CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 19, 2015

H.R. 3016
Veterans Employment, Education, and Healthcare Improvement Act

As ordered reported by the House Committee on Veterans' Affairs on September 17, 2015

SUMMARY

H.R. 3016 would modify certain mandatory veterans' programs, including those that provide educational benefits and mortgage loan guarantees. On net, CBO estimates that enacting H.R. 3016 would decrease direct spending by $815 million over the 2016-2025 period.

In addition, H.R. 3016 would expand the types of medical care provided by the Department of Veterans Affairs (VA); reorganize the administration of several job training, readjustment benefits, and other benefit programs; transfer certain employment training and placement programs from the Department of Labor (DOL) to VA; and modify the processing of benefit claims. In total, CBO estimates that implementing the bill would cost $234 million over the 2016-2020 period, assuming appropriation of the necessary amounts.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 3016 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

H.R. 3016 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. State agencies that serve veterans would benefit from contact and service information about veterans provided electronically by VA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 3016 are shown in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. BUDGETARY EFFECTS OF H.R. 3016, THE VETERANS EMPLOYMENT, EDUCATION, AND HEALTH CARE IMPROVEMENT ACT

	By Fiscal Year, in Millions of Dollars					
	2016	2017	2018	2019	2020	2016-2020
CHANGES IN DIRECT SPENDING[a]						
Estimated Budget Authority	-7	-20	-44	-63	-80	-214
Estimated Outlays	-7	-20	-44	-63	-80	-214
SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	76	54	33	36	38	237
Estimated Outlays	56	64	38	37	39	234

a. Enacting H.R. 3016 would have effects beyond 2020. CBO estimates that under H.R. 3016 direct spending would decrease by $815 million over the 2016-2025 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3016 will be enacted early in fiscal year 2016, the estimated amounts will be appropriated each year, and outlays will follow historical spending patterns for affected programs.

Direct Spending

CBO estimates that enacting H.R. 3016 would decrease net direct spending by $7 million in 2016 and $815 million over the 2016-2025 period (see Table 2). Most of that change arises from provisions that would modify the education benefits provided by VA. Changes to VA's authority to guarantee mortgages would increase direct spending by a smaller amount.

Changes to Education Benefits. H.R. 3016 would make several changes to education benefits provided under the Post-9/11 GI Bill. On net, those changes would decrease direct spending by $882 million over the 2016-2025 period.

Under the Post-9/11 GI Bill, VA pays for tuition and fees at institutions of higher learning and, with certain exceptions, provides monthly housing allowances to beneficiaries while they are in school. Payments for attending public schools cover the full cost of tuition and fees at rates charged to in-state students. Annual payments for education programs at private institutions are capped at about $21,000 for 2016. (That limit is adjusted annually for inflation.)

TABLE 2. ESTIMATED EFFECTS OF H.R. 3016 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
CHANGES IN DIRECT SPENDING												
Transferred Education Benefits												
Estimated Budget Authority	-10	-24	-41	-64	-79	-87	-98	-110	-123	-137	-218	-773
Estimated Outlays	-10	-24	-41	-64	-79	-87	-98	-110	-123	-137	-218	-773
Payments for Flight Training												
Estimated Budget Authority	-4	-8	-19	-20	-22	-23	-25	-26	-27	-29	-73	-203
Estimated Outlays	-4	-8	-19	-20	-22	-23	-25	-26	-27	-29	-73	-203
Fry Scholarships												
Estimated Budget Authority	2	4	7	11	11	3	3	3	3	3	35	50
Estimated Outlays	2	4	7	11	11	3	3	3	3	3	35	50
Credit for Time in Medical Care												
Estimated Budget Authority	1	2	3	4	4	5	5	5	5	6	14	40
Estimated Outlays	1	2	3	4	4	5	5	5	5	6	14	40
Work-Study Program												
Estimated Budget Authority	*	1	1	1	1	*	0	0	0	0	4	4
Estimated Outlays	*	1	1	1	1	*	0	0	0	0	4	4
Loan Guarantee Limit												
Estimated Budget Authority	4	5	5	5	5	6	7	7	8	15	24	67
Estimated Outlays	4	5	5	5	5	6	7	7	8	15	24	67
Total Changes in Direct Spending												
Estimated Budget Authority	-7	-20	-44	-63	-80	-96	-108	-121	-134	-142	-214	-815
Estimated Outlays	-7	-20	-44	-63	-80	-96	-108	-121	-134	-142	-214	-815

Note: * = between $0 and $500,000.

