

VETERANS' COMPENSATION COST-OF-LIVING  
ADJUSTMENT ACT OF 1997

---

OCTOBER 9, 1997.—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. 2367]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 2367) to increase, effective as of December 1, 1997, the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for the survivors of certain disabled veterans, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

INTRODUCTION

On July 31, 1997, the Chairman and Ranking Member of the Veterans' Affairs Committee, the Honorable Bob Stump and the Honorable Lane Evans, along with the Chairman and Ranking Member of the Subcommittee on Benefits, the Honorable Jack Quinn and the Honorable Bob Filner, introduced H.R. 2367, 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, 1997.

On September 4, 1997, the Subcommittee on Benefits met and ordered H.R. 2367 reported favorably to the full Committee by unanimous voice vote.

On September 11, 1997, the full Committee met and ordered H.R. 2367 reported favorably to the House by unanimous voice vote.

#### SUMMARY OF THE REPORTED BILL

##### H.R. 2367 would:

Increase, effective December 1, 1997, 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 allowance payable to certain veterans. The rate of increase would be the same as the percentage increase automatically provided to Social Security beneficiaries.

#### BACKGROUND OF THE COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION PROGRAMS

There were 2.6 million veterans receiving disability compensation as of July, 1997. The Department of Veterans Affairs expects expenditures for disability compensation to be \$19.9 billion for fiscal year 1998. 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, 1997, there were 280,608 surviving spouses and 34,021 children receiving dependency and indemnity compensation (DIC). The VA expects DIC expenditures of \$3.3 billion in fiscal year 1998. 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 authorized 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 death occurring on and after January 1, 1993, a base rate of \$833 per month is payable to a surviving spouse. Such amount is increased by \$182 if the veteran suffered from a service-connected disability which was rated 100 percent for a period of eight years immediately preceding death and if the veteran and surviving spouse were continuously married during that period. For service-connected deaths occurring prior to January 1, 1993, payment of DIC is made on the basis of the veteran's military pay grade if the result would be a higher benefit level than under the new payment structure. Rates for these "grandfathered" surviving spouses range from \$833 for the spouse of an E-6 to \$1,774 for the surviving spouse of an O-10. Surviving spouses are currently entitled to an additional \$211 per month for each child.

There is an additional allowance of \$211 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 \$354 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 BILL

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

H.R. 2367 would direct the VA to compute and provide increases in the monthly rates of compensation and DIC, effective December 1, 1997. 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 dollar amount. The bill would provide a full COLA for both old- and new-law DIC recipients.

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 1997".

Section 2(a) would authorize the Secretary of Veterans Affairs to increase, effective December 1, 1997, 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, and 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 30, 1997.

Section 2(c)(2) would specify that each amount shall be increased by the same percentage by which benefits are increased 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 adjusted amount is not a whole dollar amount.

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 of 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.

#### STATEMENT OF ADMINISTRATION'S VIEWS

The Administration's proposed fiscal year 1998 budget request, submitted in February, 1997, recommended a 2.7 percent rate of increase be given to all compensation beneficiaries, including DIC spouses and children, effective December 1, 1997. This is the expected increase in the Consumer Price Index.

#### 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 12, 1997.*

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 for H.R. 2367, the Veterans' Compensation Cost-of-Living Adjustment Act of 1997.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Mary Helen Petrus, who can be reached at 226-2840.

Sincerely,

JUNE E. O'NEILL,  
*Director*

Enclosure

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

**H.R. 2367—Veterans' Compensation Cost-of-Living  
Adjustment Act of 1997**

*As ordered reported by the House Committee on Veterans' Affairs on  
September 11, 1997*

For 1998, the bill would increase the amount 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, 1997, and the results of the adjustment would be rounded to the next lower dollar. The COLA is assumed in the budget resolution baseline, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, and savings from rounding it down were achieved by the Balanced Budget Act of 1997 (Public Law 105-33). As a result, the bill would have no budgetary effect relative to the baseline as modified by the Balanced Budget Act of 1997.

The bill would affect direct spending and thus pay-as-you-go procedures would apply. H.R. 2367 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 and would not affect the budgets of State, local, or tribal governments.

This estimate was prepared by Mary Helen Petrus, who can be reached at 226-2840. This estimate was approved by Robert A. Sunshine, Deputy 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.

STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to Article I, section 8 of the U.S. Constitution, the reported bill would be authorized by Congress' power to "provide for the common Defence and general Welfare of the United States."

