Congressional Budget Office
Cost Estimate

December 3, 2020

At a Glance

S. 4511, Veteran Benefits Enhancement and Expansion Act of 2020

As ordered reported by the Senate Committee on Veterans' Affairs on September 23, 2020

By Fiscal Year, Millions of Dollars	2021	2021-2025	2021-2030
Direct Spending (Outlays)	-3	240	-105
Revenues	*	*	*
Increase or Decrease (-) in the Deficit	-3	240	-105
Spending Subject to Appropriation (Outlays)	1	21	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	< $5 billion	Contains intergovernmental mandate?	Yes, Under Threshold
		Contains private-sector mandate?	Yes, Under Threshold

* = between zero and $500,000.

The bill would

- Increase the fees that the Department of Veterans Affairs (VA) charges veterans for home loan guarantees
- Provide additional burial benefits for veterans
- Provide service members more time to decide whether to contribute to the Montgomery GI Bill
- Require public schools to charge no more than in-state tuition for students using veterans' education benefits
- Establish a new life insurance program for veterans with medical conditions connected to military service
- Modify veterans' pension benefits
- Impose mandates on intergovernmental and private-sector entities by prohibiting early termination fees on property and car leases, permitting telecommunication and Internet contracts to be cancelled without penalty, and expanding employment protections for members of the National Guard

Estimated budgetary effects would primarily stem from

- Increasing fees charged by VA for home loan guarantees
- Providing additional veterans' burial and pension payments
- Reducing service member contributions to the Montgomery GI Bill
- Reducing net costs for veterans' insurance benefits

Areas of significant uncertainty include

- Projecting the number and characteristics of home loans guaranteed by VA
- Estimating the number of veterans who use new burial and pension benefits
- Projecting the number of service members who would not make contributions to the Montgomery GI Bill programs and estimating the subsequent changes in their use of education benefits

Detailed estimate begins on the next page.

Bill Summary

S. 4511 would change several benefit programs administered by the Department of Veterans Affairs (VA). The bill would increase the fees VA charges veterans for home loan guarantees as well as alter burial, pension, educational, housing, and other benefit programs.

Estimated Federal Cost

The estimated budgetary effects of S. 4511 are shown in Table 1. The bill would decrease direct spending by $105 million over the 2021-2030 period and increase spending subject to appropriation by $21 million over the 2021-2025 period. The costs of the legislation fall within budget function 700 (veterans' benefits and services).

Table 1.
Estimated Budgetary Effects of S. 4511

	By Fiscal Year, Millions of Dollars					
	2021	2022	2023	2024	2025	2021-2025
Increases or Decreases (-) in Direct Spending						
Estimated Budget Authority	-3	-8	77	81	89	240
Estimated Outlays	-3	-8	77	81	89	240
Increases in Spending Subject to Appropriation						
Estimated Authorization	1	1	5	7	7	21
Estimated Outlays	1	1	5	7	7	21

Components may not sum to totals due to rounding; S. 4511 would decrease direct spending by $105 million over the 2021-2030 period.

Basis of Estimate

For this estimate, CBO assumes that S. 4511 will be enacted early in fiscal year 2021 and that provisions will take effect upon enactment or on the dates specified by the bill. CBO also estimates that outlays will follow historical spending patterns for affected programs.

Direct Spending and Revenues

S. 4511 would make several changes to VA's education and home loan programs. It would also create new burial benefits for veterans and their dependents, establish a new insurance program for certain disabled veterans, and increase spending on other VA benefits. On net, enacting the bill would decrease direct spending by $105 million over the 2021-2030 period, CBO estimates (see Table 2).

Table 2.
Estimated Increases in Direct Spending Outlays Under S. 4511

	By Fiscal Year, Millions of Dollars											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021-2025	2021-2030
Home Loan Guarantees												
Home Loan Fees	0	0	0	0	0	0	0	0	0	-703	0	-703
Home Loans to National Guard	*	*	*	*	*	*	*	*	*	*	-2	-5
Homes Affected by Natural Disasters	*	*	*	*	*	*	*	*	*	*	2	5
Subtotal Housing Benefits	*	*	*	*	*	*	*	*	*	-703	*	-703
Burial Benefits												
Death Benefit	0	0	21	23	24	26	27	29	30	32	68	212
Outer Burial Receptacle	0	0	11	11	11	11	11	11	11	11	33	88
Burial Urns and Plaques	0	0	10	13	14	11	7	7	7	7	37	76
Transportation to State and Tribal Cemeteries	0	0	6	6	7	7	8	8	9	10	19	61
Headstone Inscriptions	*	*	*	*	1	1	1	1	1	2	1	7
Subtotal Burial Benefits	*	*	48	53	57	56	54	56	58	62	158	444
Education Benefits												
MGIB-AD Contributions	0	0	35	34	33	33	24	24	25	20	102	228
In-State Tuition	-8	-19	-19	-18	-18	-18	-18	-18	-18	-18	-82	-172
Vocational Rehabilitation Eligibility	0	0	0	0	7	10	10	10	11	11	7	59
Fry Scholarship	*	3	4	4	3	4	3	3	3	3	14	30
Yellow Ribbon Program	0	1	2	2	2	2	2	2	2	3	7	18
Vocational Rehabilitation Restoration	*	*	1	1	1	1	1	1	1	1	3	8
Congressional Work-Study	*	*	*	*	*	*	*	*	*	*	2	4
Subtotal Education Benefits	-8	-15	23	23	28	32	22	22	24	20	53	175
Other Veterans' Benefits												
Veterans' Life Insurance	2	3	2	1	*	-5	-11	-15	-18	-22	8	-63
Fiduciary Misuse	2	2	2	2	2	2	2	2	2	2	10	20
Pensions for Medal of Honor Spouses'	1	2	2	2	2	2	2	2	2	2	9	19
Pensions for Vietnam Veterans	*	*	*	*	*	*	*	*	*	*	2	3
Subtotal Other Veterans' Benefits	5	7	6	5	4	-1	-7	-11	-14	-18	29	-21
Total Changes in Direct Spending	-3	-8	77	81	89	87	69	67	68	-639	240	-105

