



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 11, 2014

H.R. 5094

A bill to amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to recoup certain bonuses or awards paid to employees of the Department of Veterans Affairs, and for other purposes

As ordered reported by the House Committee on Veterans' Affairs on September 10, 2014

H.R. 5094 would modify several authorities and programs administered by the Department of Veterans Affairs (VA). CBO estimates that implementing H.R. 5094 would cost less than \$500,000 over the 2015-2019 period, subject to the availability of appropriated funds. In addition, enacting H.R. 5094 would affect direct spending. However, CBO estimates that the net effects on direct spending would be insignificant for each year and over the 2015-2024 period. Enacting H.R. 5094 would not affect revenues.

Section 1 would give the Secretary of Veterans Affairs the authority to recoup all or part of awards and bonuses that were paid to employees of the agency after providing a notice of recoupment and an opportunity for a hearing conducted by VA. That authority would apply to such payments made by VA before the date of enactment of H.R. 5094 as well as those made after that date. CBO expects that this provision would be used infrequently, primarily to recoup payments made to senior VA employees who were determined to have committed a serious violation of the agency's standards of conduct. Of the roughly \$400 million that VA pays out each year for awards and bonuses, about \$4 million goes to senior staff.

Most federal statutes of limitation are no more than six years. On that basis, CBO expects that VA would not attempt to recoup payments made more than six years prior to the date of enactment. In addition, the authority would only affect current employees of VA; employees who resigned or retired would be exempt from recoupment.

In recovering overpayments made to employees, federal agencies have several options: they can require lump-sum or installment payments, or they can use salary offsets—regular deductions from bi-weekly payroll payments. Based on general practices at federal agencies, CBO assumes that in most cases VA would offset future salary payments. Such offsets would reduce discretionary costs. In those cases where VA requires a lump-sum or installment repayment, the funds would generally be deposited in the Treasury and would be considered a reduction in direct spending. Because CBO believes that this authority

would be used infrequently, and because employees could avoid recoupment by leaving the agency, CBO estimates that the amount of bonuses and awards that would be recouped would be insignificant.

Section 2 would require small business concerns owned and controlled by veterans to adhere to limits on subcontracting specified in the Small Business Act. CBO estimates that section 2 would have an insignificant effect on the federal budget.

Section 3 would require VA to complete a review of their prisoner of war (POW) list and compare it to the list created by the Department of Defense (DoD) to determine if there are any discrepancies between the two lists. After the review, VA would be required to complete a report detailing any discrepancies between the POW lists and how such discrepancies came to be. CBO estimates that implementing section 3 would cost less than \$500,000 in 2015, subject to the availability of appropriated funds.

Section 4 would require VA to postpone further expansion of the dialysis pilot program until the initial sites have been operating for at least two years and an independent study has been conducted at each initial site. Based on information from VA that such studies are already being conducted, CBO expects that any delay in expanding the program would be minimal, and thus, that section 4 would have an insignificant effect on discretionary spending.

H.R. 5094 would impose a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) by permitting the Secretary of Veterans Affairs to recoup awards and bonuses given to VA employees any time before or after enactment of the legislation. The Secretary could direct any employee to repay all or a portion of the amount paid. Based on CBO's assessment that the amount of bonuses and awards that would be recouped would be insignificant, CBO estimates that the cost of the mandate to employees would fall well below the annual threshold for private-sector mandates established in UMRA (\$152 million in 2014, adjusted annually for inflation).

H.R. 5094 contains no intergovernmental mandates as defined in UMRA.

The CBO staff contact for this estimate is Dwayne M. Wright. The estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.