In addition, students who face tuition and fees above what VA will cover—students at certain private schools and out-of-state students attending public schools—may be eligible to have part or all of their remaining expenses covered under the Yellow Ribbon GI Education Enhancement Program (YRP). Institutions participating in the YRP agree to cover a portion of the difference between the tuition charged and the amount that VA would otherwise pay. VA then matches that financial assistance, thereby reducing or eliminating students' out-of-pocket expenses.

Service members and veterans can use those benefits themselves or transfer up to a total of 36 months of benefits to their spouses and children after serving at least six years in the military. Spouses can use the benefits as soon as they are transferred, but children must wait until the member has completed 10 years of service.

Transferred Education Benefits. Section 301 would modify the authorities under which service members may transfer education benefits to their dependents. On net, those changes would reduce direct spending by $773 million over the 2016-2025 period, CBO estimates.

Section 301 would reduce by half the monthly housing allowance paid to children who use transferred benefits. That reduction would apply to benefits that are transferred to children180 days or more after the bill is enacted. Based on current payment levels and adjusting for expected inflation, CBO estimates that the annual payment for the housing allowance under the Post-9/11 GI Bill will average about $7,000 in 2016 and $7,900 over the 2016-2025 period. (That annual payment may represent an academic years' worth of benefits for one student or portions of an academic year for two or more students.)

Based on data from the Department of Defense (DoD), CBO estimates that about 28,000 service members will transfer their education benefits to their children each year. Less than 10 percent of children who receive transferred benefits will be college-aged at the time of the transfer and only half will reach college age during the subsequent 10-year period. Most service members will have completed at least 10 years of service by the time their children are old enough to attend college. Thus, the reduction in the housing allowance would affect a small number of annual payments initially—about 2,000 in 2016. The number of reduced payments would increase over time to nearly 40,000 annual payments in 2025. CBO estimates that the number of annual payments that would be cut in half under section 301 would total roughly 220,000 over the 2016-2025 period, reducing direct spending by $900 million.

Section 301 also would change the terms under which service members may transfer Post-9/11 GI Bill benefits to their spouses and children. Under current law, members must serve at least six years and agree to serve another four years to transfer their benefits. Under section 301, members would have to serve at least 10 years, and agree to serve an additional two years in order to transfer benefits. Spouses and children would be allowed to begin using benefits as soon as they are transferred by the member.

CBO expects that those changes would cause some service members to leave the military and use their benefits themselves, rather than transfer them to their dependents. Because service members would have to wait four more years before committing to additional military service, they would have more opportunities to leave the armed forces. Also, spouses would have to wait an additional four years to use transferred benefits, somewhat reducing their value to the spouse. Finally, the length of service required from the member would increase from 10 years to 12 years.

Based on the rate at which personnel leave the military between their 6th and 10th years of service, CBO estimates that each year about 2,000 members who would have committed to additional service in order to transfer benefits under current law would, under this provision, leave the military and retain those benefits for their own use. That change would have several offsetting effects that would increase net direct spending by about $130 million over the 2016-2025 period, CBO estimates. Those effects include:

- Increased costs of $560 million for an additional 20,000 service members who would separate and use additional benefits;

- Increased costs of $40 million for the roughly 2,000 additional recruits who would replace those separating service members, some of whom would later separate and use education benefits near the end of the budget window;

- Decreased costs of $270 million because spouses who do receive transferred benefits would have to wait an additional four years to receive them, reducing the total number of spouses who attend school over the next 10 years by about 6,500;

- Decreased costs of $100 million because about 4,700 fewer spouses would receive transferred benefits; and

- Decreased costs of $100 million because about 14,000 fewer children would receive transferred benefits, about 2,000 of whom would have reached college age during the next 10 years.

