

VETERANS' COMPENSATION COST-OF-LIVING
 ADJUSTMENT ACT OF 2010

MARCH 22, 2010.—Committed to the Committee of the Whole House on the State
 of the Union and ordered to be printed

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

R E P O R T

[To accompany H.R. 4667]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 4667) to increase, effective as of December 1, 2010, 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, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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PURPOSE AND SUMMARY

H.R. 4667 was introduced on February 23, 2010, by Representative Thomas S. P. Perriello of Virginia. This legislation would increase, effective December 1, 2010, 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. Accordingly, it would require the Secretary of the Department of Veterans Affairs (VA) to increase, effective December 1, 2010, the rates of and limitations on certain benefits paid by VA by the same percentage as the cost-of-living adjustment (COLA) provided to Social Security recipients and VA pension beneficiaries that become effective on the 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 allowance 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 dependency and indemnity compensation (DIC) rates paid to:
 - (a) Surviving spouses of veterans whose deaths were service-connected;
 - (b) Surviving spouses for dependent children below the age of 18;
 - (c) Surviving spouses who are so disabled that they need aid and attendance or are permanently housebound;
 - (d) Surviving spouses covered under section 1318 of title 38, United States Code; and
 - (e) 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.

BACKGROUND AND NEED FOR LEGISLATION

H.R. 4667 would increase, effective December 1, 2010, 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, as well as the additional amounts for dependents and survivors and clothing allowance for certain veterans. Congress has provided annual increases in these rates every fiscal year since 1976. For fiscal year 2010, the cost-of-living increase for VA disability compensation and DIC compensation, enacted in accordance with Public Law 111-37 (123 Stat. 1927) was 0.0 percent. The Congressional Budget Office

(CBO) is estimating that the COLA effective on December 1, 2010, will be 0.1 percent.

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 a disability or combination of disabilities incurred or aggravated during active duty in the Armed Forces. The purpose of the disability compensation program is to represent the average loss in earnings capacity. The amount of compensation paid depends on the nature and severity of the veteran's disability or combination of disabilities and an assessment of the extent to which the disability impairs earnings capacity. To be eligible to receive disability compensation, a veteran's disability must not be the result of willful misconduct, and the veteran must have been discharged under other than dishonorable conditions. The responsibility for determining a veteran's entitlement to service-connection for a disability and the amount of said compensation rests with the VA.

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.

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 pro-rated according to the percentage of disability.

Dependency and indemnity compensation

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. The purpose of DIC authorized under chapter 13 of title 38, United States Code, is to provide compensation to the appropriate survivors for the loss of financial support as a result of the service-connected death of the veteran.

VA pays DIC to the survivors of servicemembers 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, children age 18 or older who are permanently incapable of self-support, children between the ages of 18 and 22 who are enrolled in school, and certain needy parents. Under section 5312 of title 38, United States Code, 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, sur-

viving spouses currently receive \$1154 per month and, if the deceased veteran was totally disabled for eight years prior to death, an additional \$246 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 of age 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.

Parents of deceased veterans whose incomes are below statutorily prescribed income thresholds are eligible for DIC under section 1315 of title 38, United States Code. As previously mentioned, parents' DIC rates are adjusted automatically at the same time and by the same percentage as Social Security and VA pension benefits.

Under section 1318 of title 38, United States Code, 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 five years from the date of discharge or release from active duty. VA also pays DIC benefits to the surviving spouses and children of veterans who were former prisoners of war who die after September 30, 1999, and whose deaths were not service-connected if the veterans had been receiving (or had been entitled to receive) compensation at the 100 percent rate continuously for not less than one year preceding death. In its fiscal year 2010 budget, the VA indicates that veteran termination data has demonstrated that survivors typically access compensation benefits within three years.

Additional information

H.R. 4667 would direct VA to compute and provide increases in the monthly rates of compensation and DIC, effective December 1, 2010. 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 (111 Stat. 251, 668), amounts of compensation so computed that are not even multiples of \$1 will be rounded down to the next lower whole dollar amount. The Veterans Benefits Act of 2003, Public Law 108-183 (117 Stat. 2651, 2672) extended this provision for an additional two years to 2013.

