty service, and have been discharged under other than dishonorable conditions.

The responsibility for determining a veteran's entitlement to service connection for a disability rests solely with the Department of Veterans Affairs.

DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVORS OF
VETERANS WHO HAVE DIED OF SERVICE-CONNECTED CAUSES

As of July 31, 1995, there were approximately 313,000 surviving spouses and children receiving dependency and indemnity compensation (DIC). The VA expects DIC expenditures of \$3.1 billion in fiscal year 1996. Widows and children of veterans who died of causes determined to be service connected are entitled to receive monthly DIC.

The purpose of this benefit under chapter 13 of title 38 is to provide partial compensation to the appropriate survivors for the loss in financial support due to the service-connected death. Income and need are not factors in determining a surviving spouse's or child's entitlement since the Nation assumes, in part, the legal and moral obligation of the veteran to support the spouse and children.

In 1992, Congress reformed the manner in which payments of DIC are made. Under current law, for deaths occurring on and after January 1, 1993, a base rate of \$790 per month is payable to a surviving spouse. Such amount is increased by \$173 if the veteran suffered from a service-connected disability which was rated as totally disabling for a period of eight years immediately preceding death and if the veteran and surviving spouse were continu-

ously married during that period. For service-related deaths occurring prior to January 1, 1993, payments of DIC are made on the basis of the veteran's military pay grade if that would result in a higher benefit level than under the new payment structure. Rates for these "grandfathered" surviving spouses range from \$816 for the surviving spouse of an E-7 to \$1,681 for the surviving spouse of an O-10. Surviving spouses are currently entitled to an additional \$200 per month for each child.

There is an additional allowance of \$200 monthly which is payable to eligible surviving spouses who are patients in a nursing home or who are in need of the regular aid and attendance of another person.

If there is no surviving spouse receiving dependency and indemnity compensation benefits but there is a surviving child, the child is entitled to \$336 monthly with additional benefits for other children with certain limits due to age, disability, and status as a student.

HISTORY OF COST-OF-LIVING INCREASES

The Committee annually reviews the service-connected disability compensation and DIC programs to ensure that the benefits provide reasonable and adequate compensation for disabled veterans and their families. Based on this review, the Congress acts annually to provide a cost-of-living adjustment (COLA) in compensation and DIC benefits. The Congress has provided annual increases in these rates for every fiscal year since 1976.

DISCUSSION OF THE REPORTED BILL

COST-OF-LIVING ADJUSTMENT IN RATES OF COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

H.R. 2394 would direct the VA to compute and provide increases in the monthly rates of compensation and DIC, effective December 1, 1995. The rates would be increased by the same percentage as the Social Security COLA that will take effect on that date. If the increase does not result in a whole dollar amount, it shall be rounded down to the next lower whole dollar amount.

The bill will provide a full COLA for both old- and new-law DIC recipients, by the flat rate amount determined applicable for new-law survivors.

The Administration's proposed fiscal year 1996 budget request, submitted on February 6, 1995, recommended that a 3.1 percent rate increase be given to all compensation beneficiaries, including reform DIC spouses and children, effective December 1, 1995. In addition, the Administration requested old-law DIC recipients to receive one-half of the increase in the base rate provided to new-law DIC recipients. All benefits would be rounded down to the nearest dollar. The estimated cost of a 3.1 percent COLA in 1996 is \$340 million. The Administration's current estimate is a 3.0 percent increase, for a total cost of \$311.5 million. This is the expected increase in the Consumer Price Index and is the same increase estimated for Social Security benefits.

The Committee is following its recent practice of setting the COLA by reference to the yet to be determined Social Security increase.

SECTION-BY-SECTION ANALYSIS

Section 1 would be cited as the "Veterans' Compensation Cost-of-Living Adjustment Act of 1995".

Section 2(a) would authorize the Secretary of Veterans Affairs to increase, effective December 1, 1995, the dollar amounts in effect for the payment of disability compensation and dependency and indemnity compensation.

Section 2(b) would specify the programs to receive increased dollar amounts: compensation, additional compensation for dependents, clothing allowance, new DIC rates, old DIC rates, additional DIC for disability, DIC for dependent children.

Section 2(c)(1) would increase the dollar amounts for those specified in subsection (b) based on the amount in effect on November 1, 1995.

Section 2(c)(2) would specify that each amount should be increased by the same percentage by which benefits are paid under title II of the Social Security Act (42 U.S.C.).

Section 2(c)(3) would round down to the next lower dollar amount all compensation and DIC benefits, when the amount is not a whole dollar amount.