Components may not sum to totals due to rounding; * = between -$500,000 and $500,000.
MGIB-AD = Montgomery GI Bill for Active Duty; budget authority is equal to the outlays shown here for all provisions.

Home Loan Guarantees. Several sections of S. 4511 would modify VA loan guarantee benefits. Those changes would decrease net direct spending by $703 million over the 2021-2030 period.

Under current law, VA typically pays lenders up to 25 percent of the outstanding mortgage balance if a borrower defaults on a guaranteed loan. Those guarantees enable eligible borrowers to obtain better loan terms, such as lower interest rates or smaller down payments. Military personnel and veterans who have served at least 90 days on active duty or six years in the Selected Reserve are eligible for those loan guarantees. Most borrowers pay a fee to VA for the guarantee, and they may use the benefit more than once after they have repaid a guaranteed loan. Fees depend on the size of the down payment and are higher for subsequent uses of the benefit. Those fees reduce the subsidy cost of the guarantees by partially offsetting the costs of defaults.[1] The subsidy costs for VA loan guarantees are paid from mandatory appropriations; hence, changing the subsidy cost affects direct spending.

Home Loan Fees. Under current law, most of the fees paid to VA by borrowers for loan guarantees are scheduled to decline after fiscal year 2029, from a weighted average of 2.5 percent to 1.2 percent. Section 403 would extend the higher fee rates through 2030. Using information from VA about the volume of guaranteed loans in recent years, the default rate for those loans, and the amount of fees collected, CBO estimates that extending the higher fee rates would decrease direct spending by $703 million over the 2021-2030 period.

Home Loans to National Guard. Section 401 would expand eligibility for loan guarantees to members of the Selected Reserve who serve at least 90 days on full-time duty with the National Guard, at least 30 of which are consecutive. On the basis of loan data provided by VA, CBO estimates that some reservists would become newly eligible to use loan guarantees and others would use the benefit sooner than they could under current law. CBO estimates that roughly 2,000 more reservists would obtain loan guarantees over the next 10 years. Overall, the loan fees paid by members of the Selected Reserve exceed the cost of defaults on such loans; accordingly, CBO estimates that the increase in the number of those loans would decrease direct spending by $5 million over the 2021-2030 period.[2]

Homes Affected by Natural Disasters. Under section 402, borrowers with VA-guaranteed loans whose homes are substantially damaged or destroyed by a major disaster declared by the President would be charged a lower fee if they get another VA-guaranteed loan to repair

1. Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses, offset by any payments to the government, including origination fees, other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed.
2. Under current law, the loan fees decline beginning in 2030, such that they are insufficient to fully offset the anticipated cost of defaults; after 2029, the additional loan guarantees would increase direct spending.

or replace the property within three years. The loan fee would be an average of roughly one percentage point lower than under current law. On the basis of data from VA and the Federal Emergency Management Agency and on CBO's analysis of the mortgage market, we estimate that about 100 borrowers each year will obtain subsequent loans following a major disaster. That decrease in fees would raise the subsidy cost for those loans, increasing direct spending by $5 million over the 2021-2030 period, CBO estimates.

Burial Benefits. Several sections of S. 4511 would increase burial and death benefits for veterans. The changes in those benefits, which are paid from mandatory appropriations, would increase direct spending by $444 million over the 2021-2030 period.

Death Benefit. Section 202 would increase VA's standard death benefit beginning in 2023. Under current law, VA pays the surviving family of eligible veterans a monetary benefit to cover funeral and other expenses. The amount of the payment depends on whether the veteran was hospitalized by VA at the time of death, and whether the veteran died from a service-related condition. The standard VA death benefit is $300 for veterans who were not hospitalized by VA at the time of their death and whose death was not the result of service-related conditions. The bill would increase that amount to equal the rate for veterans who were hospitalized by VA at the time of death, currently $796. Under section 202, that amount would increase with inflation each year. Using information from VA, CBO estimates that about 39,000 veteran families would receive $855 in 2023, an increase of $555. That gap compared to the current benefit would continue to grow, and CBO estimates that by 2030 an additional 46,000 families would receive an additional $700. In total, CBO estimates section 202 would increase direct spending by $212 million over the 2021-2030 period.