Payments for Flight Training. Section 306 would cap payments for tuition and fees for educational programs that involve flight training. Flight-training programs require significant expenditures for aircraft purchases, equipment maintenance, aviation fuel, and insurance. In 2014, VA paid an average of $42,000 in tuition and fees for all beneficiaries enrolled in flight-training programs at public institutions. The maximum benefit for tuition and fees for flight trainees at private institutions was $19,400 that year.

Section 306 would apply the limit for private institutions to all flight-training programs. (Students who are enrolled in flight-training programs before enactment of H.R. 3016 would not see their education benefits reduced for two years.) Payments for students whose tuition is below the new cap would not be affected. In 2014, the average cost for the 544 students whose tuition and fees exceeded the $19,400 limit applicable to private institutions for that year was about $62,000, a difference of $42,600. (That number excludes students at programs currently precluded from enrolling new students receiving VA education benefits.) In total, payments to schools would decline by $342 million over the 2016-2025 period as a result of the cap, CBO estimates.

Under the bill, the savings realized by capping tuition payments would be partially offset because some students may be eligible for additional assistance under the Yellow Ribbon Program.

Based on data from VA that reflects payments under the YRP, CBO expects that about 90 percent of the institutions affected by the new cap on flight-training costs would make qualifying contributions under the YRP, and those contributions would cover about 45 percent of the difference between the listed amount for tuition and fees and the limit on VA payments for those costs. Thus, reductions in benefit payments for flight training would be about 40 percent less than what they would be in the absence of the Yellow Ribbon Program. VA's matching payments under the YRP would total $139 million over the 2016-2025 period.

On that basis, CBO estimates that in most years about 600 individuals would be affected by the new limit on tuition and fees. The number of students affected would be smaller in 2016 and 2017 because payments for students who enrolled before H.R. 3016 was enacted would not be reduced in those years. In 2018, the first year that the cap would apply to payments for all students in flight training, payments for affected students would decline by about $30,000. That amount would increase annually because the gap between flight-training costs and the new cap would increase with inflation. CBO estimates that, in total, enacting section 306 would decrease direct spending by $203 million over the 2016-2025 period.

Fry Scholarships. The Marine Gunnery Sergeant John David Fry Scholarship provides 36 months of education benefits under the Post-9/11 GI Bill to spouses and children of service members who died on active duty at any time after September 11, 2001. Section 302 would enhance that benefit by allowing those individuals to receive payments under the Yellow Ribbon Program and by giving certain spouses more time to use the benefit. In total, section 302 would increase direct spending by $50 million over the 2016-2025 period, CBO estimates.

Under current law, service members must complete at least 36 months of active duty or be discharged from the military for a service-connected disability to earn YRP benefits. (Spouses and children who receive transferred benefits from members who were eligible for the YRP program can also receive that additional assistance.) Under the bill, recipients of the Fry Scholarship could receive additional education assistance through the Yellow Ribbon Program; thus, the roughly 6,000 dependents who use Fry Scholarship benefits each year also would become eligible for YRP assistance.

In 2014, VA made payments averaging $5,700 for 6 percent of the students who were eligible for the Yellow Ribbon Program. About 6,000 people with Fry Scholarships will attend school each year, CBO estimates. Assuming the same percentage of students with Fry Scholarships get similar YRP benefits (adjusted for inflation), those additional payments would increase direct spending by $25 million over the 2016-2025 period, CBO estimates.

