CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

Revised August 28, 2007

S. 1315
Veterans' Benefits Enhancement Act of 2007

As ordered reported by the Senate Committee on Veterans' Affairs on June 27, 2007

SUMMARY

S. 1315 would affect several veterans programs, including disability compensation, pension, burial, life insurance, and readjustment benefits. CBO estimates that implementing this legislation would incur discretionary costs of $178 million in 2008 and $1 billion over the 2008-2012 period, assuming appropriations of the necessary amounts. Also, the bill contains provisions that would both increase and decrease direct spending for veterans benefits. CBO estimates that enacting S. 1315 would decrease direct spending by $4 million in 2008, $44 million over the 2008-2012 period, and $56 million over the 2008-2017 period. Enacting the bill would have no effect on federal revenues.

S. 1315 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA); any costs to state, local, or tribal governments would be incurred voluntarily.

S. 1315 contains a private-sector mandate, as defined in UMRA, because it would require cellular telephone contractors to allow certain servicemembers to terminate or suspend cellular telephone service contracts without termination or reactivation fees. CBO estimates that the annual cost of the mandate would probably be below the threshold established in UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1315 is summarized in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 1315

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	178	191	205	215	225
Estimated Outlays	178	191	205	215	225
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	-4	25	-16	-29	-22
Estimated Outlays	-4	25	-16	-29	-22

a. In addition to the direct spending effects shown here, enacting S. 1315 would have additional effects on direct spending after 2012 (see Table 3). The estimated net changes in direct spending sum to -$44 million over the 2008-2012 period and -$56 million over the 2008-2017 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1315 will be enacted near the start of fiscal year 2008 and that the necessary funds for implementing the bill will be provided each year.

Spending Subject to Appropriation

S. 1315 contains several provisions that would affect benefits provided by the Department of Veterans Affairs (VA), including increasing veterans burial benefits, expanding benefits for Filipino veterans, and increasing benefits for severely disabled veterans. CBO estimates that implementing S. 1315 would result in discretionary outlays of $178 million in 2008 and $1 billion over the 2008-2012 period, subject to appropriation of the necessary amounts (see Table 2).

Supplemental Funeral and Burial Expenses. Under current law, VA pays funeral expenses up to $300 for deceased veterans who had been receiving compensation or pension benefits and for whom no next of kin can be located. VA also pays up to $2,000 for burial expenses to the survivors of veterans who die as a result of their service-connected disability. Section 701 would increase the maximum payments for funeral and burial expenses to $1,200 and $4,100, respectively, and would increase these amounts annually by a cost-of-living adjustment.

TABLE 2. COMPONENTS OF DISCRETIONARY SPENDING UNDER S. 1315

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION [a]					
Supplemental Funeral and Burial Expenses					
Estimated Authorization Level	112	117	125	132	140
Estimated Outlays	112	117	125	132	140
Supplemental Plot Allowance					
Estimated Authorization Level	32	32	35	37	39
Estimated Outlays	32	32	35	37	39
Supplemental Automobile Grants for Disabled Veterans					
Estimated Authorization Level	19	20	21	22	23
Estimated Outlays	19	20	21	22	23
Medical Care for Filipino Veterans					
Estimated Authorization Level	5	11	13	13	13
Estimated Outlays	5	11	13	13	13
Supplemental Specially Adapted Housing Benefits					
Estimated Authorization Level	7	8	9	9	10
Estimated Outlays	7	8	9	9	10
Reports					
Estimated Authorization Level	2	2	1	1	*
Estimated Outlays	2	2	1	1	*
Assets of Air Force Health Study					
Estimated Authorization Level	1	1	1	1	0
Estimated Outlays	1	1	1	1	0
Total					
Estimated Authorization Level		191	205	215	225
Estimated Outlays	178	191	205	215	225

Note: * = less than $500,000.

a. Components may not add up to totals because of rounding.