Outer Burial Receptacles. Section 203 would allow VA to pay the cost of an outer burial receptacle, such as a crypt or grave liner, for casketed burials that occur in state or tribal cemeteries. VA would begin providing that benefit in 2023. An outer burial receptacle is a container that is designed to protect the casket in the grave. Under current law, VA only provides outer burial receptacles for casketed burials in national veterans' cemeteries. Using information from VA on the number of burials in state and tribal cemeteries and the cost of outer burial receptacles, CBO estimates that VA would provide an average of 12,400 additional outer burial receptacles per year at an average cost of $850, beginning in 2023. In total, CBO estimates providing outer burial receptacles for casketed burials in state and tribal cemeteries would increase direct spending by $88 million over the 2021-2030 period.

Burial Urns and Plaques. VA provides headstones or grave markers for veterans who are interred in cemeteries. The department does not provide those benefits for veterans who are not interred in cemeteries. Section 207 would require VA to provide an urn or memorial plaque for those veterans upon the request of their families. Veterans who served on or after April 6, 1917, and who otherwise were eligible for burial would be eligible for the new benefit. That change would be effective beginning in 2023.

On the basis of information from VA about the number of headstones and markers provided annually, as well as data on burial and cremation trends, CBO estimates that in 2023 about 48,000 eligible families would request an urn or plaque under the bill. Under current law, CBO expects that those families would forgo requesting a headstone or grave marker because they would either retain the remains or scatter them. CBO estimates that 24,000 families would choose an urn and an equal number would choose a plaque. Because the percentage of people choosing cremation is expected to increase, CBO estimates that the number of urns and plaques also would rise—to 28,000 each by 2030.

Under the bill, the families of some veterans who will have died before the bill is enacted could also request urns or plaques. Using information from VA and data on trends in burials and cremations, CBO estimates 86,000 families would request urns, and 203,000 would request plaques over the 2023-2026 period for veterans who die before the date of enactment.

Over the 2021-2030 period, CBO estimates, 294,000 urns would be provided at an average cost of $175 each, and 410,000 plaques would be provided at an average cost of $59 each. In total, those urns and plaques would cost $76 million, CBO estimates.

Implementing section 207 would also affect discretionary spending. Details of those effects are described under the heading "Spending Subject to Appropriations."

Transportation to State and Tribal Cemeteries. Under current law, VA may pay the costs for transporting the remains of deceased veterans to the nearest national cemetery. Section 201 would allow VA to pay for the costs of transporting the remains of deceased veterans to state or tribal cemeteries, up to the amount it would cost to transport those remains to the nearest national cemetery. That change would be effective beginning in 2023. On the basis of information from VA on the number of remains that receive the transportation benefit from VA to national cemeteries, and the number of burials in state and tribal cemeteries, CBO estimates an average of 11,000 additional veteran remains would have transportation costs covered by VA annually beginning in 2023. Using information on the average cost to provide transportation for deceased veterans to national cemeteries, CBO estimates transporting a veteran's remains to state and tribal cemeteries will cost an average of $710 beginning in 2023. In total, CBO estimates that the cost of transporting the remains of deceased veterans to state and tribal cemeteries would increase direct spending by $61 million over the 2021-2030 period.

Headstone Inscriptions. Under current law, VA will inscribe on or replace, upon request, a veteran's government-provided headstone or gravesite marker that is located in a national cemetery in order to include information about the veteran's spouse or dependent children following the spouse's or child's death. Section 204 would allow VA to replace any headstones or gravesite markers it has provided for veterans, regardless of the type cemetery in which they are located. That new benefit would be available to veterans who die after October 1, 2019.

On the basis of information from VA on the number of headstones provided for veterans buried each year in non-VA cemeteries, as well as other demographic information such as marriage and mortality rates for veterans, CBO estimates that about 3,000 deceased veterans would be eligible for replacement headstones in 2021 as a result of the death of a spouse or dependent child. Using data from VA, CBO estimates that the families of 25 percent of those veterans—about 750—would request replacement headstones. The number of eligible veterans would increase to about 24,000 by 2030, with about 6,000 families requesting replacement headstones in that year. In total, VA would replace about 31,000 additional headstones over the 2021-2030 period, at an average cost of about $230 per headstone. In total, replacing those headstones would cost $7 million, CBO estimates

Education Benefits. Several sections of S. 4511 would modify VA education benefits. Those changes would increase net direct spending by $175 million over the 2021-2030 period.

