

Calendar No. 233

105TH CONGRESS }
1st Session }

SENATE

{ REPORT
105-120

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

OCTOBER 29, 1997.—Ordered to be printed

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

REPORT

[To accompany S. 987]

The Committee on Veterans' Affairs, to which was referred the bill (S. 987) to amend title 38, United States Code, to authorize a cost-of-living adjustment in the rates of disability compensation for veterans with service-connected disabilities and dependency and indemnity compensation for survivors of such veterans; to revise and improve certain veterans compensation, pension, and memorial affairs programs; and for other purposes, having considered the same, reports favorably thereon and recommends that the bill, as amended, do pass.

COMMITTEE AMENDMENTS

The amendments are as follows:

Strike out all after the enacting clause as follows:

[SECTION 1. SHORT TITLE; REFERENCES TO TITLE 38, UNITED STATES CODE.

[(a) SHORT TITLE.—This Act may be cited as the “Veterans’ Compensation Cost-of-Living Adjustment and Benefit Programs Improvement Act of 1997”.

[(b) REFERENCES.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

[TITLE I—COMPENSATION AND PENSIONS

[SEC. 101. INCREASE IN COMPENSATION RATES AND LIMITATIONS.

[(a) IN GENERAL.—(1) The Secretary of Veterans Affairs shall, as provided in paragraph (2), increase, effective December 1, 1997, the rates of and limitations on Department of Veterans Affairs disability compensation and dependency and indemnity compensation.

[(2) The Secretary shall increase each of the rates and limitations in sections 1114, 1115(1), 1162, 1311, 1313, and 1314 of title 38, United States Code, that were increased by the amendments made by the Veterans' Compensation Cost-of-Living Adjustment Act of 1996 (Public Law 104-263; 110 Stat. 3212). This increase shall be made in such rates and limitations as in effect on November 30, 1997, and shall be by the same percentage that benefit amounts payable under title II of the Social Security Act (42 U.S.C. 401 et seq.) are increased effective December 1, 1997, as a result of a determination under section 215(i) of such Act (42 U.S.C. 415(i)).

[(b) SPECIAL RULE.—The Secretary may adjust administratively, consistent with the increases made under subsection (a)(2), the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857 (72 Stat. 1263) who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

[(c) PUBLICATION REQUIREMENT.—At the same time as the matters specified in section 215(i)(2)(D) of the Social Security Act (42 U.S.C. 415(i)(2)(D)) are required to be published by reason of a determination made under section 215(i) of such Act during fiscal year 1998, the Secretary shall publish in the Federal Register the rates and limitations referred to in subsection (a)(2) as increased under this section.

[SEC. 102. ROUNDING DOWN OF COMPENSATION-RATE INCREASES.

[In computing rates and limitations pursuant to legislation enacted for fiscal years 1998 and thereafter which increases by a specified percentage, or which directs the Secretary of Veterans Affairs to adjust administratively, the rates and limitations in sections 1114, 1115(1), 1162, 1311, 1313, and 1314 of title 38, United States Code, the Secretary of Veterans Affairs shall round down to the next lower whole-dollar amount any amount which as so computed is not an even multiple of \$1.

[SEC. 103. EXTENSION OF INCOME-VERIFICATION AUTHORITY.

[(a) Section 5317 is amended by striking out subsection (g).

[(b) Subparagraph (D) of section 6103(1)(7) of the Internal Revenue Code of 1986 (relating to disclosure of return information to Federal, State, and local agencies administering certain programs) is amended by striking "Clause (viii) shall not apply after September 30, 1998."

[SEC. 104. EXTENSION OF LIMITATION ON PENSION FOR CERTAIN RECIPIENTS OF MEDICAID-COVERED NURSING HOME CARE.

[Section 5503(f) is amended by striking out paragraph (7).

[SEC. 105. PROHIBITION REGARDING PAYMENT OF COMPENSATION FOR DISABILITY OR DEATH DUE TO TOBACCO USE.

[(a) SERVICE CONNECTION.—Chapter 11 is amended by adding at the end of subchapter I the following new section:

["§ 1103. Special provisions relating to claims based upon effects of tobacco products

["(a) Notwithstanding any other provision of law, a veteran's disability or death shall not be considered to have resulted from personal injury suffered or disease contracted in line of duty in the active military, naval, or air service for purposes of this title on the basis that it resulted from injury or disease attributable in whole or in part to the use of tobacco products by the veteran during the veteran's service.