Based on information from VA regarding veteran mortality, CBO expects about 89,000 grants to be made for funeral expenses in 2008 increasing to about 96,600 by 2012. For service-connected burial expenses, CBO expects about 15,000 grants to be made in 2008 increasing to about 17,500 in 2012. CBO estimates that implementing section 701 would cost $112 million in 2008 and $626 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Supplemental Plot Allowance. Under current law, VA pays a $300 plot allowance for veterans who died in a VA facility or who are to be buried in a state or private cemetery. Section 702 would increase the plot allowance to $745 and would adjust the payment annually by a cost-of-living index. Based on information from VA on veterans mortality rates, CBO expects about 72,000 grants to be made for plot allowances in 2008, increasing to about 77,000 grants by 2012. CBO estimates that implementing section 702 would increase the cost of this program by $32 million in 2008 and by $176 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Supplemental Automobile Grants for Disabled Veterans. The Department of Veterans Affairs currently provides grants of $11,000 for the purchase of an automobile or other vehicle to seriously disabled veterans who, as the result of a service-connected injury or disease, have lost the use of one or both hands (or feet) or have suffered a severe vision impairment. While these grants are mandatory payments made from the Readjustment Benefits account, section 802 would require VA to provide grant recipients an additional payment, subject to the availability of appropriations, such that the grant and supplemental payment total $22,484 in 2007 (more than doubling the existing benefit) and would increase that amount annually by a cost-of-living adjustment. Based on current usage rates and assuming appropriation of the necessary amounts, CBO estimates that implementing section 802 would cost about $17 million in 2008 and $96 million over the 2008-2012 period.

Medical Care for Filipino Veterans. Section 401 would qualify Filipino veterans for VA medical care if they served in the organized military forces of the Commonwealth of the Philippines or the Philippine Scouts while they were in the service of the U.S. armed forces between July 26, 1941, and July 1, 1946. Based on information from VA, CBO estimates that there will be about 30,000 eligible veterans living in the Philippines in 2008, and that their numbers will decline to about 24,000 by 2012. In 2006, the VA's average annual cost of providing medical care to veterans in the Phillippines was about $1,700 per person and, after accounting for inflation, CBO estimates that average would increase to about $2,100 per person by 2012.

According to VA, about 25 percent of all eligible veterans use VA medical care. Assuming a three-year phase-in of new users, CBO estimates that implementing section 401 would increase VA health care costs by $5 million in 2008 and by $55 million over the 2008-2012 period, subject to appropriation of the necessary amounts.

Supplemental Specially Adapted Housing (SAH) Benefits. VA currently administers two grant programs to assist severely disabled veterans in acquiring housing that is adapted to their disabilities or in modifying their existing housing accordingly. While those grants are mandatory payments made from the Readjustment Benefits account, section 205 would require VA to provide grant recipients with an additional payment, subject to the availability of appropriations. Under current law, veterans who are classified by VA as totally disabled and who have certain mobility limitations are entitled to receive grants of up to $50,000 toward the acquisition of suitable housing. Totally disabled veterans who are blind or have lost the use of their hands are entitled to receive grants of up to $10,000 to adapt their residences to accommodate their disabilities.

Section 205 would require VA to provide an additional payment such that the total received by any individual would be a subject to a maximum of $60,000 and $12,000, respectively (a 20 percent increase). Based on current usage rates and assuming appropriation of the necessary amounts, CBO estimates that implementing section 205 would cost $7 million in 2008 and $43 million over the 2008-2012 period.

Reports. S. 1315 would require VA to prepare or to enter into contracts for the completion of several reports. The topics would include: specially adapted housing for disabled individuals, specially adapted housing for individuals residing in homes owned by other family members on a permanent basis, a modification of a special unemployment report for veterans of post-9/11 global operations, annual workload reports for the Court of Appeals of Veterans Claims (CAVC), expansion of facilities for the CAVC, and an Institute of Medicine study on the risk of developing multiple sclerosis as a result of service in the Persian Gulf or post-9/11 global operations. CBO estimates that completing the required reports would cost $2 million in 2008 and $6 million over the 2008-2012 period, subject to the availability of appropriated funds.

Assets of Air Force Health Study. Section 805 would authorize the appropriation of $1.5 million for the 2008-2011 period to ensure that the assets transferred to the Medical Follow-Up Agency from the Air Force Health Study are maintained, managed, and made available as a resource for future research for promoting healthy veterans.

Recall of Retired Judges for CAVC. Section 501 would modify the way that judges who are eligible to be recalled after retirement are paid upon recall to the Court of Appeal for Veterans Claims work. Under current law, recall-eligible, retired judges who return to the bench are paid at the same rate as a judge of the court. Under section 501, judges appointed to the court after the date of enactment of S. 1315 who opt to be available for recall would be paid at their retirement-pay rate (with cost-of-living increases) upon return to the bench. Because very few judges are recalled, CBO estimates that section 501 would have an insignificant impact on discretionary costs.