MGIB-AD Contributions. The Montgomery GI Bill for Active Duty (MGIB-AD) provides up to 36 months of education benefits to eligible service members and veterans. Those benefits ($2,122 per month for full-time students in 2021) are paid directly to beneficiaries by VA. To be eligible for the MGIB-AD, service members must contribute $1,200 through payroll deductions during the first 12 months they receive pay. Service members must decide whether to consent to those deductions within the first two weeks of basic training. Section 102 would delay that decision until the 90-day period following their first six months of service.

Delaying the payroll deductions would afford service members more time to learn about the benefits available under the MGIB-AD and the Post-9/11 GI Bill. The Post-9/11 GI Bill provides enhanced education benefits to eligible people who have served since September 11, 2001, including in-state tuition and fees at public institutions of higher learning or up to a maximum amount ($25,162 in academic year 2020-2021) at private institutions, a monthly housing allowance based on the location of the campus (national average of $1,833 in 2020-2021), and an annual stipend to pay for books and educational supplies (up to $1,000). Although the eligibility criteria for the MGIB-AD and Post-9/11 GI Bill are similar, the latter generally provides greater benefits than the former, and service members do not have to contribute to be eligible.[3]

3. According to data compiled by the Consumer Financial Protection Bureau, 70 percent of new service members consented to the paycheck deductions for the MGIB-AD in 2017, whereas only 4 percent of beneficiaries initially using veteran education benefits opted to use that program.

CBO expects that because of the delay, 25 percent fewer service members would make MGIB-AD contributions. That change in participation would have several effects that would increase net direct spending by $228 million over the 2021-2030 period, CBO estimates.

- Over the 2021-2030 period, CBO estimates that about 217,000 service members (or about 25 percent of members CBO expects to make contributions under current law) would not contribute the required $1,200 for them to be eligible for the MGIB-AD. (Contributions for the MGIB-AD are classified as mandatory offsetting receipts and recorded in the budget as reductions in direct spending.) Thus, CBO estimates that the loss of those receipts would increase direct spending by $260 million over that period.

- Most of the service members who would no longer contribute under the bill would never have used benefits under the MGIB-AD. Of those members who would not make contributions for the MGIB-AD and who otherwise would have used those benefits, about 3,000 would instead use education benefits under the Post-9/11 GI Bill. CBO estimates that the average incremental cost would be about $13,000 for each person who uses those benefits and would thus increase direct spending by $39 million over the 2021-2030 period.

- CBO estimates that about 1,000 people who would not contribute under the bill but who would have otherwise used the MGIB-AD would instead not use any education benefits. CBO estimates that the savings from those people would be about $31,000 for each member and would thus decrease direct spending by $31 million over the 2021-2030 period.

- Some of those service members who would not make contributions for the MGIB-AD would no longer be eligible to receive additional cash benefits that are available to people who are eligible for the MGIB-AD. CBO estimates that, consistent with the decline in the number of service members making contributions for the MGIB-AD, such additional cash benefits would decline by 25 percent and would thus decrease direct spending by $36 million over the 2021-2030 period.

- Under current law, VA refunds contributions made for the MGIB-AD to service members who use all of their benefits under the Post-9/11 GI Bill. CBO estimates that about 4,000 service members who would exhaust Post-9/11 GI Bill benefits and who would not make contributions would no longer receive refunds, which are typically $1,200, and would thus decrease direct spending by $5 million over the 2021-2030 period.

In-State Tuition. Under the Post-9/11 GI Bill, VA pays up to the amount of actual tuition and fees charged to state residents enrolled at public institutions of higher learning, and those schools are required to charge in-state tuition to most beneficiaries if the veteran was discharged within three years of the date of enrollment. If students do not qualify for in-state tuition, the school may agree to defray part of the costs that exceed in-state tuition, and VA will match the amount defrayed by the school under the Yellow Ribbon GI Education Enhancement Program (YRP).

Section 104 would require public institutions of higher learning to set tuition and fees for nearly all students who use veterans' education benefits and live in the state to equal the rates charged to state residents, regardless of whether those students are state residents.[4] Given that nearly all students would qualify for in-state tuition under section 104, CBO expects that VA would make YRP payments for very few beneficiaries. Using data from VA, CBO estimates that VA would no longer make an average of $3,100 in YRP payments for each of 5,800 beneficiaries annually. That change would reduce direct spending by an average of $18 million each year and by $172 million over the 2021-2030 period.

Vocational Rehabilitation Eligibility. Veterans with service-connected disabilities that limit or prevent them from working can receive vocational rehabilitation such as educational assistance, job training, and independent-living services. Veterans are eligible during the 12-year period after they separate from the military, although VA has broad authority to provide such benefits after the 12-year period, particularly for veterans who have a serious employment handicap or have been prevented from obtaining services because of medical conditions or circumstances. Section 411 would remove the 12-year deadline to receive those benefits for veterans who separate from the Armed Forces on or after January 1, 2013. Using information from VA, CBO estimates that about 550 veterans who are terminated from vocational rehabilitation because of the 12-year deadline would become eligible each year beginning in 2025. Each of those veterans would use an additional year of benefits, at an average cost of $18,600, increasing direct spending by $59 million over the 2021-2030 period, CBO estimates.