["(b) Nothing in subsection (a) shall be construed as precluding the establishment of service connection for disability or death from a disease or injury which became manifest or was aggravated in active military, naval or air service or became manifest to the requisite degree of disability during any applicable presumptive period specified in section 1112 or 1116 of this title."

[(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 11 is amended by adding the following new item after the item relating to section 1102: ["1103. Special provisions relating to claims based upon effects of tobacco products."

[(c) EFFECTIVE DATE.—The amendments made by this section shall apply to claims filed after the date of enactment of this Act.

[SEC. 106. REIMBURSEMENT OF COSTS ASSOCIATED WITH COMPENSATION AND PENSION MEDICAL EXAMINATIONS.

[(a) AUTHORIZATION.—Chapter 77 of title 38, United States Code, is amended by adding at the end of subchapter I the following new section:

["§ 7705. Reimbursement for compensation and pension medical examinations

["(a) REIMBURSEMENT.—The Under Secretary for Benefits is authorized to reimburse the Veterans Health Administration for costs associated with the conduct of medical examinations requested by the Veterans Benefits Administration in connection with claims for benefits under this title.

["(b) SOURCE OF FUNDS.—Reimbursements under this section shall be made from amounts available to the Secretary of Veterans Affairs for payment of general operating expenses.”.

["(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 77 is amended by adding the following new item after the item relating to section 7703: ["7705. Reimbursement for compensation and pension medical examinations.”.

【TITLE II—MEMORIAL AFFAIRS

【SEC. 201. STATE CEMETERY GRANTS PROGRAM.

【(a)(1) AMOUNT OF GRANT RELATIVE TO PROJECT COST.—Section 2408(b) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

- 【“(1) The amount of any grant under this section may not exceed—
- 【“(A) in the case of the establishment of a new cemetery, the total of—
 - 【“(i) the cost of improvements to be made on the land to be converted into a cemetery, and
 - 【“(ii) the initial cost of equipment necessary to operate the cemetery;
 - or
 - 【“(B) in the case of the expansion or improvement of an existing cemetery, the total of—
 - 【“(i) the cost of improvements to be made on any land to be added to the cemetery, and
 - 【“(ii) the cost of any improvements to be made to the existing cemetery.

【“(2) If the amount of a grant under this section is less than the amount of costs referred to in paragraph (1), the State receiving the grant shall contribute the amount by which the costs exceed the grant, in addition to any land acquired or dedicated by the State for the cemetery.”.

【(2) EFFECTIVE DATE.—The amendment made by this subsection shall become effective 60 days after the date of enactment of this Act.

【“(b) AUTHORIZATION OF NO-YEAR APPROPRIATION.—Section 2408(d) is amended by striking out “the end of the second fiscal year following the fiscal year for which they are appropriated” and inserting in lieu thereof “expended”.】

and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Veterans’ Compensation Cost-of-Living Adjustment Act of 1997”.

SEC. 2. INCREASE IN COMPENSATION RATES AND LIMITATIONS.

(a) IN GENERAL.—(1) The Secretary of Veterans Affairs shall, as provided in paragraph (2), increase, effective December 1, 1997, the rates of and limitations on Department of Veterans Affairs disability compensation and dependency and indemnity compensation.

(2) The Secretary shall increase each of the rates and limitations in sections 1114, 1115(1), 1162, 1311, 1313, and 1314 of title 38, United States Code, that were increased by the amendments made by the Veterans’ Compensation Cost-of-Living Adjustment Act of 1996 (Public Law No. 104–263, 110 Stat 3212). This increase shall be made in such rates and limitations as in effect on November 30, 1997, and shall be by the same percentage that benefit amounts payable under title II of the Social Security Act (42 U.S.C. 401 et seq.) are increased effective December 1, 1997, as a result of a determination under section 215(i) of such Act (42 U.S.C. 415(i)).

(3) In the computation of increased dollar amounts pursuant to paragraph (2), any amount which as so computed is not an even multiple of \$1 shall be rounded to the next lower whole dollar amount.

(b) SPECIAL RULE.—The Secretary may adjust administratively, consistent with the increases made under subsection (a)(2), the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85–857 (72 Stat. 1263) who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

(c) PUBLICATION REQUIREMENT.—At the same time as the matters specified in section 215(i)(2)(D) of the Social Security Act (42 U.S.C. 415(i)(2)(D)) are required to be published by reason of a determination made under section 215(i) of such Act during fiscal year 1998, the Secretary shall publish in the Federal Register the rates and limitations referred to in subsection (a)(2) as increased under this section.

