CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 15, 2015

H.R. 571
Veterans Affairs Retaliation Prevention Act of 2015

As ordered reported by the House Committee on Veterans' Affairs
on May 21, 2015

SUMMARY

H.R. 571 would limit the amount of awards and bonuses paid to employees of the Department of Veterans Affairs (VA) and would modify the department's personnel policies for employees in the Senior Executive Service (SES). In addition, the bill would prescribe a comprehensive process for handling complaints by whistleblowers. CBO estimates that implementing H.R. 571 would, on net, decrease costs by $36 million over the 2016-2020 period, assuming appropriation levels are reduced by those amounts.

Enacting the bill would have an insignificant effect on direct spending over the 2016-2025 period; therefore, pay-as-you-go procedures apply. Enacting H.R. 571 would not affect revenues.

H.R. 571 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 571 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					
	2016	2017	2018	2019	2020	2016-2020
CHANGES IN SPENDING SUBJECT TO APPROPRIATION[a]						
Limitations on Awards and Bonuses for Employees						
Estimated Authorization Level	-14	-14	-14	-14	-14	-70
Estimated Outlays	-14	-14	-14	-14	-14	-70
Performance Appraisal System for SES Employees						
Estimated Authorization Level	8	2	1	1	1	14
Estimated Outlays	8	2	1	1	1	14
Required Transfers of SES Employees						
Estimated Authorization Level	2	2	2	2	2	10
Estimated Outlays	2	2	2	2	2	10
Treatment of Whistleblower Complaints						
Estimated Authorization Level	2	2	2	2	2	10
Estimated Outlays	2	2	2	2	2	10
Limitation on Administrative Leave for SES Employees						
Estimated Authorization Level	*	*	*	*	*	*
Estimated Outlays	*	*	*	*	*	*
Total						
Estimated Authorization Level	-2	-8	-9	-9	-9	-36
Estimated Outlays	-2	-8	-9	-9	-9	-36

Notes: Components may not sum to totals because of rounding.

* = less than $500,000; SES = Senior Executive Service.

a. In addition to the discretionary costs for H.R. 571 shown above, enacting section 3 would decrease direct spending by less than $500,000 in every year and over the 2016-2025 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 571 will be enacted near the beginning of fiscal year 2016, that appropriations will reflect the estimated changes each year, and that outlays will follow historical spending patterns for the affected programs.

Spending Subject to Appropriation

H.R. 571 would affect discretionary costs by limiting bonuses for employees of VA, reforming the SES performance appraisal system, and revising the treatment of whistleblower complaints. CBO estimates that implementing H.R. 571 would reduce net costs for personnel by $36 million over the 2016-2020 period, assuming appropriation actions consistent with the bill.

Limitations on Awards and Bonuses for Employees. Section 6 would limit the total amount that VA could pay in awards and bonuses to $346 million a year over the 2016-2024 period. Under current law, awards and bonuses for VA employees are capped at $360 million a year through 2024. Based on historical information from VA regarding pay and bonuses, CBO expects that VA will spend that full capped amount each year. Therefore, CBO estimates that implementing this provision would reduce costs for compensation by $70 million over the 2016-2020 period, assuming appropriation levels are reduced by that amount.

Performance Appraisal System for SES Employees. Section 4 would modify VA's system of evaluating the job performance of SES employees by increasing the number of rating levels, limiting the number of employees who can be rated at the higher levels, increasing the required documentation, and requiring an annual report to the Congress that would include a detailed description of the interim and ultimate evaluation of each SES employee. The provision also would require VA to hire a nongovernmental entity to conduct a review of VA's training program for SES employees and then to submit a report to the Congress with the findings and a plan to carry out the recommendations of the report.

Based on information from VA, CBO estimates that updating VA's information technology systems to implement the new SES appraisal system would cost about $7 million, hiring a nongovernmental entity to review the SES training would cost $2 million, and submitting reports to the Congress would cost $5 million over the 2016-2020 period. In total, CBO estimates that implementing section 4 would cost about $14 million over the 2016-2020 period, subject to appropriation of the necessary amounts.