Fry Scholarship. Section 101 would expand eligibility for the Marine Gunnery Sergeant John David Fry Scholarship to the spouses and children of members serving in the Selected Reserve who, on or after September 11, 2001, die in the line of duty or from a service-connected condition. Under current law, only the spouses and children of service members who die in the line of duty while serving on active duty are eligible for those benefits. Spouses and children of deceased reservists are only eligible for education benefits under the Survivors' and Dependents' Education Assistance program (SDEA).

The Fry Scholarship entitles qualifying recipients to education benefits under the Post-9/11 GI Bill. As described above, those benefits include the payment of tuition and fees, a monthly housing allowance, and an annual stipend to pay for books. By comparison, the

4. Students qualify for in-state tuition if their entitlement is based on at least 90 days of active service in the military. Under the Post-9/11 GI Bill, veterans are entitled to education benefits prior to 90 days of active-duty service if they are discharged after at least 30 days for a service-connected disability or are awarded the Purple Heart. Those students would not necessarily qualify for in-state tuition.

SDEA provides monthly payments to qualifying recipients at a maximum rate of $1,265 for full-time students, during fiscal year 2021, substantially less than the Fry Scholarship.

CBO expects that an average of about 190 spouses and children per year over the next ten years would elect to receive education benefits under the Fry Scholarship; about 160 of them would have used SDEA benefits under current law, while the remaining 30 who would not have used SDEA would opt to use the Fry Scholarship because of the higher benefit value. Each of those beneficiaries would receive, on average, about $19,100 in Fry Scholarship benefits in 2022. That amount would increase to an estimated $25,000 in 2030 after adjusting for inflation. Under the SDEA, beneficiaries will receive an average of about $7,200 in benefits in 2022 and about $8,600 in benefits in 2030 after adjusting for inflation. CBO estimates the change in eligibility would increase net direct spending by $30 million over the 2021-2030 period.

Yellow Ribbon Program. If a student's tuition and fees exceed the amount VA pays under the Post-9/11 GI Bill, schools in the United States may agree to defray part of the excess costs, and VA will match the amount defrayed by the school under the Yellow Ribbon Program (YRP). VA's regulations prohibit foreign schools from participating in the YRP. Section 107 would facilitate a rule change that would allow VA to make YRP payments to foreign schools. CBO estimates that those payments would cost an average of $2 million each year, increasing direct spending by $18 million over the 2021-2030 period.

Vocational Rehabilitation Restoration. VA's vocational rehabilitation program pays for up to 48 months of education at institutions that meet departmental standards and regulatory requirements.[5] Under section 106, students who do not receive credit for courses because a school closed or VA disapproved the courses would have their education benefits restored. That benefit restoration is currently available for other VA educational assistance programs. VA typically restores benefits for those programs, as measured in months, for the academic term in which a closure or disapproval occurred, and restored benefits are not deducted from a beneficiary's total term of entitlement. Section 106 would add vocational rehabilitation to the programs for which VA may restore benefits. CBO estimates, that each year VA would restore an average of five months of benefits for about 100 students at a monthly cost of $1,800, increasing direct spending by $8 million over the 2021-2030 period.

Congressional Work-Study. Under current law, VA pays work-study allowances directly to students using VA education benefits who are hired by a VA facility, state veterans agency, or an institution of higher education to perform duties related to veteran benefits or services. That allowance is paid at the higher of the state or federal minimum wage for up to 25 hours per week during enrollment. Section 105 would add work in Congressional offices related to

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5. If VA, or any state agency acting on VA's behalf, determines that an institution or entity has not complied with those standards, the courses they offer may be disapproved, and the institution becomes ineligible to receive payment through education benefits administered by VA.

veteran benefits and services to the authorized activities for which VA may pay work-study allowances. CBO expects that roughly 50 students would receive work-study allowance for activities at Congressional offices each year. Using information about minimum wages from the Census Bureau and the Bureau of Labor Statistics, CBO estimates that allowances paid to those students would increase direct spending by $4 million over the 2021-2030 period.

Other Veterans' Benefits. Several sections of S. 4511 would affect other VA benefit programs such as life insurance programs and pensions for low-income veterans. Together, those changes would reduce direct spending by $21 million over the 2021-2030 period.

Veterans' Life Insurance. Under current law, veterans who have service-connected disabilities may participate in a VA-run life insurance program. Most participating veterans may purchase up to $10,000 in life insurance. VA may waive premiums for veterans who are totally disabled. Veterans who have their premiums waived are also eligible to purchase up to $30,000 of additional coverage. According to VA, it waives premiums for about 50 percent of participating veterans. As a result, the premiums do not fully cover the costs of insurance policies so the government transfers funds to the program to cover annual shortfalls. Section 408 would end new enrollments in that program starting in 2023 and replace it with an insurance benefit with lower costs for the federal government. Current policy holders would not be affected.

