



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 10, 2013

S. 6 **Putting Our Veterans Back to Work Act of 2013**

As ordered reported by the Senate Committee on Veterans' Affairs on July 24, 2013

SUMMARY

S. 6 would create or modify programs that provide employment opportunities, employment training, rehabilitative training services, and employment and reemployment protections to veterans and servicemembers.

CBO estimates that enacting the bill would increase direct spending by about \$1.1 billion over the 2014-2023 period. Because the bill would affect direct spending, pay-as-you-go procedures apply. Enacting S. 6 would have an insignificant effect on revenues.

In addition, CBO estimates that implementing S. 6 would have discretionary costs of about \$1.4 billion over the 2014-2018 period, assuming appropriation of the specified and estimated amounts.

The bill would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would require public and private individuals to comply with civil investigative orders pertaining to the Uniformed Services Employment and Reemployment Rights Act (USERRA). CBO estimates that the costs to comply with the mandate would be small and would not exceed the annual thresholds for intergovernmental or private-sector mandates (\$75 million and \$150 million in 2013, respectively, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 6 is shown in Table 1. The costs of this legislation fall within budget functions 450 (community and regional development), 500 (education, training, employment, and social services), 700 (veterans benefits and services), and 750 (administration of justice).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 6^a

	By Fiscal Year, in Millions of Dollars					2014- 2018
	2014	2015	2016	2017	2018	
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	218	549	380	-1	0	1,146
Estimated Outlays	218	549	380	-1	0	1,146
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	1,325	74	2	0	0	1,402
Estimated Outlays	90	609	610	66	26	1,402

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

- a. In addition to the budgetary effects shown above, enacting S. 6 would have an insignificant effect on revenues over the 2014-2023 period.
-

BASIS OF ESTIMATE

S. 6 would create or modify a number of veterans programs. This estimate is based on information from the Department of Veterans Affairs (VA), the Department of Defense (DoD), the Department of Labor (DOL), the Department of Education, and the staff of the Joint Committee on Taxation (JCT). For the purposes of this estimate, CBO assumes the bill will be enacted in fiscal year 2014, that the necessary amounts will be appropriated each year, and that outlays will follow historical patterns for similar and existing programs.

Direct Spending and Revenues

Table 2 summarizes the bill's effect on direct spending for veterans' training and rehabilitation programs. In total, CBO estimates that enacting those provisions would increase direct spending for veterans' programs by about \$1.1 billion over the 2014-2023 period.

Veterans Retraining Assistance Program (VRAP). VRAP provides up to 12 months of assistance to certain unemployed veterans pursuing programs that prepare them to work in fields determined by DOL to have significant employment opportunities. The monthly amount of assistance is equal to the maximum monthly amount of basic assistance payable under the Montgomery GI Bill (in 2014, that amount is \$1,648). Under current law, VA may not provide such assistance beyond March 31, 2014. Section 101 would extend VA's

authority to carry out this program through June 30, 2016, expand assistance to an additional 100,000 unemployed veterans, and allow participants to pursue coursework offered by four-year institutions if comparable programs are not offered at community colleges or technical schools.

TABLE 2. IMPACT OF S. 6 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars											2014-	2014-	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2018	2023		
Veterans Retraining Assistance Program														
Estimated Budget Authority	218	548	380	0	0	0	0	0	0	0	1,146	1,146		
Estimated Outlays	218	548	380	0	0	0	0	0	0	0	1,146	1,146		
Benefits for Severely Injured or Ill Servicemembers														
Estimated Budget Authority	0	1	*	-1	0	0	0	0	0	0	*	*		
Estimated Outlays	0	1	*	-1	0	0	0	0	0	0	*	*		
Total Changes														
Estimated Budget Authority	218	549	380	-1	0	0	0	0	0	0	1,146	1,146		
Estimated Outlays	218	549	380	-1	0	0	0	0	0	0	1,146	1,146		

Note: * = between -\$500,000 and \$500,000.