Direct Spending

S. 1315 contains provisions that would both increase and decrease direct spending. CBO estimates that enacting S. 1315 would decrease net direct spending by $4 million in 2008, by $44 million over the 2008-2012 period, and by $56 million over the 2008-2017 period (see Table 3).

Special Monthly Pension (SMP). VA provides pension benefits for low-income, totally disabled, war veterans whose disabilities are unrelated to their service. Eligible veterans who have more than one disability may receive a higher payment in the form of a SMP at either the aid and attendance (A&A) level or the lower housebound level. Those whose second disability is rated at 100 percent are eligible to receive the A&A SMP; those whose second disability is rated at 60 percent to 90 percent are eligible for the housebound SMP.

As of 2001, low-income war veterans over age 65 are eligible to receive the basic pension benefit without a determination of total disability. Until a recent court holding, however, they had to meet the same requirements as younger veterans to receive SMPs.[1] Veterans over age 65 were required to have two disabilities rated at 100 percent each, or one disability rated at 100 percent and one rated at 60 percent or greater to receive the A&A or housebound SMPs, respectively. The Court of Appeals for Veterans Claims found that otherwise eligible veterans over age 65 did not need the initial disability rating of 100 percent, significantly expanding the number of veterans who are eligible to receive the more costly SMP. Pursuant to that holding, VA has recently begun to pay the A&A SMP to veterans over age 65 who have one disability rated at 100 percent and to pay the housebound SMP to veterans over 65 with a single disability rated at 60 percent to 90 percent.

1. *Robert A. Hartness v. R. James Nicholson, VA* 20 Vet. App. 216 (2006).

TABLE 3. COMPONENTS OF DIRECT SPENDING UNDER S. 1315

	Outlays in Millions of Dollars, by Fiscal Year											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
CHANGES IN DIRECT SPENDING [a]												
Special Monthly Pension	-63	-90	-112	-111	-109	-105	-101	-96	-91	-87	-485	-965
Expansion of Benefits for Filipino Veterans	24	50	46	42	37	33	30	27	24	21	198	332
Service-Connected Term Life Insurance	3	10	17	23	30	36	42	49	55	61	83	326
State Approving Agencies	6	6	6	6	6	6	6	6	6	6	30	60
Enhanced Veterans Mortgage Life Insurance	3	3	3	3	6	6	6	7	7	7	18	51
Expansion of Retroactive Benefits for T-SGLI	5	24	14	2	2	0	0	0	0	0	47	47
Extension of Increased Job Training Benefits	12	15	4	*	*	*	*	*	*	*	31	31
Supplemental S-DVI	2	2	3	3	3	2	2	3	3	3	13	26
Specially Adapted Housing Grants for Individuals with Severe Burns	2	2	2	2	1	*	*	*	*	*	9	11
Automobiles and Adaptive Equipment for Individuals with Severe Burns	2	2	2	1	1	1	1	1	1	1	8	11
COLA for Surviving Spouses	*	*	*	1	1	1	1	2	2	2	1	9
Consideration of Dominant Hand as Qualifying Loss to T-SGLI	1	1	*	*	*	*	*	*	*	*	3	5
Total	-4	25	-16	-29	-22	-21	-13	-2	6	15	-44	-56

Notes: T-SGLI = Traumatic Servicemembers Group Life Insurance; S-DVI = Supplemental Service-Disabled Insurance.

* = less than $500,000.

a. Components may not add up to totals because of rounding.

Section 603 would change the eligibility requirements for SMPs to those in force before the court ruling, reducing the number of veterans eligible for SMP and thereby reducing the cost of the pension program. Based on data from VA, CBO estimates that, over the next three years, of the 20,570 veterans over age 65 who are receiving the basic pension without a requirement of disability, 75 percent—or 15,400—will apply for and receive a SMP. Based on disability data from VA, CBO estimates that about 12,800 of those qualifying pensioners will be found eligible for the A&A SMP and that the remaining 2,600 will receive the housebound SMP.

In addition, CBO estimates that each year about 3,000 new pension recipients will qualify for the SMPs because of the court ruling and that half of them will be paid at the A&A rate and that half will receive the housebound rate. Thus, CBO estimates that under current law a total of 10,350 additional veterans will receive SMPs in 2008, and, using normal mortality rates for that population and adding in each year's cohort of new pensioners, CBO estimates that by 2017, an additional 13,700 pensioners will receive SMPs because of the court ruling.