Under the program, veterans could instead choose life insurance policies in increments of $10,000, $20,000, $30,000, and $40,000. VA would be required to set premiums at market rates for similar life insurance products. Totally disabled veterans also would pay premiums under the new program.

Using information from VA, CBO estimates that about 13,000 veterans will purchase new policies under the current life insurance program in each year from 2023 to 2030. On average, CBO expects that in each year those veterans will pay $242 in premiums for the policies that are available under current law, for a total of $95 million in premium collections over that period. The average policy payout under the current program is about $10,500 per policy. Using mortality rates for similar insurance programs, CBO estimates that VA will pay out about $89 million in policies for new enrollees over the 2023-2030 period. On net, CBO estimates that under the current program, VA will collect about $6 million more in premiums than it will pay out in policies. (Over time, average policy payments will exceed average premium collections.)

CBO estimates that 4,800 veterans would participate in the new insurance program established by the bill in each year beginning in 2023 because the more expensive policies would be less attractive than the ones offered under current law. CBO expects that in that year, those veterans would choose the following policies:

- 3,400 veterans would purchase $10,000 policies with an annual premium rate of $645;

- 970 veterans would select $20,000 policies at an annual premium of $1,300;
- 240 veterans would elect to purchase $30,000 policies at an annual premium of $2,250;
- 240 veterans would elect to purchase $40,000 policies at an annual premium of $2,990 for those policies, respectively.

By 2030, CBO estimates that a cumulative total of 31,000 veterans would be participating in the new life insurance program. In total, CBO estimates VA would collect $134 million in premiums for all policies over the 2023-2030 period. Adjusting for mortality, CBO estimates VA would pay about $45 million to beneficiaries over the same period, and would collect $89 million more than it would pay out.

That amount is $83 million more than the net amount that would be collected for new policies that would be issued under current law and would be classified as a reduction in direct spending.

CBO expects VA would incur costs to establish and market the new program and transition from the current one. CBO estimates those transition costs would be $20 million over the 2021-2030 period. Those expenses would be paid from mandatory appropriations, which are classified as direct spending. In total, CBO estimates that closing new enrollment for the existing life insurance program and establishing the program required by the bill would reduce direct spending by $63 million over the 2021- 2030 period.

Fiduciary Misuse. Under current law, if veterans who receive VA benefit payments are unable to manage their financial affairs, VA may appoint a fiduciary to fill that role. VA completes a background check of the designated fiduciary, who is responsible to the beneficiary for managing the beneficiary's VA benefit payments. Although a beneficiary's family and friends are often selected to serve as fiduciaries, VA may appoint other individuals and entities to serve that role if friends and family are not able to.

In the event a fiduciary misuses a veteran's benefits, VA must repay the amount of misused benefits to the beneficiary. Misuse includes any instance when a fiduciary receives payments of benefits on the veteran's behalf and uses any part of such payments for purposes that do not benefit the veteran. However, VA may only repay benefits if the fiduciary serves at least 10 veterans. Section 417 would require VA to repay all misused funds.

According to VA, historically about one tenth of one percent of total benefits managed by fiduciaries is misused. Based on that information and the total amount of benefits managed by fiduciaries, CBO estimates that in 2021, about $5 million will be misused by fiduciaries and about $3 million will be reissued. By expanding the requirement to reissue all benefits, regardless of the characterization of their fiduciary, CBO estimates that the remaining amount of misused benefits, or $2 million, would be reissued in 2021. CBO estimates that the same amount would be reissued in each year and total $20 million over the 2021-2030 period.

Pensions for Medal of Honor Spouses. VA provides a monthly pension to any veteran who has received the Medal of Honor. As of December 1, 2019, that amount was about $1,388 per month, or $16,664 per year. That amount is adjusted for inflation each year. Section 407 would provide that monthly pension to the surviving spouses of Medal of Honor recipients. Using information on the number of deceased Medal of Honor recipients, marriage rates, and other demographic information, CBO estimates that 90 surviving spouses would be eligible to receive the new special pension beginning in 2021. CBO expects that 45, or half, would apply for and receive the benefit at a rate of $17,081 in that year. By 2030, CBO expects that 87 surviving spouses would be receiving the special pension at a rate of $21,083 per year. In total, CBO estimates section 407 would increase direct spending by $19 million over the 2021-2030 period.

Pension for Vietnam Veterans. Under current law, VA provides pension benefits for veterans who serve during statutorily designated periods of war, meet disability or age requirements, and have low incomes and net worth. Veterans who served in the Republic of Vietnam from February 28, 1961, through May 7, 1975, are currently eligible to receive a veterans' pension benefit from VA if they meet other eligibility criteria. Section 405 would change the beginning of the period to November 1, 1955. Using information from the Department of Defense, CBO estimates that 2,000 service members were in Vietnam during the months added by the bill. After accounting for mortality rates and pension utilization rates, CBO estimates that about 30 additional veterans would begin receiving pensions in 2021 at an average rate of $13,300 per year. CBO estimates that by 2030 six additional veterans would receive the pension benefit at an average annual rate of $16,400. In total, section 405 would increase direct spending by $3 million over the 2021-2030 period.