Of the total number of veterans that would newly qualify for retraining assistance under this section, 50,000 would be allowed to enter the program between April 1, 2014, and June 30, 2015, and 50,000 between July 1, 2015, and June 30, 2016. Based on information from VA and DOL, CBO estimates that those caps would be reached and that each participating veteran would, on average, receive about six months of retraining assistance. CBO also estimates that, because the program would extend through June 30, 2016, a small number of veterans who qualified under the original program and were unable to complete their training by March 31, 2014, would receive retraining assistance for an additional three months. Over the 2014-2023 period, CBO estimates that providing retraining assistance under this provision would increase direct spending for veterans education benefits by about \$1.1 billion.

In addition, of the 100,000 unemployed veterans expected to participate in the retraining program, we project that nearly half also would apply for, and be eligible to participate in, the Federal Pell Grant and Federal Student Loan Programs funded by the U.S. Department of Education. Absent the retraining assistance program extended by this bill, CBO does not expect that those veterans would otherwise have participated in the Pell Grant and Student Loan Programs. While the bulk of funding for Pell grants is discretionary (those costs are discussed below in the “Spending Subject to Appropriation” section of the estimate under

the same heading), CBO estimates that this section would increase direct spending by \$26 million over the 2014-2023 period for the mandatory portion of the Pell Grant program. The bill also would have a negligible impact on direct spending for student loans.

Benefits for Severely Injured or Ill Servicemembers. Under current law, VA's authority to provide rehabilitation and vocational benefits to certain servicemembers expires December 31, 2014. Under that authority, servicemembers with severe injuries or illnesses who are awaiting separation may begin vocational rehabilitation under individualized plans developed by VA while still in an active-duty status. Section 102 would extend that authority for an additional two years. Based on information from VA and DoD, CBO estimates that about 900 servicemembers each year would begin training programs about three months earlier than they otherwise would have. CBO estimates that the resulting shift in the timing of benefits usage would have an insignificant effect on direct spending over the 2014-2023 period.

Benefits for Veterans Who Exhaust Unemployment Benefits. Section 103 would extend VA's authority to allow certain disabled veterans to participate in an additional program of vocational rehabilitation through March 31, 2016. Under current law, veterans who have previously completed a program of vocational rehabilitation and who have exhausted all rights to unemployment benefits may qualify for an additional 12 months of assistance, but only if they begin such a program within six months of the expiration of their unemployment benefits. VA's authority to provide such assistance expires March 31, 2014. Based on information from VA, CBO estimates that fewer than 10 veterans would benefit from this provision each year with each receiving about \$12,500 in additional benefits. Over the 2014-2023 period, CBO estimates that providing an additional program of vocational rehabilitation to such veterans would have an insignificant effect on direct spending.

Patient Protection and Affordable Care Act (ACA) Exemption. Sections 201 and 202 would authorize VA to develop and implement programs that provide employment and internship opportunities to qualified veterans (the discretionary costs for those programs are discussed below in the "Spending Subject to Appropriation" section of the estimate). Enacting those sections also would exempt participating employers from the employer mandate penalties under the ACA for veterans hired under those programs. CBO and the staff of the JCT estimate that, because of the small number of affected individuals, exempting employers from those penalties would have a negligible effect on revenues over the 2014-2023 period.

Spending Subject to Appropriation

S. 6 would authorize various programs to provide employment opportunities to certain veterans and servicemembers. The bill also would require DOL to establish a single employment portal through which veterans could access employment information online.

CBO estimates that implementing those programs would cost about \$1.4 billion over the 2014-2018 period, assuming appropriation of the specified and estimated amounts (see Table 3).

Internship Program. Section 202 would authorize the appropriation of \$600 million for fiscal year 2014 for VA to develop and implement a program that would provide internship opportunities to qualified veterans. The program would begin within 180 days after the enactment of S. 6 and would remain in effect for three years. CBO estimates that implementing this provision would cost \$600 million over the 2014-2018 period.

