



June 26, 2008

Honorable Daniel K. Akaka
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

I am writing in response to your letter dated May 19, 2008, and as follow-up to our meeting on May 23, 2008, regarding CBO estimates of certain sections of S. 1315, the Veterans' Benefits Enhancement Act of 2007. Your letter specifically questions our estimate for section 802, which would authorize supplemental benefits for disabled veterans eligible to receive assistance for automobiles and other conveyances, and for section 401, which would grant Filipino veterans of World War II a non-service-connected pension and would grant the surviving spouses of such veterans a death pension.

Change in CBO Estimate of Section 802. With regard to section 802 in particular, and from a general viewpoint as well, you asked about when "CBO has completed its work," so that Members can be confident that an estimate of costs will not change. I can assure you that CBO does not change an estimate lightly—we do so only in some specific circumstances, such as when a bill introduced in one session of Congress is still under consideration in a subsequent session and there is significant new cost information to reflect.

CBO first provided an estimate for S. 1315 (including the potential impact of section 802) in August of 2007. In April 2008, your staff asked us to update the cost estimate for the bill, reflecting new effective dates for some of the bill's provisions and certain other changes.

When CBO reviews legislation moving from one Congressional session into the next session, we routinely review and revise the estimated budgetary impact of proposals that were previously estimated in the prior legislative session. That has long been a common, standard practice for CBO.

In contrast, CBO generally does not change a formal cost estimate provided for legislation during a single Congressional session, unless that estimate needs to be updated to reflect Congressional action (for cleared legislation) or to reflect a definitive administrative action by the Executive branch.

With regard to CBO's recent review of S. 1315, CBO had completed a new baseline in March 2008, which is the baseline underlying the current budget resolution and used by the Committee on the Budget and CBO for tracking the estimated effects of proposed legislation during this Congressional session. As part of CBO's new estimate for the bill, we included an estimated mandatory cost for section 802 that had not been included in the earlier estimate. We should have recognized that potential effect in our 2007 estimate.

CBO has determined that the authorization of discretionary supplements to existing mandatory benefits can, in certain circumstances, increase the usage of the underlying mandatory benefits, thereby increasing direct spending. Although the vast majority of authorizations for additional discretionary spending would not affect direct spending, some new authorizations can have such an impact. Section 802 would modify an existing mandatory program by turning it into a joint mandatory-discretionary program, with an anticipated behavioral response for greater use of the existing program, stemming from the newly authorized discretionary appropriations.

Section 802 would authorize a discretionary supplement that would more than double the existing \$11,000 grant provided to certain veterans for the purchase of an automobile. CBO estimated that an increase of this size in the benefit would probably increase usage of the benefit by about 10 percent. That assessment is based on the size of the increased benefit relative to the cost of buying an automobile (a veteran's out-of-pocket costs to purchase a vehicle and have it adapted for their disabilities would fall by many thousands of dollars), and the number of individuals who currently use the benefit relative to the number of totally disabled veterans.

With a joint mandatory-discretionary program, any change in expected cost resulting from that combination would have to be allocated to either the authorizing legislation or the appropriation action that funds the new authorization. CBO believes that the expected change in use of the mandatory benefit under section 802 should be counted as new direct spending associated with S. 1315.

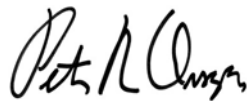
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Change in Estimate of Section 401. The Senate Veterans' Affairs Committee staff brought to our attention that our previous estimate of S. 1315 might not reflect all eligible Filipino surviving spouses under section 401. We reviewed the bill language and consulted with our counsel and with the Department of Veterans Affairs to try to ensure that the CBO estimate encompassed all potential beneficiaries. We determined that the committee staff was correct and we changed our estimate accordingly.

As a result, our updated estimate of section 401's provision for pensions for Filipino surviving spouses is an increase in expected direct spending of \$160 million over the 2009-2018 period, covering approximately 11,200 surviving spouses. Our original (August 2007) estimate for this pension provision reflected a projection of 4,000 surviving spouses for an estimated cost of \$59 million over the 2008-2017 period. (Last year's estimate extended only through 2017, consistent with the 10-year projection period underlying the baseline in place at that time.) That earlier estimate did not include the surviving spouses of Filipino veterans who died before enactment of the bill. Your staff pointed out that the language as drafted would encompass that group. Thus, we updated the estimate to reflect the full cohort of potential beneficiaries.

CBO Contacts. I hope the above information addresses the questions you raised. If you wish additional details, we would be happy to provide them. The CBO contacts are Camille Woodland (for section 802) and Dwayne Wright (for section 401).

Sincerely,



Peter R. Orszag
Director

cc: Honorable Richard Burr
Ranking Member