

VETERANS' COMPENSATION COST-OF-LIVING
ADJUSTMENT ACT OF 2006

JUNE 22, 2006.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

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

R E P O R T

[To accompany H.R. 4843]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 4843) to increase, effective as of December 1, 2006, 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, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

In section 2(b), strike paragraph (6) (page 3, lines 1 through 3) and insert the following:

(6) ADDITIONAL DIC FOR SURVIVING SPOUSES WITH MINOR CHILDREN.—The dollar amounts in effect under section 1311(b) of such title and paragraph (1) of section 1311(f) of such title (as redesignated by subsection (e) of this section).

At the end of section 2 (page 4, after line 9), insert the following new subsection:

(e) DESIGNATION CORRECTION.—Section 1311 of title 38, United States Code, is amended by redesignating the second subsection (e) (added by section 301(a) of the Veterans Benefits Improvement Act of 2004 (Public Law 108-454; 118 Stat. 3610)) as subsection (f).

INTRODUCTION

On March 2, 2006, the Chairman and Ranking Member of the Subcommittee on Disability Assistance and Memorial Affairs, Honorable Jeff Miller and Honorable Shelley Berkley, respectively, along with the Chairman and Ranking Member of the Veterans' Affairs Committee, Honorable Steve Buyer and Honorable Lane Evans, respectively, introduced H.R. 4843, the Veterans' Compensation Cost-of-Living Adjustment Act of 2006, which would provide a cost-of-living adjustment in the rates of service-connected disability compensation and dependency and indemnity compensation, effective December 1, 2006.

On April 6, 2006, the Subcommittee on Disability Assistance and Memorial Affairs held a hearing on seven bills, including H.R. 4843.

On June 8, 2006, the Subcommittee on Disability Assistance and Memorial Affairs met and ordered H.R. 4843 reported favorably to the full Committee by unanimous voice vote.

On June 22, 2006, the full Committee met and ordered H.R. 4843 reported favorably, as amended, to the House by voice vote.

SUMMARY OF THE REPORTED BILL

H.R. 4843, as amended, would:

Provide effective December 1, 2006, a cost-of-living adjustment to the rates of disability compensation for veterans with service-connected disabilities and to the rates of dependency and indemnity compensation for survivors of certain service-connected disabled veterans. The percentage amount would be equal to the increase for benefits provided under the Social Security Act, which is calculated based upon changes in the Consumer Price Index.

BACKGROUND AND DISCUSSION

Increase in rates of disability compensation and dependency and indemnity compensation.—Section 2 of the bill would increase, effective December 1, 2006, the rates of compensation for service-connected disabilities and the rates of dependency and indemnity compensation (DIC) for surviving spouses and children of veterans who die of service-connected causes, as well as the additional amounts for dependents and survivors, and clothing allowances for certain veterans. Congress has provided annual increases in these rates for every fiscal year since 1976.

The Committee is following its longstanding practice of setting the cost-of-living adjustment (COLA) by reference to the yet-to-be-determined Social Security increase. At the time of the filing of this report, the increase is expected to be 2.6 percent, but it may be higher or lower depending on changes in the Consumer Price Index; the exact percentage is calculated as of September 30, 2006. Last year's increase was 4.1 percent.

The purpose of the disability compensation program is to represent, to the extent practicable, the average impairment in earnings capacity as a result of a disability or combination of disabilities incurred or aggravated by military service. The amount of compensation payable varies according to the degree of disability.

To be eligible to receive disability compensation, a veteran's disability must not be the result of willful misconduct, and the vet-

eran must have been discharged under other than dishonorable conditions. The responsibility for determining a veteran's entitlement to service-connection for a disability rests with the Department of Veterans Affairs (VA). More than 2.6 million veterans were receiving service-connected disability compensation as of May 2006.

Surviving spouses and dependent children of veterans who died of disabilities determined by VA to be service-connected (including veterans who died while on active duty) or who had a service-connected disability rated at 100 percent for certain periods of time prior to death are entitled to receive monthly DIC benefits. Additional amounts are paid to survivors who are housebound, in need of aid and attendance, or have minor children. The purpose of DIC authorized under chapter 13 of title 38, United States Code, 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 because the Nation in part assumes the legal and moral obligation of the veteran to support the spouse and children. As of May 2006, there were more than 311,000 surviving spouses and more than 29,000 children receiving DIC.

Public Law 108-454 authorized an additional DIC payment of \$250 a month provided for the first 2 years of DIC eligibility to surviving spouses with minor children. This additional benefit is aimed at easing the transition following the death of the servicemember or veteran. Payment is based on the family unit, not per child, and terminates prior to the end of the 2-year period if there are no longer children under the age of 18. H.R. 4843, as amended, would provide a cost-of-living adjustment to this 2-year transitional DIC benefit.

SECTION-BY-SECTION ANALYSIS

Section 1 of the bill would provide that this Act may be cited as the "Veterans" Compensation Cost-of-Living Adjustment Act of 2006".