Section 2(c)(4)(A) would specify that the old-law DIC rates shall be increased by the amount by which the new-law DIC rate is increased.

Section 2(c)(4)(B)(i) and (ii) would define old- and new-law DIC rates by section number within title 38, U.S.C.

Section 2(d) would provide a special rule authorizing the Secretary of Veterans Affairs to adjust administratively, consistent with the increases made under subsection (a), the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857, who are not in receipt of compensation payable pursuant to chapter 11 to title 38, U.S.C.

Section 2(e) would require the Secretary of Veterans Affairs to publish in the Federal Register the amounts specified in subsection (b), as increased pursuant to subsection (a).

OVERSIGHT FINDINGS

No oversight findings have been submitted to the Committee by the Committee on Government Reform and Oversight.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

The following letter was received from the Congressional Budget Office concerning the cost of the reported bill:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 29, 1995.

Hon. BOB STUMP,
*Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate of H.R. 2394, the Veterans' Compensation Cost-of-Living Adjustment Act of 1995, as ordered reported by the House Committee on Veterans' Affairs on September 28, 1995.

The bill would affect direct spending and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JUNE E. O'NEILL,
Director.

Enclosure:

1. Bill number: H.R. 2394.
2. Bill title: Veterans' Compensation Cost-of-Living Adjustment Act of 1995.
3. Bill status: As ordered reported by the House Committee on Veterans' Affairs on September 28, 1995.
4. Bill purpose: The bill would round down 1996 cost-of-living adjustments (COLAs) for veterans with service-connected disabilities and for survivors of certain disabled veterans.
5. Estimated cost to the federal government:

[By fiscal year, in millions of dollars]

	1995	1996	1997	1998	1999	2000
DIRECT SPENDING						
Spending Under Current Law:						
Estimated Budget Authority	14,176	14,835	15,395	15,976	16,594	17,018
Estimated Outlays	14,422	13,675	15,312	15,928	16,543	18,241
Proposed Changes:						
Estimated Budget Authority	0	-19	-24	-24	-25	-26
Estimated Outlays	0	-17	-23	-24	-25	-28
Spending Under Proposals:						
Estimated Budget Authority	14,176	14,816	15,371	15,952	16,569	16,992
Estimated Outlays	14,222	13,658	15,289	15,904	16,518	18,213

6. Basis of estimate: As specified in the Balanced Budget Act, CBO's baseline assumes that monthly rates of disability compensation paid to veterans and of dependency and indemnity compensation (DIC) paid to their survivors are increased by the same cost-of-living allowance (COLA) payable to Social Security recipients, and the results of the adjustments are rounded to the nearest dollar.

This provision would change current law in two ways. First, it would round down to the next lower dollar adjustments to disability compensation in 1996. Second, the provision would change the

1996 COLA provided to DIC recipients. The Dependency and Indemnity Compensation Reform Act of 1992 redefined the DIC benefit to be a constant amount in contrast to previous law that varied the benefit based on the military rank of the recipient's spouse. Beneficiaries at the time of the act could continue to receive their existing payment if it was higher than the new benefit. Under CBO baseline assumptions, grandfathered beneficiaries receive COLAs that are computed as a percentage of their benefit. This bill, however, would make the COLA a flat amount equal to the adjustment in the flat DIC benefit under the 1992 act and this bill.

CBO estimated the savings from this provision using the current table of monthly benefits, the number of beneficiaries assumed in the CBO baseline, and the inflation assumptions of the budget resolution. The COLA assumed to take effect on December 1, 1995, is 3.1 percent.

7. Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. The bill would have the following pay-as-you-go impact:

[By fiscal years, in millions of dollars]

	1995	1996	1997	1998
Change in outlays	0	-17	-23	-24
Change in receipts		Not applicable		

8. Estimated cost to state and local governments: None.

9. Estimate comparison: None.

10. Previous CBO estimate: None.

11. Estimate prepared by: Mary Helen Petrus.

12. Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

INFLATIONARY IMPACT STATEMENT

The enactment of the reported bill would have no inflationary impact.

APPLICABILITY TO LEGISLATIVE BRANCH

The reported bill would not be applicable to the legislative branch under the Congressional Accountability Act, Public Law 104-1, because the bill would only affect certain Department of Veterans Affairs benefits recipients.

STATEMENT OF FEDERAL MANDATES

The reported bill would not establish a federal mandate under the Unfunded Mandates Reform Act, Public Law 104-4.