Section 302 also would extend the time that certain spouses have to use Fry Scholarship benefits before they expire. On January 1, 2015, the Fry Scholarship was expanded to include spouses. Under current law, those spouses have 15 years after the service member's death to use their benefits; thus, some spouses have fewer than four years before their benefits will expire. Section 302 would allow spouses of service members who died between September 11, 2001, and December 31, 2005, up to 51 additional months to use their benefits. Approximately 2,000 service members with spouses died during that period, and their spouses would not have time to use any or all of their Fry Scholarship under current law. CBO estimates that direct spending on education benefits would increase by $25 million over the 2016-2025 period, because of the additional time for spouses to use their benefits.

Credit for Time in Medical Care. Section 307 would allow the time a reservist serves on active duty while receiving medical care or undergoing a medical evaluation, to count as qualifying active service for accruing education benefits under chapter 33. Based on historical data from the Department of Defense regarding such activations, CBO estimates that about 1,000 reservists will be called to active duty for those reasons annually, and spend an average of seven months in that status. For those individuals, that additional qualifying service could result in a roughly 15 percent increase in annual benefits under chapter 33—about $2,500 per person in 2016.

However, some activated reservists will already qualify for the maximum benefit as a result of other time on active duty; others would not use their benefits at all, even if the amount of the benefit were increased. Based on personnel data from DoD, CBO estimates that under section 307, about half of the reservists who are activated for medical care would receive and use additional benefits as a result of that service. Section 307 would apply to active-duty service after the date of enactment of the bill; thus, the initial budgetary effect would be small—about $1 million in 2016. As the population of veterans who would benefit from the provision grew over time, annual costs would increase to about $5 million. In total, the additional payments from VA for those benefits would increase direct spending by $40 million over the 2016-2025 period, CBO estimates.

Work-Study Program. Section 308 would renew for five years an expired authority to pay veterans to work in certain positions at VA while they are using educational assistance. Under the program, veterans could be paid the minimum wage for up to 25 hours per week for working in VA hospitals, nursing homes, retirement homes, and veterans' cemeteries, or for performing outreach services to other veterans. The authority to hire veterans in those positions expired on June 30, 2013. Section 308 would restart the program on June 30, 2016.

In 2012, the last full year before the authority expired, VA paid an average of $2,750 to about 400 veterans who performed such work. CBO expects that participation would be similar under the renewed program; therefore, we estimate that enacting section 308 would increase direct spending by $4 million over the 2016-2021 period.

In-State Tuition for Dependents. For dependents who receive transferred benefits under chapter 33, section 408 would require public institutions of higher learning to set tuition and fees at rates that are no higher than those charged to state residents. Institutions that declined to do so would be disapproved for attendance by students using VA education benefits. To the extent that public institutions complied and lowered prices for such beneficiaries, the difference between the rate charged by the institution and the amount paid by VA would decline or disappear. Thus VA would not have to provide matching payments under the Yellow Ribbon Program for institutions that would have covered part of that difference, and spending for that program would decline.

Section 408 is similar to a requirement in current law that public institutions must offer in-state tuition rates to veterans who were discharged within the three-year period preceding their enrollment in the institution. That requirement should similarly reduce mandatory spending under the YRP. However, the Secretary of Veterans Affairs has waived the disapproval of institutions that do not offer in-state tuition to veterans, reducing the incentive for public institutions to offer that lower rate. The Secretary's waiver would similarly apply to dependents who would otherwise be affected by the enactment of section 408. CBO expects that VA will continue to waive the requirement in current law; therefore, enacting section 408 would not affect direct spending.

Loan Guarantee Limit. VA provides partial loan guarantees to lenders that make home loans to veterans. The guarantee payment from VA is capped at 25 percent of the initial loan balance, up to the maximum loan amount established by the Federal Home Loan Mortgage Corporation Act, currently $417,000. (Loans at or below that level are known as conforming loans; loans in excess are called jumbo loans. Exceptions are made to the conforming limit for certain high-cost areas like Hawaii and Alaska.)