The maximum annual pension rate for a veteran with no dependents is $10,929. Similar rates for A&A and housebound SMPs are $18,234 and $13,356, respectively. After adjusting for cost-of-living increases, by 2017 the difference between the maximum annual pension rate and both the A&A and housebound SMP rates would be about $9,000 and $3,000, respectively. Using those increases in benefit levels and the populations specified above, CBO estimates that the court ruling will increase direct spending on veterans pensions by $485 million over the 2008-2012 period and $965 million over the 2008-2017 period. Enacting section 603 would undo that increase expected under current law, resulting in an equal amount of savings.

Expansion of Benefits for Filipino Veterans. Section 401 would qualify Filipino veterans for expanded VA benefits if they served in the organized military forces of the Commonwealth of the Philippines and the Philippine Scouts while they were in the service of the U.S. armed forces between July 26, 1941, and July 1, 1946. Enacting this provision would increase direct spending for disability compensation, pensions, and readjustment benefits. In total, CBO estimates that enacting section 401 would increase direct spending by $24 million in 2008, $198 million over the 2008-2012 period, and $332 million over the 2008-2017 period. (Section 401 also would increase the number of Filipino veterans who are eligible for VA medical care. The cost of providing that care is discussed above under "Spending Subject to Appropriation.")

Compensation. While Filipino veterans residing in the United States are eligible for full disability compensation, Filipino veterans residing in the Philippines receive compensation at one-half of the full rate. Section 401 would grant Filipino veterans residing in the Philippines full disability compensation, effective as of January 1, 2008.

About 3,000 Filipino veterans received reduced disability compensation from VA in 2006. Using VA mortality rates for compensation recipients, CBO estimates that under section 401 about 2,700 Filipino veterans would receive an increase in compensation in 2008, decreasing to about 1,300 by 2017. CBO assumes that all veterans who are eligible for compensation are currently receiving a disability payment, and that there would be no new accessions to the disability compensation rolls. Based on information from VA, CBO estimates that in 2008, the average disability compensation payment will be about $9,600—resulting in an increase of $4,800 for Filipino veterans. After adjusting for cost-of-living increases, CBO estimates that enacting section 401 would increase direct spending for disability compensation by $59 million over the 2008-2012 period and $101 million over the 2008-2017 period.

Pensions. Under current law, Filipino veterans are not eligible for disability pensions, and their surviving spouses are not eligible for a death pension. Section 401 would make both Filipino veterans and their surviving spouses eligible for those pensions at specified rates. Under section 401, single veterans would be eligible for an annual payment of $3,600 and married veterans would be eligible for $4,500. The annual payment for surviving spouses would be $2,400. All payments would be increased annually by a cost-of-living adjustment. Veterans applying on or after May 1, 2008, would be eligible.

To become eligible for a disability pension, a veteran must have an income below a certain threshold, have served during a period of war, and have a permanent and total nonservice-connected disability. Veterans over age 65 are presumed totally disabled for pension purposes. The income threshold for veterans without any dependents is about $11,000. According to the *Central Intelligence Agency Factbook*, the average annual income in the Philippines is about $5,000 as of 2006.

In 2001, VA issued a report on Filipino veterans. As of September 2000, about 41,800 Filipino veterans resided in the Philippines and were not receiving disability compensation. Based on the low average annual income and the income threshold for disability pensions, CBO expects that under this provision, 80 percent of Filipino veterans would apply for and be granted a pension. Based on information from the Department of Defense (DoD), CBO estimates that 30 percent of Filipino veterans are married. Using VA mortality rates for pensioners, CBO estimates that under section 401 about 14,200 Filipino veterans would be granted a disability pension in 2008, of which about 1,500 would survive to 2017.

Based on information from VA and DoD, CBO estimates that about 120 surviving spouses would apply for and be granted a pension in 2008. After accounting for accessions to the dependency and indemnity compensation (DIC) rolls over the 2008-2017 period, CBO estimates that about 2,900 surviving spouses would receive such pensions by 2017.

After accounting for cost-of-living adjustments, CBO estimates that enacting section 401 would increase outlays for pensions by $133 million over the 2008-2012 period and $221 million over the 2008-2012 period.

Readjustment Benefits. Section 401 would also make some Filipino veterans eligible for certain readjustment benefits, including dependent education, specially adapted housing grants, and automotive and adaptive equipment. Based on information from VA on the Filipino veteran and survivor population, mortality rates, and usage rates, CBO estimates that enacting section 401 would increase direct spending for readjustment benefits by $7 million over the next five years and by $11 million over the next 10 years.