To qualify for the program, veterans would have to be unemployed or underemployed, between the ages of 18 and 30, and:

- Discharged or released from active-duty service under conditions other than dishonorable and apply within three years of discharge or separation, or
- Members of a reserve component or the National Guard who served for more than 180 consecutive days within three years of applying for the program.

Wages for interns. Of the \$600 million authorized to be appropriated for this program, section 202 would require that at least 95 percent be used to provide pay and benefits to interns. Qualified individuals placed in an internship position would be eligible to have VA provide up to \$25,000 to cover their pay and benefits for up to one year. CBO estimates that providing those wages and benefits would cost \$570 million over the 2014-2018 period.

Program management and other program costs. Not more than 5 percent of the amount authorized to be appropriated for this program could be used for program management costs. To implement section 202, CBO expects that VA would hire additional personnel to develop and manage the program, create an information technology (IT) system for the program, and perform the following tasks:

- Provide workshops on improving professional skills;
- Assess the work experience, skill level, and interests of participants;
- Provide employment counseling services;
- Monitor the required volunteer activities of participating veterans; and
- Carry out an outreach program to inform eligible employers and veterans of the benefits of participating in the program.

We estimate that carrying out those functions would cost \$30 million, over the 2014-2018 period.

TABLE 3. IMPACT OF S. 6 SPENDING SUBJECT TO APPROPRIATION

	By Fiscal Year, in Millions of Dollars					2014- 2018
	2014	2015	2016	2017	2018	
Internship Program						
Authorization Level	600	0	0	0	0	600
Estimated Outlays	30	270	285	15	0	600
Employer Subsidies						
Authorization Level	400	0	0	0	0	400
Estimated Outlays	20	180	190	10	0	400
Grants to Hire Veterans as First Responders						
Authorization Level	250	0	0	0	0	250
Estimated Outlays	18	85	81	40	26	250
Veterans Retraining Assistance Program						
Estimated Authorization Level	74	74	2	0	0	150
Estimated Outlays	21	74	54	1	0	150
Employment Information Portal						
Estimated Authorization Level	1	*	*	*	*	2
Estimated Outlays	1	*	*	*	*	2
Total Changes						
Estimated Authorization Level	1,325	74	2	0	0	1,402
Estimated Outlays	90	609	610	66	26	1,402

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

* = less than \$500,000.

Employer Subsidies. Section 201 would authorize the appropriation of \$400 million for fiscal year 2014 for the Secretary of Labor to develop and implement a program that would provide subsidies to certain employers who provide employment opportunities to qualified veterans. The program would begin within 180 days after the enactment of S. 6 and would remain in effect for three years. CBO estimates that implementing this provision would cost \$400 million over the 2014-2018 period.

To qualify for the program, individuals must:

- Be unemployed or underemployed;
- Be at least 18, but not more than 34 years of age or at least 55 years of age, but not more than 64 years of age;
- Not be enrolled in a federal or state job training program;
- Not be receiving disability compensation by reason of unemployability; and
- Be one of the following:
 - Veterans discharged or released from active-duty service under conditions other than dishonorable and apply within three years of discharge or separation, or
 - Members of a reserve component or the National Guard who served for more than 180 consecutive days within three years of applying for the program.

Subsidy payments. Of the \$400 million authorized to be appropriated for this program, section 201 would require that at least 95 percent of that amount be used to provide subsidies to employers. DOL would provide employers with a subsidy, for up to one year, in an amount equal to 60 percent of the veteran's pay; if the veteran participates in an apprenticeship program, the subsidy would be 75 percent. Such payments could not exceed \$11,000 or, for those participating in apprenticeship programs, \$14,000. In addition to the subsidy payments, employers could receive a hiring incentive equal to 10 percent of the total subsidies paid during the last six months of a veteran's participation in the program if, at the end of the program, the employer hires the veteran on a permanent full-time basis. CBO estimates that providing those subsidy and incentive payments would cost \$380 million over the 2014-2018 period.

