Congressional Budget Office
Cost Estimate

June 25, 2019

At a Glance

H.R. 553, Military Surviving Spouses Equity Act

As introduced in the House of Representatives on January 15, 2019

By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	2,600	5,700
Revenues	0	0	0
Deficit Effect	0	2,600	5,700
Spending Subject to Appropriation (Outlays)	0	1,160	2,770

Statutory pay-as-you-go procedures apply?	**Yes**	**Mandate Effects**	
		Contains intergovernmental mandate?	**No**
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	**> $5 billion**	Contains private-sector mandate?	**No**

The bill would

- Permit surviving spouses of deceased veterans who are eligible for Survivor Benefit Plan (SBP) annuities and Dependency and Indemnity Compensation (DIC) to receive the full amount of both of those benefits
- Eliminate the Special Survivor Indemnity Allowance that is available to surviving spouses who have SBP annuities reduced by the amount of their DIC
- Eliminate the refund of SBP premiums that are paid to surviving spouses whose SBP payments are reduced
- Eliminate the optional SBP annuities paid to dependent children of service members who died on active duty and restore the SBP annuities to the surviving spouses of those service members

Estimated budgetary effects would primarily stem from

- Increasing net payments for the SBP program by $5.7 billion
- Increasing accrual payments from the Department of Defense by $2.8 billion

Areas of significant uncertainty include

- Accurately estimating the number of surviving spouses who receive SBP payments that will be reduced under current law

Detailed estimate begins on the next page.

Bill Summary

H.R. 553 would permit the surviving spouses of deceased veterans who are eligible for Survivor Benefit Plan (SBP) annuities and Dependency and Indemnity Compensation (DIC) to receive the full amount of both of those benefits. The bill also would eliminate other payments and reimbursements meant to restore some of those benefits.

Estimated Federal Cost

The estimated budgetary effects of H.R. 553 are shown in Table 1. The costs of the legislation fall within budget function 600 (income security).

Table 1.
Estimated Budgetary Effects of H.R. 553

	By Fiscal Year, Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2019-2024	2019-2029
	Increases in Direct Spending												
Estimated Budget Authority	0	480	500	530	550	580	590	610	620	630	650	2,640	5,740
Estimated Outlays	0	440	500	530	550	580	590	610	620	630	650	2,600	5,700
	Increases in Spending Subject to Appropriation[a]												
Estimated Authorization	0	0	280	290	290	300	310	310	320	330	340	1,160	2,770
Estimated Outlays	0	0	280	290	290	300	310	310	320	330	340	1,160	2,770

a. Outlays from accrual payments to the Military Retirement Fund are intragovernmental transactions that have no net effect on federal spending.

Basis of Estimate

CBO assumes that H.R. 553 will be enacted near the start of fiscal year 2020 and that the accrual payments that the Department of Defense (DoD) makes to the Military Retirement Fund will reflect the changes made by H.R. 553 beginning in fiscal year 2021.

Background

The Survivor Benefit Plan provides a monthly payment to surviving beneficiaries of deceased military retirees and to survivors of certain service members who died while on active duty. SBP benefits are paid to surviving spouses, surviving children, or other beneficiaries elected by a retiree. In fiscal year 2018, DoD paid $3.9 billion to 315,000 survivors; about 95 percent of those beneficiaries were surviving spouses.[1]

1. See DoD Office of the Actuary, *Statistical Report of the Military Retirement System, Fiscal Year Ended September 30, 2018* (May 2019), https://actuary.defense.gov/Portals/15/Documents/MRS_StatRpt_2018%20v5.pdf.

Military retirees can purchase survivor annuities through withholding from their monthly retired pay. The value of those annuities can be as high as 55 percent of the amount of the retirees' monthly retired pay; most new retirees elect to purchase the maximum permitted annuity.

SBP annuities also are paid to the survivors of service members who died on active duty while in the line of duty or who qualified for military retirement at the time of their death. In 2018, nearly 11,000 survivors received SBP benefits because of a service member's death on active duty; over two-thirds of those beneficiaries were surviving children.

Dependency and Indemnity Compensation (DIC) is paid to surviving spouses and children of veterans who die from an injury or illness that was incurred or aggravated in the line of duty; it is also paid to survivors of service members who die in the line of duty.

Generally, surviving spouses may not receive both SBP and DIC payments. DoD reduces the SBP annuities of surviving spouses by the amount of the DIC they receive—a reduction called the SBP-DIC offset. If the SBP payment exceeds the DIC payment, the SBP payment is partially offset. If the DIC payment exceeds the SBP payment, the SBP payment is fully offset.