Required Transfers of SES Employees. Section 4 also would require VA to reassign SES employees to new positions within the department every five years. The new assignments would have to include moves to different locations and involve supervision of different personnel and programs. VA has about 340 SES employees, and about 40 percent of those employees are located in Washington, D.C. The remainder are assigned to various VA facilities throughout the nation.

Because VA would be required to rotate SES employees every five years, we expect that about 70 of the 340 SES employees would be reassigned each year. Over the past two years, VA relocated about 40 SES employees per year and CBO expects this trend will continue. Therefore, CBO anticipates that VA would relocate about 30 additional SES employees per year under section 4. CBO expects that 80 percent of the reassignments would involve a move to a different part of the country and the remainder (mostly in Washington, D.C.) would entail a move from one facility to another in the same general area.

According to VA, the average cost to relocate an employee in 2014 was $61,300. In addition, VA offers a reassignment incentive of about $21,500 to employees and CBO expects that this practice would continue. Thus, we estimate the cost to relocate a VA employee to another region would be about $82,800 in 2016 and the cost to move someone within a region would be $21,500. Both of those costs would increase annually with inflation.

Therefore, CBO estimates that implementing this provision would increase personnel costs by about $10 million over the 2016-2020 period, subject to appropriation of the necessary amounts.

Treatment of Whistleblower Complaints. Section 2 would require VA to put new procedures in place to address complaints submitted by whistleblowers regarding violations of laws and regulations, and instances of fraud, waste, and abuse. Under the new system:

- Employees would be required to file whistleblower complaints with their immediate supervisor, who would then be required to maintain written documentation and file monthly reports with his or her immediate supervisor on what actions have been taken to address each complaint;

- Employees could move their complaint up the chain of command should the immediate supervisor not adequately address the claim;

- Employees who filed whistleblower complaints would be allowed to transfer to another position within the department under certain conditions;

- VA would be required to discipline supervisors who are found to have taken prohibited personnel actions that adversely affect an employee who files or participates in actions related to a whistleblower complaint;

- VA would be required to recoup bonuses paid to supervisors who took prohibited personal actions against whistleblowers;

- Criteria for evaluating the performance of supervisors at VA would include the actions taken by those employees to address whistleblower complaints;

- VA would be required to provide department-wide training to employees on their rights as whistleblowers and the procedures that are in place to protect those who do file complaints; and

- VA would be required to submit annual reports to the Congress detailing the number of whistleblower complaints filed and how they were addressed by VA.

Based on information from VA, CBO estimates that the new reports to the Congress as well as the mandatory training on whistleblower rights would cost about $2 million per year over the 2016-2020 period. Also, CBO estimates that very few supervisors would be required to repay bonuses; therefore, section 2 would have an insignificant effect on spending for compensation. In total, CBO estimates that implementing section 2 would have a net cost of $10 million over the 2016-2020 period, subject to appropriation of the necessary amounts.

Limitation on Administrative Leave for SES Employees. Section 5 would limit the length of time an employee being investigated for potential disciplinary action could be placed on administrative leave to 14 days during any 365-day period. That requirement could be waived if an explanation was provided to the Congress as to why the employee should be placed on leave for a longer time. Section 5 also would require VA to provide quarterly reports to the Congress listing all employees placed on administrative leave or any type of paid nonduty status for longer than 14 days. CBO estimates that implementing section 5 would have an insignificant effect on spending subject to appropriation.

Direct Spending

Section 3 would reduce the retirement annuity payments for SES employees of VA who are removed from employment because of a felony conviction or who retire from VA before being removed because of a felony conviction. The amount of the reduction would reflect a loss of credit for the time period starting when the employee first engaged in the unlawful activity and ending with the employee's removal from service. Because of the small number of VA-SES employees who are likely to be removed from service because of a felony conviction, CBO estimates that enacting section 3 would reduce direct spending by less than $500,000 over the 2016-2025 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. CBO estimates that enacting section 3 would decrease direct spending by less than $500,000 annually and over the 2016-2025 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 571 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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