



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 15, 2013

H.R. 1405

A bill to amend title 38, United States Code, to require the Secretary of Veterans Affairs to include a notice of disagreement form in any notice of decision issued for the denial of a benefit sought, to improve the supervision of fiduciaries of veterans under laws administered by the Secretary of Veterans Affairs, and for other purposes

As ordered reported by the House Committee on Veterans' Affairs on May 8, 2013

SUMMARY

H.R. 1405 would make changes to certain administrative procedures and programs of the Department of Veterans Affairs (VA), including the fiduciary program, access to case-tracking information, and limits on bonuses for employees. CBO estimates that implementing H.R. 1405 would yield net discretionary savings of \$108 million over the 2014–2018 period, assuming appropriation actions consistent with the bill.

Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

H.R. 1405 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1405 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars					2014-2018
	2014	2015	2016	2017	2018	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Limit on Awards and Bonuses to VA Employees						
Estimated Authorization Level	-54	-58	-62	-66	-70	-310
Estimated Outlays	-54	-58	-62	-66	-70	-310
Improvement of Fiduciary Program for Veterans						
Estimated Authorization Level	19	38	39	40	40	176
Estimated Outlays	19	38	39	40	40	176
Provision of Access to Case-Tracking System						
Estimated Authorization Level	6	5	5	5	5	26
Estimated Outlays	6	5	5	5	5	26
Total Changes						
Estimated Authorization Level	-29	-15	-18	-21	-25	-108
Estimated Outlays	-29	-15	-18	-21	-25	-108

Note: VA = Department of Veterans Affairs.

BASIS OF ESTIMATE

Limit on Awards and Bonuses to VA Employees

Section 5 would limit the amount that VA could pay in awards and bonuses to VA employees to \$345 million per year over the 2014-2018 period.

For 2013, the amount of allowable payments was capped at \$395 million. Assuming such payments will increase from that level at historical rates of growth, CBO estimates that implementing section 5 would reduce spending for pay and performance by \$310 million over the 2014-2018 period, assuming appropriation actions consistent with the bill.

Improvement of Fiduciary Program for Veterans

Section 4 would make significant changes to VA's fiduciary program. That program provides or approves fiduciaries for veterans who cannot manage their financial affairs. The fiduciaries receive and manage the veterans' benefits on their behalf. The provision would require VA to:

- Determine the competency of individuals appointed as fiduciaries;
- Remove certain fiduciaries deemed incompetent and review the files of fiduciaries appealing such decisions;
- Maintain a list of state, local, or nonprofit agencies that could perform fiduciary duties;
- Update the qualifications and procedures for certifying a fiduciary to include: visits to proposed fiduciaries, Internet training, and criminal background and credit checks;
- Require that all fiduciaries provide pertinent accounting details for VA verification; and
- Notify veterans if a requested fiduciary is unqualified and why, and provide veterans with a notice of certified fiduciaries.

Section 4 also would require VA to maintain a database of all fiduciaries and to submit a report to the Congress on the progress of the program.

Based on information from VA, CBO estimates that about 460 additional employees would need to be hired to carry out the requirements of section 4 at an average annual cost of about \$80,000 per employee in 2014 and increasing thereafter with inflation. We also estimate that the information technology systems necessary to maintain the database would cost about \$1 million per year. In total, CBO estimates that implementing section 4 would cost \$176 million over the 2014-2018 period, assuming appropriation of the necessary amounts.

Provision of Access to Case-Tracking System

Section 3 would require VA to provide certain individuals, referred to as covered employees, access to VA's case-tracking system in order to provide veterans with information regarding the status of claims submitted to VA. Covered employees under

section 3 would include Members of the Congress and their staff and certain employees of state and local agencies who assist veterans with claims for benefits.

This access would be limited so that covered employees would not be able to alter any information in the system or have access to any medical records. Covered employees also would be required to complete a certification course on privacy issues that would be provided by VA.

CBO expects that about 8,000 Congressional, state, and local employees would take training courses each year and be granted access at a cost of about \$600 per employee. VA also would need to modify their system to ensure limited access. CBO estimates that implementing section 3 would increase spending for information technology by \$26 million over the 2014-2018 period, assuming appropriation of the necessary amounts.

Notice of Disagreement

Section 1 would require VA to include a form that could be used to file a notice of disagreement when a claimant's application for benefits is denied. Under current law, when an application for benefits is denied, the claimant is provided with a written notice of the decision, a statement of the reasons for the denial, and a summary of evidence used to support the denial. CBO estimates that including an additional form with that notification would have an insignificant cost.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1405 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Dwayne M. Wright

Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum

Impact on the Private Sector: Elizabeth Bass

ESTIMATE APPROVED BY:

Theresa Gullo

Deputy Assistant Director for Budget Analysis