



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 7, 2015

H.R. 2320 **Federal Improper Payments Coordination Act of 2015**

*As ordered reported by the House Committee on Oversight and Government Reform
on July 22, 2015*

H.R. 2320 would amend federal law with an aim to reduce improper payments made by the federal government. Improper payments occur when funds are paid to the wrong recipient, the recipient receives the incorrect amount of funds, documentation is not available to support a payment, or the recipient uses funds in an improper manner.¹ Specifically, the legislation would authorize the judicial and legislative branches, as well as state government agencies that manage federal programs, to use the Treasury Department's Do Not Pay (DNP) Program. The Office of Management and Budget (OMB) would provide guidance on its use. (Agencies use that program to check various databases before making payments or contract awards in order to identify ineligible recipients and to prevent other payment errors.) H.R. 2320 also would direct the Secretaries of State and Defense to improve the accuracy of their payment systems by sharing information relating to the deaths of individuals. Finally, the Secretary of the Treasury would be required to submit a report to the Congress on efforts to reduce improper payments.

OMB reports that about \$125 billion in improper payments were made by the federal government in 2014, which represented about 4 percent of the \$3 trillion in government-wide spending that year. Although implementing the bill would probably result in fewer improper payments, any subsequent budgetary savings would not be significant for several reasons:

- Most improper payments result from incomplete documentation related to the payment and correcting that documentation usually does not alter the amount of the payment;
- Over 80 percent of improper payments stem from the larger federal entitlement programs such as Medicare, Medicaid, Unemployment Insurance, and

1. A fraudulent payment (the intentional misuse of funds) may be related to an improper payment, but they are not necessarily the same. Efforts to curtail improper payments do not exclusively target fraud prevention. For additional information see: Congressional Budget Office: [How Initiatives to Reduce Fraud in Federal Health Care Programs Affect the Budget](#) (October 2014).

Supplemental Security Income. The bill would not provide any new authorities to help those programs reduce improper payments;

- The judicial and legislative branches of the government can already access the DNP program under current law, according to Treasury Department officials;
- Spending by those branches represents less than 1 percent of total federal spending and most of it is for salaries and expenses. Such spending generally does not result in large numbers of improper payments;
- State and local governments already use databases similar to the DNP to detect improper payments.

In fact, no measures used by OMB or evidence from the Government Accountability Office (GAO) indicate that focusing on correcting improper payments would lead to a significant reduction in federal spending.

Because enacting the bill could affect direct spending for federal entitlement programs, pay-as-you-go procedures apply. However, CBO estimates that any change in direct spending would not be significant for the reasons stated above. We also estimate that implementing H.R. 2320 would result in additional spending of about \$1 million in 2016 and less than \$500,000 in subsequent years, primarily to cover additional administrative costs by OMB and the Departments of Defense, State, and the Treasury. Such additional spending would be subject to the availability of appropriated funds.

H.R. 2320 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On June 18, 2015, CBO provided a cost estimate for S. 614, the Federal Improper Payments Coordination Act of 2015, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on March 4, 2015. While both bills have identical provisions dealing with improper payments, H.R. 2320 includes additional responsibilities for OMB. The CBO cost estimates reflect that difference.

The CBO staff contact for this estimate is Matthew Pickford. The estimate was approved by Theresa Gullo, Assistant Director for Budget Analysis.