Service-Connected Term Life Insurance. Section 101 would create a new life insurance program for veterans under age 65 with a service-connected disability. Eligible veterans would be able to obtain up to a maximum of $50,000 of insurance in increments of $10,000. As participating veterans reached the age of 70, the insurance would be reduced to 20 percent of its original value. Veterans would pay premiums for this insurance program as determined by VA. However, veterans aged 70 or older, or those who have a permanent and total service-connected disability would not be required to pay premiums. The premiums would not cover the full costs of the program.

Veterans would be required to apply for this term life insurance program within two years of being notified of having a service-connected disability or within ten years of being separated from the Armed Forces, whichever is earlier. Also, any veteran who is currently insured under the Service-Disabled Veterans Insurance program would be allowed to exchange that insurance for the new term life insurance during the period of June 1, 2008, to May 31, 2009.

Based on VA's actuarial projections of future policy holders, premium payments, and death claims, CBO expects about 9,800 veterans would wish to obtain policies in 2008, increasing to about 82,000 in 2017. Therefore, CBO estimates that enacting section 101 would increase direct spending by $83 million over the 2008-2012 period and $326 million over the 2008-2017 period.

State Approving Agencies. VA is currently authorized to reimburse the state approving agencies from amounts available for the payment of readjustment benefits. The state approving agencies provide verification that various educational institutions are qualified to provide courses of education so that eligible veterans, survivors, and dependents may receive veterans education benefits while attending those institutions. Section 302 would increase the amount of such reimbursements that could be provided from $13 million to $19 million per year. CBO estimates that enacting this provision would increase direct spending for veterans readjustment benefits by $30 million over the 2008-2012 period and by $60 million over the 2008-2017 period.

Enhanced Veterans' Mortgage Life Insurance (VMLI). VMLI is insurance coverage intended to pay off or make payments on a veteran's home mortgage in the event of the veterans death. VMLI is restricted to those eligible veterans who receive grants for specially adapted housing and it ceases once a veteran reaches age 70. Under current law, the maximum amount of VMLI is $90,000. Section 108 would increase the amount of VMLI coverage from $90,000 to $150,000 through December 31, 2011, and further increase it to $200,000 on January 1, 2012.

Based on VA's actuarial projections of current and future policy holders, premium payments, and death claims, CBO expects about 2,300 policyholders to take advantage of the increased coverage in 2008, decreasing to about 1,900 by 2017. Based on the current cost of the program, CBO estimate that enacting section 108 would increase direct spending by $18 million over the 2008-2012 period and $51 million over the 2008-2017 period.

Expansion of Retroactive Benefits for Traumatic Servicemembers Group Life Insurance (T-SGLI). VA began offering T-SGLI in December 2005. This program provides a payment to eligible servicemembers who suffer a traumatic injury including, but not limited to, the loss of a hand or foot. When the program was established, it provided retroactive coverage only to veterans who suffered a traumatic injury as a result of their service in Operation Enduring Freedom or Operation Iraqi Freedom (OEF/OIF). Section 105 would extend that retroactive benefit to all veterans who suffered a traumatic injury resulting in a qualifying loss during the period of October 7, 2001, to November 30, 2005.

CBO assumes that retroactive claims for non-OEF/OIF traumatic injuries will be similar to non-OEF/OIF claims made since the beginning of the program. Between December 2005 and September 2006, 390 veterans made nonretroactive T-SGLI claims for traumatic injuries. Of that number, about 22 percent were for non-war-zone injuries. Based on claims made in the first year of the program, CBO expects that 2,500 war-related claims will be made for the period of October 7, 2001, to November 30, 2005. Therefore, CBO estimates that under section 104 an additional 700 non-war related claims would be made. According to VA, the average size of a non-war-zone claim for T-SGLI was $68,700. Therefore, CBO estimates that enacting section 105 will increase direct spending by $5 million in 2008 and $47 million over the 2008-2017 period.