Amend the title so as to read:

A bill to increase, effective December 1, 1997, the rates of disability compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for survivors of certain service-connected disabled veterans, and for other purposes.

INTRODUCTION

On July 7, 1997, Committee Chairman Arlen Specter introduced S. 987, the proposed “Veterans’ Compensation Cost-of-Living Adjustment and Benefit Programs Improvement Act of 1997,” at the request of the Department of Veterans Affairs (VA). S. 987, as introduced, would have provided for a December 1, 1997, cost-of-living adjustment (COLA), equal to the December 1, 1997, COLA in Social Security benefits, in the rates of compensation for veterans who have service-connected disabilities and in the rates of dependency and indemnity compensation (DIC) for the survivors of those who died from service-connected causes. S. 987, as introduced, also included the following provisions unrelated to the proposed cost-of-living adjustment:

1. It would have made permanent VA’s authority under section 5317 of title 38, United States Code, to gain access to certain records for the purpose of verifying a claimant’s annual income in cases where the claimant was seeking “means-tested” VA benefits.

2. It would have made permanent the limitation on pension benefits specified in subsection (f) of section 5503 of title 38, United States Code.

3. It would have enacted special provisions relating to claims for benefits for injuries or diseases attributable in whole or in part to the use of tobacco products by the veteran during service.

4. It would have authorized VA’s Veterans Benefits Administration (VBA) to reimburse VA’s Veterans Health Administration (VHA) for costs incurred by VHA in providing medical examinations to veterans in connection with VBA’s adjudication of claims for benefits.

5. It would have modified provisions of law relating to VA grants to the States in support of the establishment of State Cemeteries for the interment of veterans.

On July 25, 1997, the Committee held a hearing to receive testimony on the proposed COLA, on the other provisions of S. 987, and on other bills pending before the Committee. The Committee received testimony from Senator Daniel K. Inouye, Senator Barbara Boxer, Representative Bob Filner, and Representative Benjamin A. Gilman, and received testimony for the record from Representative Sue W. Kelly. The Committee also received testimony from Stephen L. Lemons, Ed.D., VA’s Acting Under Secretary for Benefits, Thomas L. Garthwaite, M.D., VA’s Deputy Under Secretary for Health, and from representatives of The American Legion, Veterans of Foreign Wars, Disabled American Veterans, and Vietnam Veterans of America. Testimony was also submitted for the record of the hearing by the Office of Veterans Affairs, Philippine Embassy; Paralyzed Veterans of America; AMVETS; the American Coalition for

Filipino Veterans; the Coordinating Council of Leaders of Veterans Organizations in Southern California; Filipino War Veterans, Incorporated; the National Coalition for Homeless Veterans; and LA Vets.

All of the witnesses at the Committee's July 25, 1997, hearing who addressed the issue of a cost-of-living adjustment expressed support for that portion of S. 987.

COMMITTEE MEETING

After carefully reviewing the testimony from the July 25, 1997, hearing, the Committee met in open session on October 7, 1997, and voted by unanimous voice vote to report S. 987, as amended, favorably to the Senate.

SUMMARY OF S. 987 AS REPORTED

S. 987 (hereinafter referred to as the "Committee bill") contains freestanding provisions that would require the Secretary of Veterans Affairs to increase, effective December 1, 1997, the rates of and limitations on compensation paid to veterans with service-connected disabilities and the rates of dependency and indemnity compensation paid to certain service-connected disabled veterans' survivors by the same percentage as the COLA provided to Social Security recipients and VA pension beneficiaries that becomes effective on that same date.

The COLA would apply to:

1. basic compensation rates for veterans with service-connected disabilities and the rates payable for certain severe disabilities;
2. the allowances for spouses, children, and dependent parents paid to service-connected disabled veterans rated 30 percent or more disabled;
3. the annual clothing allowance paid to veterans whose compensable disability requires the use of a prosthetic or orthopedic appliance (including a wheelchair) that tends to tear or wear out clothing, or requires the use of a medication prescribed by a physician for a service-connected skin condition if the medication causes irreparable damage to the veteran's outer garments; and
4. the DIC rates paid to:
 - (a) surviving spouses of veterans whose deaths were service connected;
 - (b) surviving spouses for dependent children;
 - (c) surviving spouses who are so disabled that they need aid and attendance or are permanently housebound; and
 - (d) the children of veterans whose deaths were service connected if no surviving spouse is entitled to DIC, the child is age 18 through 22 and attending an approved educational institution, or the child is age 18 or over and became permanently incapable of self-support prior to reaching age 18.