Program management and other program costs. Section 201 also would limit the amount that may be used for program management costs to not more than 5 percent of the amount authorized to be appropriated. Of that amount, CBO estimates that DOL would hire additional personnel to develop and implement the program, create an IT system to manage the program, and perform the following tasks:

- Assess the work experience, skill level, and interests of individuals participating in the program;
- Provide employment counseling services to individuals participating in the program; and
- Carry out an outreach program to inform eligible employers and individuals of the benefits of participating in the program.

Collectively, carrying out those functions would cost \$20 million over the 2014-2018 period, CBO estimates.

Grants to Hire Veterans as First Responders. Section 302 would authorize the appropriation of \$125 million for the Department of Justice to make grants to state and local governments to hire veterans as law enforcement officers. The section also would authorize the appropriation of \$125 million for the Department of Homeland Security to make grants to state and local governments to hire veterans as first responders. Implementing this section would cost \$250 million over the 2014-2018 period, CBO estimates.

Veterans Retraining Assistance Program. In addition to the direct spending effects estimated for section 101 (those costs are discussed above in the “Direct Spending” section of the estimate under the same heading), CBO estimates that implementing this provision would cost \$150 million over the 2014-2018 period.

Program Management. Based on information from VA and DOL, CBO estimates that, on average, the equivalent of 20 full-time employees each year would be required to review and process incoming applications for retraining assistance over the extended period. The existing IT system used to manage the VRAP also would need to be maintained through 2016. Over the 2014-2018 period, CBO estimates that those personnel and IT costs would total \$7 million.

Pell Grant Program. Also as discussed in the direct spending estimate section, CBO projects that nearly half of the 100,000 unemployed veterans expected to participate in the retraining program would apply for, and be eligible to participate in, the Pell Grant program. If enacted, section 101 would increase discretionary costs for Pell grants by \$143 million over the 2014-2018 period, CBO estimates.

Employment Information Portal. Section 301 would require DOL, in conjunction with DoD, VA, the Small Business Administration, and other federal agencies to develop a single employment portal within the federal government that veterans may access online. That portal would be used to provide veterans with information on all federal programs regarding employment, unemployment, and training to the extent that those programs affect veterans. CBO estimates that developing this portal would cost \$2 million over the 2014-2018 period.

Employment and Reemployment Rights. Sections 401, 402, 403, and 404 would strengthen existing employment and reemployment protections offered to servicemembers. Such measures would include:

- Suspending payments to, and terminating contracts with, contractors who violate the employment and reemployment rights of servicemembers;

- Providing the Attorney General with the authority to issue civil investigative demands when investigating alleged violations of the employment and reemployment rights of servicemembers; and
- Providing the U.S. Office of Special Counsel with subpoena authority when investigating violations of the employment and reemployment rights of servicemembers.

Based on information from DOL, CBO estimates that implementing those provisions would cost less than \$500,000, collectively, over the 2014-2018 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. The changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 6 as ordered reported by the Senate Committee on Veterans' Affairs on July 24, 2013

	By Fiscal Year, in Millions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	218	549	380	-1	0	0	0	0	0	0	1,146	1,146

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 6 would amend USERRA to authorize the Attorney General to issue civil investigative orders to further investigations arising from that act. Individuals, including public officials, would be subject to those orders and would be required to produce documents for review and duplication and to respond to questioning. Requiring individuals to produce such information would impose an intergovernmental and private-sector mandate. However, CBO estimates the costs to comply with those orders would be small and would not exceed the annual thresholds for intergovernmental or private-sector mandates (\$75 million and \$150 million in 2013, respectively, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs:

Mark Grabowicz, Daniel Hoople, Justin Humphrey, William Ma, and Julia Mitchell

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