Extension of Increased Job Training Benefits. Participants in apprenticeship and on-the-job-training programs usually receive wages that increase as the trainees progress through their training program. Consequently, veterans education programs provide benefits for job training that offer higher payments at the start of a program and reduced payments in the program's later stages. Since October 1, 2005, veterans in apprenticeship or on-the-job-training programs have received 85 percent of their program's full-time benefit during their first six months of job training, 65 percent of the full-time benefit for the second six months, and 45 percent of the full benefit thereafter—temporarily increased from statutory limits of 75, 55, and 35 percent, respectively. Dependents in the Survivors' and Dependents' Educational Assistance Program (SDEAP) have also received elevated monthly job training benefits since that time. Those increases will expire on December 31, 2007, and benefits will return to the previous levels.

Section 305 would delay such reinstatement of the lower benefits for two years, from January 1, 2008, until January 1, 2010. Based on current levels of spending for these programs, CBO estimates that enacting this section would increase direct spending for veterans education benefits by $12 million in 2008 and $31 million over the 2008-2017 period.

Supplemental Service-Disabled Insurance (S-DVI). Section 104 would increase the amount of supplemental S-DVI insurance coverage available from $20,000 to $30,000. This provision would be effective as of January 1, 2008.

S-DVI is a life insurance program for veterans with service-related disabilities. They must apply for S-DVI within two years of notification that a service connection has been established for a disability. Supplemental S-DVI is available to current S-DVI policyholders who qualify for a waiver of premiums because of a total disability that began after the insured's application for insurance, while the insured was paying premiums for S-DVI, and before the insured's 65 birthday.

Based on VA's actuarial projections of current and future policy holders, premium payments, and death claims, CBO expects about 19,000 policyholders would take advantage of the increased coverage in 2008, increasing to about 23,400 by 2017. Therefore, CBO estimates that enacting section 104 would increase direct spending by $13 million over the 2008-2012 period and $26 million over the 2008-2017 period.

Specially Adapted Housing Grants for Individuals with Severe Burns. VA currently administers two grant programs to assist severely disabled veterans in acquiring housing that is adapted to their disabilities or modifying 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 grants of up to $50,000 toward the acquisition of suitable housing. Totally disabled veterans who are blind or have lost the use of their hands are entitled to receive grants of up to $10,000 to adapt their residences to accommodate their disabilities. Section 203 would allow totally disabled individuals with severe burn injuries to be eligible for both grants.

Based on information from the services, CBO estimates that under section 203 nearly 100 existing veterans would newly qualify for such housing grants immediately, and that an additional 25 veterans would become eligible for housing adaptation grants in 2008. Assuming this rate of eligibility would change together with projections of wartime deployments, CBO estimates that under section 203 nearly 250 individuals would become newly eligible for housing grants over the 2008-2017 period, increasing direct spending by $9 million over the 2008-2012 period and $11 million over the 2008-2017 period.

Automobiles and Adaptive Equipment Grants for Individuals with Severe Burns. Seriously disabled individuals who, as the result of a service-connected injury or disease, have lost the use of one or both hands (or feet) or have suffered a severe vision impairment are eligible to receive a grant of $11,000 to purchase an automobile or other vehicle. Individuals who receive automobile grants are also entitled to receive the necessary adaptive equipment to enable them to safely operate their vehicles, and to have that equipment repaired or replaced as necessary. Section 801 would expand eligibility for such grants to include totally disabled individuals with severe burn injuries.

Based on the projected population described above (in the section on SAH for individuals with severe burns), CBO estimates that enacting section 801 would result in VA awarding automobile and adaptive equipment grants to an additional 250 individuals over the 2008-2017 period. Based on current benefit levels in this program, we estimate that the additional automobile grants would increase annual outlays by around $500,000, and that providing adaptive equipment for those extra vehicles would increase annual outlays by about $1 million, with projected reductions in the eligible population somewhat offset by repeated grants to update adaptive equipment in the later years. Thus, under section 801, CBO estimates direct spending for automobile grants and adaptive equipment would increase by $8 million over the 2008-2012 period and $11 million over the 2008-2017 period.

Cost-of-Living Adjustment for Surviving Spouses. Surviving spouses who are eligible for DIC may receive an extra $250 a month for up to two years if they have one or more children under the age of 18. Section 602 would increase the $250 benefit by the same annual cost-of-living adjustment payable to Social Security recipients. CBO estimates that this provision would increase the monthly benefit to $255 (after rounding down to the next lowest dollar) for 2008 and to $305 by 2017, relative to current law and CBO's baseline. CBO estimates that enacting section 602 would increase direct spending for veterans compensation by $1 million over the 2008-2012 period and $9 million over the 2008-2017 period.