Penalties for Unauthorized Representation. Under current law, VA accredits agents and attorneys who wish to provide services on behalf of veterans and their families when preparing, presenting, and prosecuting claims for veterans' benefits. Section 302 would impose penalties for any agent, attorney, or organization that prepares, presents, or prosecutes on behalf of a person seeking or receiving veterans' benefits without that accreditation. The bill would also impose penalties for anyone who withholds any part of a veteran's benefit payments. Penalties include fines and imprisonment for up to one year. People who violate the bill's requirements could be subject to criminal fines, which are classified as revenues, deposited in the Crime Victims Fund, and later spent without further appropriation. CBO expects any additional revenues and associated direct spending would not be significant because relatively few additional cases would arise because of the bill's enactment.

Spending Subject to Appropriation

CBO estimates that S. 4511 would require additional resources for VA to process additional burial claims and to pursue federal employment rights cases. It also would require several reports and plans. CBO estimates that satisfying those requirements would cost $21 million over the 2021-2025 period. Such spending would be subject to the appropriation of the necessary amounts (see Table 3).

Table 3.
Estimated Increases in Spending Subject to Appropriation Under S. 4511

	By Fiscal Year, Millions of Dollars					
	2021	2022	2023	2024	2025	2021-2025
Claims Processors						
Estimated Authorization	0	0	4	6	6	16
Estimated Outlays	0	0	4	6	6	16
Reports and Plans						
Estimated Authorization	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Total Changes						
Estimated Authorization	1	1	5	7	7	21
Estimated Outlays	1	1	5	7	7	21

Claims Processors. CBO estimates that VA would need additional resources to meet the bill's requirements to provide burial urns and memorial plaques while maintaining current levels of service. (Details of increases in claims are described under the heading "Direct Spending and Revenues.") Using information from VA, CBO estimates that the workload of VA's burial claims processors would increase by 36 full-time-equivalent positions in 2023 (about 30 percent higher than current staffing levels) and by an average of 30 such positions each year at an average salary of $127,000 over the 2023- 2030 period. In addition, CBO expects, VA would need additional computers and other resources that would cost about $4,000 per employee per year. In total, CBO estimates, the costs for personnel and other resources would total $16 million over the 2021-2025 period. VA would continue to incur costs for additional claims processing after 2025.

Reports and Plans. The bill would require VA to submit six reports or plans to the Congress, or to provide outreach or additional notice regarding veterans' pension. Based on the costs of similar activities, CBO estimates that meeting those requirements would cost a total of $5 million over the 2021-2025 period.

Other Requirements. Several sections of the bill would make changes to VA processes and procedures. The bill would:

- Require VA to make certain forms related to disability compensation exams available on its website.
- Permit VA to give preference to firms that employ veterans when it awards contracts for goods and services.
- Require VA to review all of its webpages to determine if they comply with requirements in current law that they be accessible to individuals with disabilities.
- Temporarily clarify licensure requirements for certain medical professionals who perform disability examinations as part of a contract with VA.
- Temporarily suspend VA's ability to eliminate medical examiner positions until certain metrics are met.
- Allow VA to increase the maximum amount of grants for the maintenance of veteran cemeteries that are operated by state, tribal, and territorial governments.

Based on information from VA, CBO estimates that those changes would cost less than $500,000 in total over the 2021-2025 period.

Uncertainty

A significant source of uncertainty is the number of veterans who would use the loan guarantee and thus be subject to the increased fees provided for in the bill. Significant uncertainty also arises from projecting the number of service members who would not make MGIB-AD contributions and from estimating the change in their subsequent use of Post-9/11 GI Bill benefits. Additionally, the number of dependents of deceased reservists who would use the Fry Scholarship could be more or less than CBO estimates**.** Consequently, the changes to direct spending due to the bill could be significantly different than CBO estimates.

CBO's estimate of the bill's costs to provide new burial and other veterans' benefits is subject to uncertainty about the number of veterans and families that would utilize those benefits. If more or fewer veterans or their families utilize the benefits than CBO expects, costs could be higher or lower than CBO's estimates.

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 Table 2.

Increase in Long-Term Deficits

CBO estimates that enacting S. 4511 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2031.

Mandates

S. 4511 would impose mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates the aggregate costs of those mandates would not exceed the annual threshold for intergovernmental and private-sector mandates established in UMRA ($84 million and $168 million, respectively in 2020, adjusted annually for inflation).

Mandates That Apply to Public and Private Entities

The bill would impose intergovernmental and private-sector mandates by prohibiting telecommunication providers, including municipal governments, from imposing early termination fees on the spouses and dependents of service members, as well as members of the reserves who meet the bill's eligibility requirements. The cost of the mandate would be the revenue lost from cancelled contracts. CBO estimates that the number of reservists, spouses, and dependents eligible under the bill and the average cost of telecommunication contracts would be small. The cost of the mandate would be small as well.