Section 501 would eliminate the cap on the loan amount for which VA can provide a guarantee of 25 percent. As a result, VA would provide a larger guarantee amount for some jumbo loans that it will already cover under current law. Additionally, some veterans who would not have used the benefit because of the guarantee limit would do so if section 501 were enacted. From October 2008, to December 2014, the maximum loan amount for which VA could provide a full guarantee was temporarily increased to $729,750. Based on information about the jumbo loans VA guaranteed during that period, CBO estimates that if the loan limit were removed, VA would increase the guaranteed amount by about $100,000 on average for about 5,000 loans a year that it will otherwise guarantee for a lesser amount under current law. Also, VA would guarantee an additional 1,000 loans annually with an average loan amount of about $700,000. As a result, the annual loan volume that VA would guarantee would grow by an average of $1.2 billion. Because the subsidy costs of VA's loan guarantees are considered direct spending, increasing the loan volume would increase direct spending.[1] Based on the experience from VA's loan guarantee program, CBO estimates that enacting section 501 would increase direct spending by $4 million in 2016 and $67 million over the 2016-2025 period.

Spending Subject to Appropriation

H.R. 3016 would expand the types of medical care provided by VA. It also would establish a new organization in VA to administer several job training, readjustment, and benefit programs, and would transfer certain job training and placement programs from the Department of Labor to VA. Finally, the bill would improve the systems and methods for processing benefit claims, and require VA to provide certain reports and studies. In total, CBO estimates that implementing the bill would cost $234 million over the 2016-2020 period, assuming appropriation of the necessary amounts (see Table 3).

Medical Care. The bill would expand neonatal care, increase the benefits paid to podiatrists at VA, establish a pilot program for certain veterans to train service dogs, and require periodic reviews of VA's budget for health care. In total, implementing those provisions would increase costs by $100 million, CBO estimates.

Care for Newborns. Section 103 would authorize VA to provide up to 42 days of health care to newborn children of female veterans who receive maternity care through the department. Under current law, VA may provide such care for no more than seven days after delivery.

Based on data from VA, CBO estimates that that 11 percent (or 240) of the roughly 2,200 eligible births that occur each year are complicated births that require neonatal care beyond seven days. Based on information from the Agency for Healthcare Research and Quality, and excluding the days over 42, the average length of stay for neonatal care for complicated births (for example, premature delivery, low birth weight, and fetal-growth retardation) is 15 days. Using information from VA, we estimate that the average daily cost for complicated births is about $4,000. As a result, and adjusting for anticipated inflation, CBO estimates that implementing this proposal would cost $50 million over the 2016-2020 period.

1. Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses, offset by any payments to the government, including origination fees, other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed.

TABLE 3. BUDGETARY EFFECTS OF H.R. 3016, THE VETERANS EMPLOYMENT, EDUCATION, AND HEALTH CARE IMPROVEMENT ACT

	By Fiscal Year, in Millions of Dollars					
	2016	2017	2018	2019	2020	2016-2020
SPENDING SUBJECT TO APPROPRIATION						
Care for Newborns						
Estimated Authorization Level	7	9	10	12	13	51
Estimated Outlays	6	9	10	12	13	50
Podiatrists						
Estimated Authorization Level	5	6	7	8	9	35
Estimated Outlays	4	6	7	8	9	34
Dog Training Therapy						
Estimated Authorization Level	2	2	2	2	2	10
Estimated Outlays	2	2	2	2	2	10
Outreach on Credit Protection						
Estimated Authorization Level	1	2	1	1	1	6
Estimated Outlays	1	2	1	1	1	6
Veterans Economic Opportunity and Transition Administration						
Estimated Authorization Level	*	30	10	10	10	60
Estimated Outlays	*	27	12	10	10	59
Transfer Labor Programs to VA						
Estimated Authorization Level	14	4	2	2	2	24
Estimated Outlays	10	7	3	2	2	24
Claims Processing						
Authorization Level	40	0	0	0	0	40
Estimated Outlays	27	9	2	1	1	40
Information on Benefit Entitlement						
Estimated Authorization Level	5	0	0	0	0	5
Estimated Outlays	4	1	0	0	0	5
Reports, Surveys, and Studies						
Estimated Authorization Level	2	1	1	1	1	6
Estimated Outlays	2	1	1	1	1	6
Total Spending Subject to Appropriation						
Estimated Authorization Level	76	54	33	36	38	237
Estimated Outlays	56	64	38	37	39	234

Note: VA = Department of Veterans Affairs; * = between $0 and $500,000.