The Committee bill would require the Secretary of Veterans Affairs to increase the rates of and limitations on compensation paid to veterans with service-connected disabilities and the rates of dependency and indemnity compensation paid to survivors of certain

service-disabled veterans effective December 1, 1997. The adjustment would be the same percentage increase as the fiscal year 1998 COLA for Social Security and VA pension benefits and would take effect on the same date as those increases. CBO's most recent estimate was that the COLA will be 2.8 percent; the Office of Management and Budget has estimated that the COLA will be 2.7 percent.

BACKGROUND

Disability compensation.

The service-connected disability compensation program under chapter 11 of title 38, United States Code, provides monthly cash benefits to veterans who have disabilities incurred or aggravated during active duty in the Armed Forces.

The amount of compensation depends on the nature of the veteran's disability or combination of disabilities and the extent to which the disability impairs earning capacity. VA rates compensable disabilities according to its Schedule for Rating Disabilities on a graduated scale ranging from 0 to 100 percent, in 10-percent increments. VA pays higher monthly rates (known as "special monthly compensation") to totally disabled veterans with certain specific, very severe disabilities or combinations of disabilities.

As of August 1, 1997, VA was providing disability compensation to 2,260,798 veterans with service-connected disabilities. Among the veterans receiving such compensation were 246 World War I veterans; 618,665 World War II veterans; 182,770 Korean-conflict veterans; 723,319 Vietnam-era veterans; and 198,224 veterans of the Persian Gulf War era.

A veteran with a disability rated at 30 percent or more may receive additional compensation on behalf of the veteran's spouse, children, and dependent parents. These dependents' allowances are prorated according to the percentage of disability. As of March 31, 1997, 677,471 veterans received additional compensation on behalf of 1,023,676 dependents.

Dependency and indemnity compensation

Under chapter 13 of title 38, VA pays dependency and indemnity compensation to the survivors of service members or veterans who died on or after January 1, 1957, from a disease or injury incurred or aggravated during military service. Survivors eligible for DIC include surviving spouses, unmarried children under the age of 18, certain helpless children age 18 or older, children between the ages of 18 and 22 who are enrolled in school, and certain needy parents. Under section 5312 of title 38, parents' DIC rates are adjusted automatically at the same time and by the same percentage as Social Security and VA pension benefits. Surviving spouses, children, and parents who are receiving death compensation based on deaths before January 1, 1957, may elect to receive DIC instead of death compensation.

For deaths prior to January 1, 1993, surviving spouses received DIC at rates determined by the pay grade (service rank) of the deceased veteran. For deaths on or after January 1, 1993, surviving spouses receive \$833 per month and, if the deceased veteran was

totally disabled for 8 years prior to death, an additional \$182 per month. Surviving spouses who had been receiving benefits under the prior DIC program are paid under whichever program will pay the higher benefit.

A surviving spouse who is so disabled as to be housebound or in need of regular aid and attendance is eligible to receive an additional amount. A surviving spouse also may receive additional allowances on behalf of the veteran's surviving children.

Children are entitled to DIC if there is no surviving spouse, if they are 18 years or older and became permanently incapable of self-support before reaching age 18, or if they are 18 to 22 years old and pursuing an approved course of education.

As of August 1, 1997, VA was paying DIC benefits to, or on behalf of, 280,732 surviving spouses, 34,060 children, and 14,327 needy surviving parents.

Under section 1318(b) of title 38, VA pays benefits at DIC rates to the surviving spouses and children of veterans whose deaths are not service connected if the veteran, immediately prior to his or her death, had been receiving (or had been entitled to receive) compensation at the 100-percent rate continuously for 10 or more years or for at least 5 years from the date of discharge or release from active duty.

History of cost-of-living increases

The Committee periodically 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 periodically to provide a cost-of-living adjustment in compensation and DIC benefits. In fact, the Congress has provided annual increases in these rates for every fiscal year since 1976. The following table shows the percentage increases since 1975.