Surviving spouses whose SBP payments are offset receive a monthly payment—called the Special Survivor Indemnity Allowance (SSIA)—to restore some of those benefits. The maximum amount of the SSIA is $318 per month in calendar year 2019. Surviving spouses who are subject to the SBP-DIC offset can receive refunds of part or all of the SBP premiums that their deceased spouses paid during their retirement.

When service members die on active duty, the surviving spouses can transfer the SBP benefit to any surviving children. In those cases, the surviving spouses receive the full DIC, while the surviving children receive the full SBP payment until they become ineligible as a result of age, generally at age 18 or at age 22 if they are students.

Direct Spending

CBO estimates that H.R. 553 would increase direct spending, on net, by $5.7 billion over the 2020-2029 period.

Eliminate SBP-DIC Offset. H.R. 553 would eliminate the SBP-DIC offset that applies to surviving spouses of deceased veterans and service members. The DoD Office of the Actuary reports that in 2018 SBP payments were reduced by an average of $11,000 for over 65,000 surviving spouses. CBO expects the number of surviving spouses subject to the offset will grow to nearly 75,000 by 2029, and their average offset will increase to about $14,400. On that basis, CBO estimates that repealing the SBP-DIC offset would increase direct spending for SBP benefits by $9.4 billion over the 2020-2029 period.

Eliminate SSIA. H.R. 553 would eliminate the Special Survivor Indemnity Allowance that is available to surviving spouses who are subject to the SBP-DIC offset. CBO expects the SSIA payment to grow from $3,816 in calendar year 2019 to just over $4,800 in 2029. On that basis, CBO estimates that repealing the SSIA would reduce direct spending by $3.2 billion over the 2020-2029 period.

Eliminate Premium Refunds. Survivors whose SBP annuities are offset receive lump-sum refunds of the premiums paid by the retiree before their death. By repealing the offset of those annuities, H.R. 553 would eliminate the refunds of SBP premiums that are made to surviving spouses. The DoD Office of the Actuary reports that in 2018, the premium refund averaged about $25,000. CBO expects that amount to grow to over $32,000 by 2029. On the basis of information from the Office of the Actuary, CBO expects more than 2,500 surviving spouses will receive premium refunds each year over the 2020-2029 period. On that basis, CBO estimates that eliminating premium refunds would reduce direct spending by $700 million over the 2020-2029 period.

Repeal Optional Annuity for Dependent Children and Restore SBP for Spouses. H.R. 553 would eliminate the option, in the case of a service member who died on active duty, to pay SBP to the surviving children instead of the surviving spouse. Additionally, H.R. 553 would restore SBP benefits to any such surviving spouses who previously elected to transfer SBP eligibility to their surviving children. (Children who are currently receiving transferred annuities also would continue to receive them until they reach the age limit for eligibility.) On the basis of information from the Office of the Actuary, CBO expects that about 450 additional survivors would receive SBP payments in 2020, growing to over 1,000 in 2029. Their average payment would increase from more than $18,000 in 2020 to $22,800 in 2029. On that basis, CBO estimates that repealing optional annuities for children and restoring eligibility for spouses would increase direct spending by about $200 million over the 2020-2029 period.

Spending Subject to Appropriation

DoD makes annual accrual payments into the Military Retirement Fund. Those payments, calculated in accordance with actuarial standards of practice, are the amounts necessary to cover the present value of future retirement and survivor benefit payments earned during the year. Under current law, CBO projects that DoD's annual accrual payments would climb from about $22 billion in 2020 to about $26 billion in 2029. CBO expects that the changes made by H.R. 553 would require DoD's annual accrual payments to increase by 1.25 percent. On that basis, CBO estimates that implementing H.R. 553 would increase spending subject to appropriation by $2.8 billion over the 2021-2029 period; such spending would be subject to the availability of appropriated funds. The accrual payments from DoD are recorded in the budget as offsetting collections in the Military Retirement Fund. Because those transactions are intragovernmental they would have no net effect on federal spending.

Uncertainty

The most significant source of uncertainty in this estimate is projecting the number of surviving spouses whose SBP payments would be offset over the next decade. The portion of SBP recipients whose annuities were offset increased from 18.5 percent in 2009 to 23.5 percent in 2018. CBO projects that share will reach 25.8 percent by 2029. If the number of surviving spouses subject to the SBP-DIC offset instead grows at the same rate as in the previous decade, then another 14,000 surviving spouses would be subject to the offset in 2029. In that scenario, estimated direct spending would increase by an additional $0.5 billion over the 2020-2029 period.

Pay-As-You-Go Considerations:

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the direct spending section of Table 1.

Increase in Long-Term Deficits:

CBO estimates that enacting H.R. 553 would increase on-budget deficits by more than $5 billion in each of the four consecutive 10-year periods beginning in 2030.

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