Podiatrists. Section 101 would require VA to treat podiatrists as physicians for the purposes of pay, recruitment, and retention. Over the next five years, CBO expects that VA will employ, on average, about 400 podiatrists at an annual salary of $195,000. Based on pay data from VA, CBO estimates that this proposal would increase that compensation by 6 percent to an average of $210,000 over that period. In addition, CBO expects that the higher level of compensation would enable VA to be more successful in recruiting podiatrists. Accordingly, we estimate that over the 2016-2020 period, the number of podiatrists VA employs each year would increase to an average of 420. As a result, CBO estimates that implementing section 101 would increase personnel costs by $34 million over the 2016-2020 period.

Dog Training Therapy. Section 106 would require VA to establish a pilot program through which veterans diagnosed with post-traumatic stress disorder or other mental health conditions would train service dogs for use by other disabled veterans. The pilot program would operate in up to five medical centers over a five-year period. Based on the cost of a similar VA program in Palo Alto, California, CBO expects that each facility would train six service dogs every two years using one certified dog trainer. CBO estimates that implementing the provision would cost $10 million over the 2016-2020 period.

Outreach on Credit Protection. Section 105 would require VA to inform veterans about the negative effects on their credit score from overdue copayments to VA for emergency care provided at nondepartment facilities. VA also would be required to operate a toll-free line for veterans to report such credit issues to VA. CBO expects that implementing these requirements would require five additional employees at an annual cost of $1 million.

Section 105 would also require the Government Accountability Office to conduct an analysis on the timeliness of VA payments to non-VA providers of health care. Based on the resources necessary for previous studies, CBO estimates such a study would cost $1 million. In total, implementing section 105 would cost $6 million over the 2016-2020 period, CBO estimates.

Economic Opportunity and Transition Administration. Title II of the bill would create a new administration at VA to manage programs for readjustment benefits, home-loan guarantees, and small-business assistance. The title also would transfer the responsibilities for the veterans' employment programs administered by the Department of Labor to VA. In total, CBO estimates that implementing title II would increase costs by $83 million.

Veterans Economic Opportunity and Transition Administration. Beginning in fiscal year 2017, sections 201 and 202 would establish the Veterans Economic Opportunity and Transition Administration (VEOTA). The Veterans Benefits Administration (VBA) currently manages the following benefit programs for veterans and other eligible individuals:

- Disability compensation;
- Pension, dependency and indemnity compensation, burial, and fiduciary programs;
- Readjustment benefits (including education and vocational rehabilitation benefits);
- Home-loan guarantees;
- Small business programs; and
- Insurance.

This bill would transfer some programs that are currently administered by VBA to VEOTA. Under this new organizational structure, all readjustment benefit programs (including employment programs), the home-loan guarantee program, and veterans' small business programs would instead be managed by VEOTA. VBA and VEOTA each would be led by an Undersecretary. Section 201 would limit the total number of full-time equivalent (FTE) positions serving in both administrations to 22,118 in fiscal years 2017 and 2018.

Based on information from VA, there are currently about 4,400 VA employees who oversee and carry out the benefits programs that would transfer to VEOTA under this provision. CBO estimates that those personnel, and the records, property, and budgetary resources currently used by VBA to manage those programs also would be transferred. Using the current operating costs for VBA of $137 million, we estimate a 10 percent increase in 2017 to capture moving expenses, IT costs and other reorganization expenses, and about a 3 percent increase thereafter for ongoing operating expenses. Those estimated additional operating costs would total about $50 million over 2016-2020 period. In addition, CBO estimates that VEOTA would require an additional 20 FTE positions at an average annual cost of $180,000 to manage the daily operations of the new administration. As a result, CBO estimates costs of $9 million for additional staff.