HISTORY OF SERVICE-CONNECTED DISABILITY COMPENSATION INCREASES, 1975 TO PRESENT

Fiscal year	Effective date	Increase (per- cent)	Cumulative (1969=\$100)
1976	August 1975	11.8	158.55
1977	October 1976	8.0	171.23
1978	October 1977	6.6	182.53
1979	October 1978	7.3	195.86
1980	October 1979	9.9	215.25
1981	October 1980	14.3	246.03
1982	October 1981	11.2	273.58
1983	October 1982	7.4	293.82
1984	April 1983	3.5	304.11
1985	December 1984	3.2	313.84
1986	December 1985	3.1	323.57
1987	December 1986	1.5	328.42
1988	December 1987	4.2	342.22
1989	December 1988	4.1	356.25
1990	December 1989	4.7	372.99
1991	December 1990 ¹	5.4	393.13
1992	December 1991	3.7	407.68
1993	December 1992	3.0	419.91
1994	December 1993	2.6	430.83
1995	December 1994 ²	2.8	442.89
1996	December 1995 ²	2.6	454.41
1997	December 1996	2.9	467.59

HISTORY OF SERVICE-CONNECTED DISABILITY COMPENSATION INCREASES, 1975 TO PRESENT—
Continued

Fiscal year	Effective date	Increase (per- cent)	Cumulative (1969=\$100)
1998	December 1997 ²	³ 2.8	³ 480.68

¹ Payment of the December 1990 increase was delayed until January 1992 by section 8005(b) of Public Law 101-508.

² December 1994, 1995 and 1997 increases are rounded to the next lower dollar amount pursuant to sections 2(c)(2) of Public Law 103-418 and Public Law 104-57, and section 8031 of Public Law 105-33, respectively.

³ Estimate.

COMMITTEE BILL

The Committee bill would direct 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 and VA pension COLA that will take effect on that date. In accordance with section 8031 of the Balanced Budget Act of 1997 (Public Law 105-33), amounts of compensation so computed that are not even multiples of \$1 will be rounded down to the next lower whole dollar amount.

The increases in DIC automatically would result in identical percentage increases in benefits paid at DIC rates under section 1318 of title 38 to the surviving spouses and children of veterans who had a service-connected disability at the time of death for which they continuously were rated totally disabled for at least either (1) 10 years, or (2) 5 years from the date of discharge from active duty.

Under section 156(e)(1)(A) of Public Law 97-377, the DIC increases also automatically would result in the same percentage increases in Social Security benefits that were terminated by section 2205 of the Omnibus Budget Reconciliation Act of 1981 (OBRA 1981) (Public Law 97-35). Prior to OBRA 1981, those benefits had been paid to certain surviving spouses of those who died on active duty or from a service-connected disability on behalf of their children under 18 and children over age 19 who were secondary-school students; OBRA 1981 reduced the eligibility cutoff age from 18 to 16 years old.

Section 314 of Public Law 100-322 amended section 156(a)(1) of Public Law 97-377 to restore the benefits eliminated by the OBRA 1981. The DIC increase also would apply to these restored benefits, effective December 1, 1997.

The Committee bill would excise all provisions of S. 987, as introduced, not related to an increase, effective December 1, 1997, in the rates of compensation for veterans who have service-connected disabilities and in the rates of DIC for the survivors of those who died from service-connected causes. The Committee intends to continue its recent practice of limiting COLA bills to that subject matter.

CBO, in its most recent baseline, estimated that the fiscal year 1998 Social Security COLA, and thus the COLA provided for by the Committee bill, will be 2.8 percent. The Office of Management and Budget's corresponding estimate (as of September 1997) was 2.7 percent. The actual Social Security COLA could differ from either of these estimates. Rather than selecting any particular percentage adjustment at the time the Committee ordered the bill reported, the Committee followed its prior practice of setting the COLA by reference to the Social Security increase. The Committee believes

this is the most equitable means of providing increases in these important service-connected benefits.

COST ESTIMATE

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee, based on information supplied by CBO, estimates that, compared to the CBO baseline, there would be no costs or savings resulting from enactment of the Committee bill.

The cost estimate provided by CBO follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, October 8, 1997.

Hon. ARLEN SPECTER,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 987, 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.