Section 2(a) of the bill would require the Secretary of Veterans Affairs to increase, effective December 1, 2006, the dollar amounts in effect for the payment of disability compensation and dependency and indemnity compensation.

Section 2(b) of the bill would specify the programs to receive increased dollar amounts: compensation in effect under section 1114 of title 38, United States Code; additional compensation for dependents in effect under section 1115(1) of title 38, United States Code; clothing allowance in effect under section 1162 of title 38, United States Code; new DIC rates in effect under paragraphs (1) and (2) of section 1311(a) of title 38, United States Code; old DIC rates in effect under section 1311(a)(3) of title 38, United States Code; additional DIC for surviving spouses with minor children in effect under section 1311(b) and paragraph (1) of section 1311(f) of title 38, United States Code; additional DIC for disability in effect under sections 1311(c) and (d) of title 38, United States Code; and DIC for dependent children in effect under sections 1313(a) and 1314 of title 38, United States Code.

Section 2(c)(1) of the bill would increase the dollar amounts for those programs specified in subsection (b) based on the amount in effect on November 30, 2006.

Section 2(c)(2) of the bill 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. 401 et seq.).

Section 2(c)(3) of the bill would round down to the next lower dollar amount all compensation and DIC benefits, when the amount is not a whole dollar amount.

Section 2(d) of the bill 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 (72 Stat. 1263), who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

Section 3 of the bill would require the Secretary of Veterans Affairs to publish in the Federal Register the amounts specified in subsection (b), as increased pursuant to that section.

PERFORMANCE GOALS AND OBJECTIVES

The reported bill would authorize benefits and program enhancements under laws administered by the Secretary of Veterans Affairs. The Department of Veterans Affairs' performance goals and objectives are established in annual performance plans and are subject to the Committee's regular oversight and evaluation by the U.S. Government Accountability Office. VA also publishes a performance and accountability report for each fiscal year.

STATEMENTS OF THE VIEWS OF THE ADMINISTRATION

The Administration's fiscal year 2007 budget request, submitted in February 2006, recommended a cost-of-living adjustment based on the change in the Consumer Price Index (CPI) be given to all compensation beneficiaries, including DIC recipients, effective December 1, 2006. The estimated increase is 2.6 percent.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 22, 2006.

Hon. STEVE BUYER,
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. 4843, the Veterans' Compensation Cost-of-Living Adjustment Act of 2006.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Dwayne M. Wright.

Sincerely,

DONALD B. MARRON,
Acting Director.

Enclosure.

H.R. 4843—Veterans' Compensation Cost-of-Living Adjustment Act of 2006

H.R. 4843 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, 2006, and the results of the adjustment would be rounded to the next lower dollar.

The COLA that would be authorized by this bill is assumed in CBO's baseline, pursuant to 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) and extended to 2013 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 that baseline. Relative to current law, CBO estimates that enacting this bill would increase spending for these programs by \$530 million in 2007. (The annualized cost would be about \$710 million in subsequent years.) This estimate assumes that the COLA effective on December 1, 2006, will be 2.2 percent.

H.R. 4843 would also apply the COLA to a benefit for surviving spouses with children under age 18. Under current law, surviving spouses who are eligible for Dependency and Indemnity Compensation (DIC) and have one or more children under age 18 have their monthly DIC payment increased by \$250 for up to two years from the date that the survivor becomes eligible for DIC. Section 2 would increase the \$250 benefit by the same cost-of-living adjustment payable to Social Security recipients on December 1, 2006. Based on an assumed COLA of 2.2 percent, CBO estimates that this monthly benefit would increase to \$255 (after rounding down to the next lowest dollar) for 2007 and each subsequent year relative to current law and CBO's baseline. Therefore, CBO estimates that enacting this provision would increase direct spending for veterans compensation by less than \$200,000 in 2007, by \$1 million over the 2007–2011 period, and by \$2 million over the 2007–2016 period.

H.R. 4843 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On May 11, 2006, CBO transmitted a cost estimate for H.R. 4843 as introduced on March 2, 2006. H.R. 4843, as ordered reported, is similar to the introduced bill, but also contains a provision that would increase the additional \$250 benefit for surviving spouses with children under 18 by the same cost-of-living adjustment payable to Social Security recipients on December 1, 2006. The differences in the estimates reflect the differences in the two versions of the bill.

The CBO staff contact for this estimate is Dwayne M. Wright. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

STATEMENT OF FEDERAL MANDATES

The preceding Congressional Budget Office cost estimate states that the bill contains no intergovernmental or private sector mandates as defined in the Unfunded Mandates Reform Act.

STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to Article I, section 8 of the United States Constitution, the reported bill is authorized by Congress' power to "provide for the common Defense and general Welfare of the United States."

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

SECTION 1311 OF TITLE 38, UNITED STATES CODE**§ 1311. Dependency and indemnity compensation to a surviving spouse**

(a) * * *

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[(e)] (f)(1) Subject to paragraphs (2) and (3), if there is a surviving spouse with one or more children below the age of 18, the dependency and indemnity compensation paid monthly to the surviving spouse shall be increased by \$250, regardless of the number of such children.

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