CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 22, 2011

H.R. 2465
Federal Workers' Compensation Modernization and Improvement Act

As ordered reported by the House Committee on Education and the Workforce on July, 13, 2011

SUMMARY

H.R. 2465 would amend the Federal Employees Compensation Act (FECA) that provides compensation for the disabilities or deaths of certain federal employees that result from injuries sustained on the job.

CBO estimates that enacting those changes would reduce net direct spending by a total of $22 million over the 2012-2021 period, including $16 million in off-budget savings. Enacting the bill would not affect revenues.

The costs for federal workers compensation are ultimately paid by the agencies that employed the injured workers, including the Postal Service, whose cash flows are classified as off-budget. Implementing the bill would result in increased discretionary costs for federal agencies' salaries and expenses totalling about $3 million over the 2012-2016 period, but would decrease discretionary costs by less than $500,000 over the 2012-2021 period.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending.

H.R. 2465 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandate Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2465 is shown in the following table. The costs of this legislation fall within budget functions 370 (commerce and housing credit), and 600 (income security).

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
CHANGES IN DIRECT SPENDING												
On-budget Effects												
Estimated Budget Authority0	-1	-2	*	*	*	*	*	*	*	*	-3	-6
Estimated Outlays0	-1	-2	*	*	*	*	*	*	*	*	-3	-6
Off-budget Effects (Postal Service)												
Estimated Budget Authority	-1	-1	-1	-1	-2	-2	-2	-2	-3	-3	-4	-16
Estimated Outlays	-1	-1	-1	-1	-2	-2	-2	-2	-3	-3	-4	-16
Total Changes												
Estimated Budget Authority	-1	-3	-1	-2	-2	-2	-2	-2	-3	-3	-8	-22
Estimated Outlays	-1	-3	-1	-2	-2	-2	-2	-2	-3	-3	-8	-22
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	2	2	*	*	*	*	-1	-1	-1	-1	3	*
Estimated Outlays	2	2	*	*	*	*	-1	-1	-1	-1	3	*

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

* = between -$500,000 and $500,000.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes H.R. 2465 will be enacted by October 1, 2012.

H.R. 2465 would make several changes to FECA, including:

- Authorizing physician assistants and advanced-practice nurses to provided medical services and certify traumatic injuries;
- Clarifying that disability or death from a terrorist attack sustained by a worker outside the United States is deemed to have been sustained while the worker was on the job;
- Increasing the maximum benefits for disfigurement and funeral expenses;
- Allowing the Department of Labor (DOL) to require that a claimant consent to the release of Social Security earnings information as a condition of receiving FECA benefits;

- Extending the continuation of pay (COP) period for employees who suffer injuries in a zone of armed conflict (ZOAC) from 45 days to 135 days; and

- Including COP in provisions related to subrogation and compensation recovery from a responsible third party (other than the U.S. government).

Direct Spending

Based on information provided by DOL, CBO estimates that the provisions increasing the maximum disfigurement award schedule and increasing benefits for funeral expenses would increase direct spending for FECA by about $10 million over the 2012-2021 period.

Those costs would be more than offset by provisions in the bill that would reduce direct spending for FECA. The bill would make it easier for DOL to detect fraudulent claims by cross-matching beneficiary information with Social Security data. Additionally, lengthening the COP period for individuals injured in a ZOAC would decrease direct spending by requiring agencies to pay those employees out of discretionary funds for a longer period of time. Together, those two provisions would reduce direct spending by about $38 million over the 2012-2021 period. In addition, CBO estimates that allowing COP costs to be subrogated (requiring responsible third parties to reimburse the government) would result in savings of about $3 million annually, totaling $26 million over the 2012-2021 period.

In total, gross direct spending would decline by $54 million over the 2012-2021 period, CBO estimates. Because agencies are ultimately responsible for the costs of FECA, those savings would be offset by lower reimbursements from federal agencies of about $48 million, CBO estimates. Thus, net savings would total $6 million over the 2012-2021 period.

Finally, the Postal Service would see its cost of reimbursing FECA drop by $16 million over the 2012-2021 period. (Postal Service expenditures are classified as off-budget.)

Spending Subject to Appropriation

Under H.R. 2465, as with the Postal Service, other federal agencies would see their cost of reimbursing FECA drop by about $32 million over the 2012-2021 period, CBO estimates. However, those savings would be offset by roughly similar increases in COP payments for individuals injured in a ZOAC (those increased payments would not apply to the Postal Service). On net, CBO estimates that discretionary costs for government agencies would increase by about $3 million over the 2012-2016 period, assuming the availability of appropriated funds. However, over the 2012-2021 period, discretionary costs would decline by less than $500,000.

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 following table. Only on-budget changes are subject to pay-as-you-go procedures.

CBO Estimate of Pay-As-You-Go Effects for H.R. 2465 as ordered reported by the House Committee on Education and the Workforce on July 13, 2011

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT													
Statutory Pay-As-You-Go Impact	0	-1	-2	0	0	0	0	0	0	0	0	-3	-6

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

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2465 contains no intergovernmental or private-sector mandates as defined in UMRA.

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