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

S. 987—Veterans' Compensation Cost-of-Living Adjustment Act of 1997

For 1998, the bill 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, 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. S. 987 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. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

REGULATORY IMPACT STATEMENT

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee on Veterans' Affairs has made an evaluation of the regulatory impact that would be incurred in

carrying out the Committee bill. The Committee finds that the Committee bill would not entail any regulation of individuals or businesses or result in any impact on the personal privacy of any individuals and that the paperwork resulting from enactment would be minimal.

TABULATION OF VOTES CAST IN COMMITTEE

In compliance with paragraph 7 of rule XXVI of the Standing Rules of the Senate, the following is a tabulation of votes cast in person or by proxy by members of the Committee on Veterans' Affairs at its October 7, 1997, meeting. On that date, the Committee, by unanimous voice vote, ordered S. 987, as amended, reported favorably to the Senate.

AGENCY REPORT

On July 25, 1997, Stephen L. Lemons, Acting Under Secretary for Benefits, Department of Veterans Affairs, submitted testimony on, among other things, S. 987, as introduced. An excerpt from that testimony is reprinted below:

STATEMENT OF HONORABLE STEPHEN L. LEMONS, ACTING UNDER SECRETARY FOR BENEFITS, DEPARTMENT OF VETERANS AFFAIRS

Mr. Chairman and Members of the Committee, I am pleased to be here this morning to discuss those items on your agenda that would impact the Veterans Benefits Administration, the National Cemetery System, and the Board of Veterans' Appeals. Your letter of invitation asked that we address each of the following bills and draft proposals: S. 987 (VA requested draft legislation proposing a compensation cost-of-living adjustment and other program improvements); S. 464; S. 623; S. 714; S. 730; Committee Print (to increase the Medal of Honor pension); S. 813; S. 986 (VA requested draft legislation proposing home loan program improvements); Committee Print (to make technical amendments to Public Law 104-275); and Committee Print (codification of FY 1997 cost-of-living adjustment legislation, Pub. L. No. 104-263).

S. 987 (COMPENSATION COLA AND PROGRAM IMPROVEMENTS)

S. 987, which the Chairman introduced at VA's request, would authorize a cost-of-living adjustment (COLA) for fiscal year (FY) 1998 in the rates of disability compensation and dependency and indemnity compensation (DIC), and would revise and improve certain veterans compensation, pension, and memorial affairs programs. We thank the Chairman for introducing this bill, and urge its favorable consideration.

Section 101 of S. 987 would direct the Secretary of Veterans Affairs to increase administratively the rates of compensation for service-disabled veterans and of DIC for the survivors of veterans whose deaths are service related, effective December 1, 1997. The rate of increase would be

the same as the COLA that will be provided under current law to veterans' pension and Social Security recipients, which is currently estimated to be 2.7 percent. This proposed COLA is necessary and appropriate in order to protect the benefits of these most deserving recipients from the eroding effects of inflation. We estimate that enactment of this section, in conjunction with section 102 of this bill, would result in benefit costs of \$330.7 million during FY 1998 and \$1.94 billion over the five-year period from FYs 1998 to 2002. The costs associated with the compensation COLA are considered to be part of the compensation baseline and not subject to the pay-as-you-go provisions of the Omnibus Budget Reconciliation Act (OBRA) of 1990.

Section 102 would require the Secretary, in computing new rates of (or limitations affecting) disability compensation and DIC pursuant to the enactment of any legislation requiring the Secretary to increase such rates to provide a COLA for fiscal year 1998 and thereafter, to round down to the next lower whole dollar any rate that is not evenly divisible by one dollar. This proposal is consistent with the congressionally-mandated calculation methods applied to COLA's for fiscal years 1994, 1995, and 1996. We acknowledge the Committee's favorable consideration of a similar proposal in its recommendations regarding budget reconciliation. We estimate that section 102 would reduce the FY 1998 benefits costs associated with the COLA proposed in section 101 of this bill by \$17 million and reduce the five-year benefit cost for FYs 1998 through 2002 by \$287 million, as compared to the cost of that COLA and future COLAs based on rounding odd dollar amounts to the nearest whole dollar. These savings would be subject to the pay-as-you-go provisions of OBRA 1990.

CHANGES IN EXISTING LAW MADE BY S. 987, AS REPORTED

Since the Committee bill would not repeal or amend any provisions of current law, this report does not contain the material described in clauses (a) and (b) of paragraph 12 of rule XXVI of the Standing Rules of the Senate.

