

VETERANS' COMPENSATION COST-OF-LIVING ADJUSTMENT
ACT OF 2003

MAY 19, 2003.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. SMITH of New Jersey, from the Committee on Veterans' Affairs,
submitted the following

R E P O R T

[To accompany H.R. 1683]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 1683) to increase, effective as of December 1, 2003, 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 veterans, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

INTRODUCTION

On April 9, 2003, the Chairman and Ranking Member of the Veterans' Affairs Committee, Honorable Christopher H. Smith and Honorable Lane Evans, along with the Chairman and Ranking Member of the Subcommittee on Benefits, Honorable Henry E. Brown, Jr. and Honorable Michael H. Michaud, introduced H.R. 1683, which would provide a cost-of-living adjustment (COLA) in the rates of service-connected disability compensation and dependency and indemnity compensation, effective December 1, 2003.

On May 7, 2003, the Subcommittee on Benefits met and ordered H.R. 1683 reported favorably to the full Committee by unanimous voice vote.

On May 15, 2003, the full Committee met and ordered H.R. 1683 reported favorably to the House by unanimous voice vote.

SUMMARY OF THE REPORTED BILL

H.R. 1683 would:

Provide effective December 1, 2003, 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, 2003, 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. The Administration anticipates the percentage increase to be 2 percent, but it may be higher or lower depending on changes in the Consumer Price Index. The Committee is following its recent practice of setting the COLA by reference to the Social Security increase, which will be determined as of September 30, 2003. Last year's increase was 1.4 percent.

More than 2.4 million veterans were receiving service-connected disability compensation as of April 2003. 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. This amount in turn is required by law to represent, to the extent practicable, the average impairment in earning capacity in civilian occupations resulting from such disability or combination of disabilities.

To be eligible to receive disability compensation, a veteran must have a disability incurred or aggravated during military service, which is not the result of willful misconduct, 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.

As of April 2003, there were 296,684 surviving spouses and 29,953 children receiving dependency and indemnity compensation (DIC). Widows and children of veterans who died of disabilities determined by VA to be service-connected (including veterans who died while on active duty) are entitled to receive monthly DIC benefits.

The purpose of DIC benefits, 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.

The Committee annually reviews the service-connected disability compensation and DIC programs to ensure such benefits provide reasonable and adequate compensation for disabled veterans and

their families. Based on this review, Congress acts annually to provide a cost-of-living adjustment (COLA) in compensation and DIC benefits. Congress has provided annual increases in these rates for every fiscal year since 1976.

SECTION-BY-SECTION ANALYSIS

Section would provide that this Act may be cited as the “Veterans’ Compensation Cost-Of-Living Adjustment Act of 2003”.

Section 2(a) would authorize the Secretary of Veterans Affairs to increase, effective December 1, 2003, 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 surviving spouses with minor children, additional DIC for disability, and DIC for dependent children.

Section 2(c)(1) would increase the dollar amounts for those programs specified in subsection (b) based on the amount in effect on November 30, 2003.

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. 401 et seq.).

Section 2(c)(3) 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) 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, United States Code.

Section 3 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 veterans benefits enhancements under laws administered by the Secretary of Veterans Affairs. The performance goals and objectives of the Department of Veterans Affairs are established in annual performance plans and are subject to the Committee’s regular oversight and evaluation by the U.S. General Accounting 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 2004 budget request, submitted in March 2003, 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, 2003. The estimated increase in the CPI at that time was 2 percent.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 16, 2003

Hon. CHRISTOPHER H. SMITH
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. 1683, the Veterans' Compensation Cost-of-Living Adjustment Act of 2003.

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

Sincerely,

DOUGLAS HOLTZ-EAKIN,
Director

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

*H.R. 1683, Veterans' Compensation Cost-of-Living Adjustment Act
of 2003*

*As ordered reported by the House Committee on Veterans' Affairs on
May 15, 2003*

H.R. 1683 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, 2003, 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 the budget resolution 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). The authority to round down the COLA increase was extended to 2011 by the Veterans Education and Benefits Expansion Act of 2001 (Public Law 107-103).

Because the COLA is assumed in the baseline, the COLA provision would have no budgetary effect relative to the baseline. Relative to current law, CBO estimates that enacting this provision would increase spending for these programs by about \$420 million in 2004. (The annualized cost would be about \$560 million in subsequent years.) This estimate assumes that the COLA effective on December 1, 2003, would be 2.2 percent.

H.R. 1683 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 April 25, 2003, CBO transmitted a cost estimate for H.R. 1683, as introduced on April 9, 2003. The two versions of the legislation are identical, as are the two estimates.

The CBO staff contact is Melissa E. Zimmerman, who can be reached at 226–2840. 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."