The bill also would impose a mandate on the employers of individuals who serve state active duty in the National Guard. It would expand existing protections in law to include members who return to work after state active duty, requiring employers to provide the same benefits, pay, and seniority as if they had not been deployed. The bill also would expand a requirement in current law that employers treat employees who are on state active duty as furloughed employees or employees on a leave of absence, entitling them to any compensation or benefits otherwise available to them in that status. The cost of the mandate would be the cost to employers who provide those benefits. However, the cost is difficult to determine because the available data does not distinguish between members of the National Guard ordered to federal and state active duty. To exceed the thresholds established in UMRA, CBO estimates that employers would need to provide furlough benefits, such as health insurance, to more than 100,000 National Guard members on state active duty for more than two weeks. Because the total number of National Guard activations by federal and state authorities for domestic service has not exceeded this figure in recent years, CBO estimates that the cost to employers of those on state active duty would be below the annual thresholds established in UMRA.

Mandates That Apply to Private Entities Only

By amending the Servicemembers Civil Relief Act, Title 4 of the bill would impose two private-sector mandates. First, section 412 would impose a mandate on real property and automobile lessors by prohibiting them from charging early termination fees to eligible spouses or dependents of service members who cancel their leases. CBO expects fewer than 500 individuals would be affected by the bill each year. The cost of the mandate would be the value remaining in the terminated contracts and forgone termination fees. Second, section 413 would require lessors to accept termination notifications from service members, spouses, and dependents through electronic means. CBO estimates this duty would have no additional costs.

Mandates That Apply to Public Entities Only
The bill would permit physician assistants, nurse practitioners, audiologists, and psychologists who are licensed in a state to perform medical examinations in any state under the department's Medical Disability Examinations pilot program. Under current law, only physicians perform these examinations. This would preempt state licensure laws in any state in which VA medical professionals participating in the program are not licensed or in any state where a licensed medical professional would ordinarily be prohibited from performing such examinations. CBO estimates that the preemption would not affect the budgets of state governments because it would impose no duty on states that would result in additional spending or a loss of revenues.

Previous CBO Estimates

On May 20, 2019, CBO transmitted a cost estimate for H.R. 1947, a bill to amend title 38, United States Code, to exempt transfers of funds from Federal agencies to the Department of Veterans Affairs for nonprofit corporations established under subchapter IV of chapter 73 of such title from certain provisions of the Economy Act, as ordered reported by the House Committee on Veterans' Affairs on May 8, 2019. Section 3 of that bill and section 204 of S. 4511 are similar except that a year has elapsed since H.R. 1947 was reported, the effective dates have been deferred, and CBO has updated technical assumptions concerning relevant programs. CBO's estimate for S. 4511 reflects the budgetary effects of these timing and technical changes.

On July 22, 2019, CBO transmitted a cost estimate for H.R. 3504, the Ryan Kules Specially Adaptive Housing Improvement Act of 2019, as ordered reported by the House Committee on Veterans' Affairs on July 11, 2019. Section 6 of that bill is similar to section 101 of S. 4511, except that a year has elapsed since H.R. 4162 was reported, the effective date has been deferred, and CBO has revised the method to calculate the number of expected participants and updated other technical assumptions. CBO's estimate for S. 4511 reflects the budgetary effects of these timing and technical changes and, as a result, is $253 million lower over the 2021-2030 period.

On November 8, 2019, CBO transmitted a cost estimate for H.R. 4162, the GI Bill Planning Act of 2019, as ordered reported by the House Committee on Veterans' Affairs on October 16, 2019. That bill is similar to sections 102, 103, and 104 of S. 4511, except that a year has elapsed since H.R. 4162 was reported, the effective dates have been deferred, and CBO has updated technical assumptions concerning relevant programs. CBO's estimate for S. 4511 reflects the budgetary effects of these timing and technical changes and, as a result, is $56 million higher over the 2021-2030 period.

On August 27, 2020, CBO transmitted a cost estimate for H.R. 5639, the Chuck Osier Burial Benefits Act, as ordered reported by the House Committee on Veterans' Affairs on July 30, 2020. That bill and section 207 are similar, except that the effective date has been deferred to 2023 in S. 4511, and as a result, the estimated costs are lower.

On September 1, 2020, CBO transmitted a cost estimate for H.R. 7445, a bill to amend title 38, United States Code, to expand eligibility for home loans from the Secretary of Veterans Affairs to certain members of the reserve components of the Armed Forces, and for other purposes, as ordered reported by the House Committee on Veterans' Affairs on July 30, 2020. That bill and sections 401 and 402 of S. 4511 are similar, as are CBO's estimates of the budgetary effects.

Several other provisions of S. 4511 are identical to bills that CBO has estimated. Those bills include H.R. 7795, H.R. 2109, H.R. 1199, and H.R. 5487. CBO estimates that none of those provisions would affect direct spending or revenues, or have significant effects on spending subject to appropriation.

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