Consideration of Dominant Hand as Qualifying Loss for T-SGLI. Section 106 would allow VA to consider the loss of a dominant hand in determinations of severity of traumatic loss when making payments to servicemembers under the T-SGLI program and would make the payments retroactive to the beginning of the T-SGLI program. As of July 2007, 95 servicemembers have received payments of $50,000 for the loss of a hand for a total of $5 million for such losses. CBO estimates that through the end of fiscal year 2007, about 110 claims will have been made for the loss of a hand—this includes war-related claims for injuries incurred as far back as October 7, 2001—and that over the 2008-2017 period, about 25 additional claims per year will be made for the loss of a hand.

Absent information on whether or not claims paid to date under this program represent the loss of a dominant hand, CBO assumes that half of those individuals who have received a payment would return for an increased payment under this provision. Similarly, CBO assumes that half of the new claims for loss of a hand will be for a dominant hand and will be paid at a higher rate. All T-SGLI payments are made in increments of $25,000, so CBO assumes that the loss of a dominant hand would result in a payment increase of $25,000. Therefore, CBO estimates that enacting section 106 would increase direct spending by $3 million over the 2008-2012 period and $5 million over the 2008-2017 period.

Presumption of Service Connection for Prisoners of War (POWS) with Osteoporosis and Post-Traumatic Stress Disorder (PTSD). Section 601 of the bill would add osteoporosis in POWs with PTSD to the list of disabilities that VA assumes are service-connected for former POWs. Thus, under section 601, former POWs with PTSD who also have osteoporosis would be eligible for an increase in disability compensation. CBO estimates that fewer than 50 veterans might be eligible for a small increase in their disability compensation under this provision. Therefore, CBO estimates that enacting section 601 would increase direct spending by less than $500,000 over the 2008-2017 period.

Other provisions. The following provisions would have insignificant impact on mandatory spending:

- Section 202 would expand eligibility for all specially adapted housing benefits to include servicemembers on active duty (living either permanently in their own residence or temporarily with a family member) and certain otherwise eligible veterans residing outside the United States.

- Section 204 would extend by just over six months a program providing SAH grants to individuals who reside temporarily with a family member.

- Section 402 would eliminate the requirement that children of certain Filipino veterans of World War II who receive dependents' education benefits from the VA be paid 50 percent of the amount to which they would otherwise be entitled. Though this would double the amount paid to such individuals, CBO estimates that because of the small size of the population involved, any increase in direct spending would be insignificant.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1315 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act. State, local, and tribal governments that participate in the program to provide education benefits to veterans would benefit from funds authorized in the bill. Any costs they might incur to comply with the conditions of this federal assistance would be incurred voluntarily.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

Section 606 of S. 1315 would allow servicemembers who receive orders to deploy outside of the continental United States for not less than 90 days to request the termination or suspension of any contract for cellular telephone service entered into by the servicemember before that date. Servicemembers would be protected against any penalties arising from such a termination or suspension of a cellular telephone service contract. This would be a mandate upon the cellular telephone service contractors that would be required to grant the requested relief without imposition of an early contract termination fee or a reactivation fee. Furthermore, the servicemember would not be required to extend a contract as a condition of suspension or otherwise.

Based on historical deployment numbers and average contract termination and reactivation fees, CBO estimates that the costs to cellular telephone service contracts to comply with this mandate would likely be below the threshold established in UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On August 21, 2007, CBO transmitted a cost estimate for H.R. 760, the Filipino Veterans Equity Act of 2007, as ordered reported by the House Veterans Affairs Committee on July 18, 2007. Several sections of S. 1315 are similar to sections of H.R. 760, as ordered reported. Differences in the estimated costs reflect differences in the two bills.

On August 23, 2007, CBO transmitted a cost estimate for S. 1315 as ordered reported by the Senate Committee on Veterans' Affairs on June 27, 2007. This revised estimate corrects CBO's summary of current law regarding veterans' pension benefits. The estimated budgetary impact of enacting the bill is unchanged.

ESTIMATE PREPARED BY:

Federal Costs:
Veterans' Compensation—Dwayne Wright
Veterans' Readjustment Benefits—Mike Waters and Sarah Jennings
Military Personnel—Matthew Schmit

Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum
Impact on the Private Sector: Victoria Liu

ESTIMATE APPROVED BY:

Theresa A. Gullo
Chief, State and Local Government Cost Estimates Unit
Budget Analysis Division