



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 5, 2011

S. 894

Veterans' Compensation Cost-of-Living Adjustment Act of 2011

As ordered reported by the Senate Committee on Veterans' Affairs on June 29, 2011

S. 894 would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same cost-of-living adjustment (COLA) payable to Social Security recipients. The increase would take effect on December 1, 2011, and the resulting adjustment would be rounded to the next lower dollar.

The COLA that would be authorized by this bill is assumed in CBO's baseline, consistent with section 257 of the Balanced Budget and Emergency Deficit Control Act, and savings from rounding it down were achieved by the Balanced Budget Act of 1997 (Public Law 105-33) as extended by the Veterans Benefits Act of 2003 (Public Law 108-183).

Because the COLA is assumed in CBO's baseline, the COLA provision would have no budgetary effect relative to the baseline. Relative to current law, CBO estimates that enacting this bill would increase spending for those programs by \$475 million in fiscal year 2012. (The annualized cost would be about \$630 million in subsequent years.) This estimate assumes that the COLA effective on December 1, 2011, would be 1.1 percent.

S. 894 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

Enacting S. 894 would not affect direct spending or revenues relative to CBO's baseline projections; therefore, pay-as-you-go procedures do not apply.

On May 16, 2011, CBO transmitted a cost estimate for H.R. 1407, the Veterans' Compensation Cost-of-Living Adjustment Act of 2011, as ordered reported by the House Committee on Veterans' Affairs on May 12, 2011. S. 894 contains language similar to that in section 2 of H.R. 1407 and the estimated costs are the same.

The CBO staff contact for this estimate is Dwayne M. Wright. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.