CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 6, 2006

S. 1235
Veterans' Housing Opportunity and Benefits Improvement Act of 2006

As cleared by the Congress on May 25, 2006

SUMMARY

S. 1235 would make changes to several programs at the Department of Veterans Affairs (VA), primarily for homeless veterans and housing. CBO estimates that enacting this legislation would reduce direct spending for veterans programs by $3 million in 2007, but would increase direct spending slightly in subsequent years for a net change of less than $500,000 over both the 2007-2011 period and the 2007-2016 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1235 on direct spending is shown in the following table. The effects of this legislation fall within budget function 700 (veterans benefits and services).

BASIS OF ESTIMATE

Most of S. 1235's effects on direct spending would stem from a change in fees for VA-approved housing loans and for VA grants to assist disabled veterans in acquiring specially adapted housing.

Fees for Home Loan Program

Section 101(f) would increase the fee paid by veterans who use the VA home loan program more than once from 3.30 percent to 3.35 percent for fiscal year 2007. CBO estimates this provision would reduce direct spending by $4 million in that year.

Specially Adapted Housing (SAH) Grants

VA currently provides two grants to assist certain severely disabled veterans to acquire housing that is adapted to their disabilities or to modify their existing housing. Under current law, veterans who are classified by VA as totally disabled and who have certain mobility limitations are entitled to receive housing grants of up to $50,000. Totally disabled veterans who are blind or have lost the use of their hands are entitled to receive grants of up to $10,000. Each grant may be used to adapt only one house, and, in the case of the larger grant, the veteran must at least be a partial owner of the house. Section 101 would allow recipients to use up to $14,000 from the larger grant or $2,000 from the smaller grant to adapt the home of a family member when the veteran resides with that family member temporarily. This provision would expire at the end of fiscal year 2012. CBO estimates that enacting this provision would increase direct spending for veterans readjustment benefits by $1 million in 2007, $4 million over the 2007-2011 period, and $4 million over the 2007-2016 period.

	By Fiscal Year, in Millions of Dollars									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CHANGES IN DIRECT SPENDING										
Fees for Home Loan Program										
Estimated Budget Authority	-4	0	0	0	0	0	0	0	0	0
Estimated Outlays	-4	0	0	0	0	0	0	0	0	0
Specially Adapted Housing Grants										
Estimated Budget Authority	1	1	1	1	*	*	*	*	*	*
Estimated Outlays	1	1	1	1	*	*	*	*	*	*
Total Changes										
Estimated Budget Authority	-3	1	1	1	*	*	*	*	*	*
Estimated Outlays	-3	1	1	1	*	*	*	*	*	*

NOTE: * = Less than $500,000.

Because current law allows a qualified veteran to use the $10,000 grant to adapt a residence that is not owned by the grant recipient, CBO does not expect the proposed change to have a significant impact on how those loans would be used.

However, CBO estimates that the proposed change would affect both participation and usage patterns for the larger grant. Under the provision, CBO anticipates that some veterans who would not otherwise use that grant would choose to modify a relative's home. Such veterans may be currently living with a relative but are not a partial owner of the relative's home or they may reside in an assisted care facility. Based on information from the Department of Defense (DoD) and VA, CBO expects that enacting this provision would cause about 100 veterans who are currently entitled to the $50,000 grant to spend about $14,000 each over the next several years to modify a relative's home. Similarly, CBO estimates that each year about 20 veterans who would become newly eligible for this grant but not use it for the reasons stated above would spend about $14,000 to modify a relative's home.

Some veterans who become eligible for the larger grant postpone using that grant for several years until they can live independently or complete vocational rehabilitation. CBO estimates that, of these eligible veterans, about 30 veterans each year would use $14,000 of the $50,000 grant to modify a relative's home and reside there temporarily. Since CBO expects that under current law these veterans will use the full $50,000 grant to modify their own homes, enacting this provision would likely speed up usage of a portion of the $50,000 grant. Thus, CBO estimates that outlays for adaptive housing grants for this group of veterans would increase by about $400,000 a year over the 2007-2010 period, and after that period the spending to modify the homes of relatives would be offset by reduced spending for the adaptation of the veterans' homes.

SAH Grants for Active-Duty Members

Section 105 would allow members of the armed forces who become severely disabled to receive SAH grants while still on active duty. Based on information from VA and DoD, CBO estimates that each year about 30 servicemembers would separate from the armed forces and qualify to receive such grants. Some of those members would not apply for SAH grants, but some would seek partial grants (of up to $14,000, under section 101 of this act) to modify a family member's home in which the veteran would reside, while others would seek full grants (averaging around $45,000) to modify their own housing.

Under section 105, these servicemembers could receive such SAH grants as much as six months earlier than under current law. Thus, about half of the recently separated veterans who would have received SAH grants in 2008 could receive those grants in 2007, increasing 2007 outlays by about $300,000. Since additional grants paid in 2008 and in subsequent years would be offset by an equivalent number of grants shifted back one year earlier, CBO estimates that enacting this proposal would affect outlays by an insignificant amount each year over the 2008-2016 period.

Other Provisions

The following provisions would have an insignificant impact on direct spending:

- Section 102 would remove a requirement in current law that restricts the annual adjustments to interest rates on adjustable-rate mortgages to 1 percentage point, and give VA discretion in setting such requirements. Based on information from VA, CBO estimates that enacting this provision would not significantly affect default rates or direct spending for veterans' housing programs.

- Section 401 would add heart disease and stroke to the list of diseases currently presumed to be service-connected for certain veterans' who were prisoners-of-war (POWs). On October 7, 2004, VA issued a regulation amending Part 3 of Title 38 of the Code of Federal Regulations to add these two diseases to the list for which entitlement to service-connection is presumed for former POWs. The regulation became permanent on June 28, 2005. Since the regulation has already taken effect, the provision would have no cost.

PREVIOUS CBO ESTIMATE

On May 18, 2006, CBO transmitted a cost estimate for the amended language of S. 1235 as provided by the House Committee on Veterans' Affairs on May 12, 2006. The two versions of the bill are similar and the estimated effects on direct spending are the same. The previous CBO estimate details the act's impact on discretionary spending: potential costs of about \$150 million over the 2007-2011 period.

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