The increases in DIC automatically would result in identical percentage increases in benefits paid at DIC rates under section 1318 of title 38, United States Code, 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 (1) 10 years, (2) five years from the date of discharge from active duty, or (3) one year if the veteran was a former prisoner of war who died after September 30, 1999, and whose death was not service-connected if the veteran had been receiving (or had

been entitled to receive) compensation at the 100 percent rate continuously for not less than one year preceding death.

Under section 156(e)(1)(A) of Public Law 97–377 (96 Stat. 1830, 1920–1921), 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 (95 Stat. 483, 837). 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 the Veterans' Benefits and Services Act of 1988, Public Law 100–322 (102 Stat. 487, 535) amended section 156(a)(1) of Public Law 97–377 to restore the benefits eliminated by OBRA 1981. The DIC increase also would apply to these restored benefits, effective December 1, 2000.

The CBO, in its most recent baseline, estimated that the Social Security COLA affecting fiscal year 2010 payments, and thus the COLA provided for by the Committee bill, will be 0.1 percent. The actual Social Security COLA could differ from this estimate. 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.

HEARINGS

There were no hearings held in connection to the bill favorably reported by the Committee.

COMMITTEE CONSIDERATION

On March 10, 2010, the full Committee met in open markup session, a quorum being present, and ordered H.R. 4667 favorably reported to the House of Representatives, by voice vote.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report the legislation and amendments thereto. There were no record votes taken on amendments or in connection with ordering H.R. 4667 reported to the House. A motion by Mr. Henry Brown of South Carolina to order H.R. 4667 reported favorably to the House of Representatives was agreed to by voice vote.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII and clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the descriptive portions of this report.

STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In accordance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee's performance goals and objectives are reflected in the descriptive portions of this report.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

EARMARKS AND TAX AND TARIFF BENEFITS

H.R. 4667 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(d), 9(e), or 9(f) of rule XXI of the Rules of the House of Representatives.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate on H.R. 4667 prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate for H.R. 4667 provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 12, 2010.

Hon. BOB FILNER,
*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. 4667, the Veterans' Compensation Cost-of-Living Adjustment Act of 2010.

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

Sincerely,

DOUGLAS W. ELMENDORF,
Director.

Enclosure.

H.R. 4667—Veterans' Compensation Cost-of-Living Adjustment Act of 2010

H.R. 4667 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, 2010, 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 \$50 million in fiscal year 2011. (The annualized cost would be about \$70 million in subsequent years.) This estimate assumes that the COLA effective on December 1, 2010, would be 0.1 percent.

H.R. 4667 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 H.R. 4667 would not affect direct spending or revenues relative to CBO's baseline; therefore pay-as-you-go procedures would not apply.

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

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates regarding H.R. 4667 prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act would be created by H.R. 4667.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional authority for H.R. 4667 is provided by Article I, section 8 of the Constitution of the United States.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section would provide the short title of H.R. 4667 as the "Veterans' Compensation Cost-of-Living Adjustment Act of 2010."

Section 2. Increase in rates of disability compensation and dependency and indemnity compensation

Section 2(a) of H.R. 4667 would require the Secretary of Veterans Affairs to increase, effective December 1, 2010, the dollar amounts 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 sections 1115(1) of title 38, United States Code; clothing allowance in effect under section 1162 of title 38, United States Code; Dependency and Indemnity Compensation to Surviving Spouse under subsections (a) through (d) of sections 1311 of title 38, United States Code; and Dependency and Indemnity Compensation to Children—each of the dollar amounts under sections 1313(a) and 1314 of title 38, United States Code.

Section 2(c)(1) 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)(2) of the bill would round down to the next lower dollar amount all compensation and DIC benefits, when the amount is not in the 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 under 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. Publication of adjusted rates

Section 3 of H.R. 4667 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.