



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 18, 2012

H.R. 5948

A bill to amend title 38, United States Code, 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 July 11, 2012*

SUMMARY

H.R. 5948 would make changes to certain administrative procedures and programs of the Department of Veterans Affairs (VA), including the fiduciary program, limits on bonuses for employees, and medical disability examinations by contract physicians. CBO estimates that implementing H.R. 5948 would have a discretionary cost of \$53 million over the 2013-2017 period, assuming appropriation of the necessary amounts. Also, CBO estimates that enacting H.R. 5948 would increase direct spending by \$1 million over the 2013-2017 period, for burial programs.

Pay-as-you-go procedures apply because enacting this legislation would affect direct spending. Enacting H.R. 5948 would not affect revenues.

H.R. 5948 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. 5948 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					2013- 2017
	2013	2014	2015	2016	2017	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Limit on Awards and Bonuses to VA Employees						
Estimated Authorization Level	-53	-57	-61	-65	-69	-305
Estimated Outlays	-53	-57	-61	-65	-69	-305
Improvement of Fiduciary Program for Veterans						
Estimated Authorization Level	37	38	38	39	40	192
Estimated Outlays	37	38	38	39	40	192
Disability Examinations by Contract Physicians						
Estimated Authorization Level	22	29	29	29	29	138
Estimated Outlays	22	29	29	29	29	138
Provision of Access to Case-Tracking System						
Estimated Authorization Level	6	5	5	5	5	26
Estimated Outlays	6	5	5	5	5	26
Establishment of Place of Remembrance at Arlington National Cemetery						
Estimated Authorization Level	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	1
Other Provisions						
Estimated Authorization Level	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	1
Total Changes						
Estimated Authorization Level	12	15	11	8	5	53
Estimated Outlays	12	15	11	8	5	53

Notes: In addition to the changes in spending subject to appropriation shown above, CBO estimates that enacting H.R. 5948 would increase direct spending by \$1 million over the 2013-2022 period.

Columns may not sum to totals because of rounding.

VA = Department of Veterans Affairs; * = less than \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes appropriation actions consistent with the bill, that the legislation will be enacted near the start of fiscal year 2013, and that outlays will follow historical patterns for similar and existing programs.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 5948 would cost \$53 million over the 2013-2017 period, assuming appropriation of the estimated amounts.

Limit on Awards and Bonuses to VA Employees. Section 13 would limit the amount that VA could pay in awards and bonuses to VA employees to about \$358 million per year over the 2013-2017 period. In 2011, VA paid about \$410 million in awards and bonus payments to employees. Assuming such payments will continue at that level, and accounting for anticipated inflation, CBO estimates that implementing section 13 would reduce discretionary spending for pay and performance by \$305 million over the 2013-2017 period, assuming appropriation actions consistent with the bill.

Improvement of Fiduciary Program for Veterans. Section 2 would make significant changes to VA's fiduciary program. 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 becoming a fiduciary to include: visits to proposed fiduciaries, internet training, and criminal background and credit checks;
- Require that all fiduciaries provide accounting details for VA verification; and
- Notify veterans of court-ordered fiduciaries and if a requested fiduciary is unqualified and why.

Section 2 also would require VA to maintain a database of all fiduciaries and 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 accommodate the requirements of section 2 at an average annual cost of about \$80,000 per employee. We also estimate that the information technology systems necessary to maintain the database would cost about \$1 million per year. Therefore, CBO

estimates that implementing section 2 would cost \$192 million over the 2013-2017 period, assuming appropriation of the necessary amounts.

Disability Examinations by Contract Physicians. Section 9 would extend the authority for VA to use contract physicians to perform medical disability examinations through December 31, 2017. Under current law, that authority expires on December 31, 2012. Based on information from VA, CBO estimates that, in 2011, VA used the current authority to have about 36,000 exams completed by contract physicians at a cost of about \$800 per exam and expects to complete the same amount each year over the 2013-2017 period.

In the absence of such authority, VA physicians who would otherwise be providing other types of health care to veterans will perform the exams, at no additional cost to VA. Thus, CBO estimates that implementing section 9 would cost \$138 million over the 2013-2017 period, assuming appropriation of the necessary amounts.

Provision of Access to Case-Tracking System. Section 10 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. A covered employee under section 10 would include Members of the Congress and their staff and certain employees of state or local agencies who assist veterans with claims for benefits.

This access would be limited so that no covered employee would be able to alter any information in the system or have access to any medical records. Also, all covered employees 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 and be granted access at a cost of about \$600 per employee. VA also would need to modify their system to ensure limited access. Therefore, CBO estimates that implementing section 10 would increase discretionary costs for information technology by \$26 million over the 2013-2017 period, assuming appropriation of the necessary amounts.

Establishment of Place of Remembrance at Arlington National Cemetery (ANC). Section 3 would authorize the Army to establish a Place of Remembrance in ANC for the interment of fragmentary remains of members of the Armed Forces who die or have died in any war or contingency operation or in the line of duty and are unidentifiable or unclaimed. CBO estimates that implementing section 3 would cost \$1 million over the 2013-2017 period, assuming the availability of appropriated funds.

Other Provisions. Implementing the following provisions would increase discretionary spending by a total of \$1 million over the 2013-2017 period:

- Section 6 would require VA to communicate with a funeral home when a deceased veteran has been transferred to VA and determined to have no next of kin to ensure that the funeral home has also taken measures to locate family members.
- Section 6 would require a report on VA's compliance with industry standards for caskets and urns.
- Section 7 would require VA to determine if a veteran who dies in prison is a Tier III sex offender, and therefore excluded from burial honors or burial in a VA national cemetery, Arlington National Cemetery, or state veterans' cemeteries.
- Section 8 would require VA to notify the next of kin or agent of each deceased individual eligible for burial in a national cemetery of any funeral honors available, including honors provided by the military or volunteer veterans honor guard.
- Section 11 would require VA to provide notice to the Congress, affected individuals, and the general public whenever sensitive personal information maintained by VA is breached. Such notification would be provided by email or in writing and should explain the nature of the breach, information about free credit protection services, and phone numbers where the individual can receive information on identity theft.

Direct Spending

Section 4 would require VA to provide a quality casket or urn for deceased veterans with no known next of kin, in those cases where they are transferred to VA in a substandard container. Based on information from VA on the number of veterans who die per year with no known next of kin and who are transferred to VA in substandard containers from funeral homes or other entities responsible for deceased individuals, CBO expects VA would be required to provide less than 100 caskets or urns per year for deceased veterans. CBO estimates that the required caskets or urns would have an average cost of about \$1,000 each, and thus that section 4 would increase direct spending by \$1 million over the 2013-2022 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5948 contains no intergovernmental or private-sector mandates as defined in UMRA. Local governments might incur some costs as a result of new requirements included in the bill, but those costs would result from participation in a voluntary federal program.

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