CBO estimates that establishing VEOTA and transferring the programs, personnel, and accompanying assets and hiring the additional 20 personnel would cost $59 million over the 2016-2020 period.

Veterans Employment and Training Services. In 2014, DOL employed about 230 individuals and spent about $230 million to provide employment, job training, and reintegration services to veterans. Section 203 would transfer those veterans-related programs to VA, under VEOTA (as established in section 201). CBO estimates that implementing that provision would cost $24 million over the 2016-2020 period. Those costs primarily reflect building the necessary information technology (IT) systems for grant management and relocating staff.

Many of the transferred programs are grant programs that require grant management and data collection systems to analyze and evaluate the effectiveness of each program. Under current law, DOL relies on its customized IT systems to manage those programs. Those systems are currently used throughout DOL and embedded in the department's greater IT infrastructure. CBO expects that VA would need to develop its own grant management system to distribute and manage the grants and collect the comprehensive data necessary to comply with the statutory reporting requirements of the transferred programs. Based on information from DOL, CBO estimates that it would cost $18 million over the 2016-2020 period to develop and maintain the IT systems.

Based on information from DOL, CBO estimates that about 140 of the 230 transferring employees work outside of the Washington, D.C. area. CBO assumes that those personnel would remain at their current locations after VA takes responsibility for their functions. The remaining individuals would relocate from DOL to a VA facility. Based on information from the General Services Administration (GSA), CBO estimates that it would cost about $20,000 to move each of those employees within the District of Columbia.

Because VA already leases space to accommodate some of their current employees, CBO expects that it would need to lease additional space to accommodate the 90 relocated employees. Based on GSA planning estimates, VA would need to lease about 18,000 square feet of office space at a cost of about $40 per square foot. Because those employees are intermingled with other DOL employees, CBO expects that DOL would not be able to consolidate space very quickly. Thus, any reduction in costs for DOL from the relocated employees would be less than the increase in costs for VA over the first few years. On net, CBO estimates that it would cost about $6 million to move 90 employees and lease office space over the 2016-2020 period.

Benefit Processing Improvements. H.R. 3016 would make several changes to the systems and methods used to process benefit claims. In total, those changes would increase costs by $45 million.

Claims Processing. Section 407 would require VA to maximize the use of automation and algorithms in systems used to process claims for educational assistance under the Post-9/11 GI Bill (Chapter 33) and would authorize the appropriation of $30 million in 2016 for that purpose.

Section 310 would require VA to reduce the number of IT systems used to process payments for vocational rehabilitation benefits and to ensure that such payments on behalf of a particular veteran are paid from only one system. It would authorize the appropriation of $10 million in 2016 for that purpose.

CBO estimates that implementing those provisions would cost $40 million over the 2016-2020 period, assuming appropriation of the specified amounts.

Information on Benefit Entitlement. Section 402 would require VA to allow institutions of higher learning to obtain information on the educational assistance to which a veteran is entitled via a secure IT system. CBO expects that VA could accomplish that requirement by modifying systems that are currently used to provide other information to such institutions. Based on information from VA, CBO estimates that modifying those systems would cost $5 million over the 2016-2020 period, assuming appropriation of the estimated amounts.

Reports, Surveys, and Studies. The bill would require VA to produce a total of nine reports on matters such as medical care, benefit processing, and contract set-asides for veteran-owned business. It also would require a survey of veterans using educational benefits, and a multiyear study on job counseling and placement programs. Based on the costs of similar studies and reports, CBO estimates that meeting those requirements would cost a total of $6 million over the 2016-2020 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 net 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 H.R. 3016 as ordered reported by the House Committee on Veterans' Affairs on September 17, 2015

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
NET INCREASE IN THE ON-BUDGET DEFICIT												
Statutory Pay-As-You-Go Impact	-7	-20	-44	-63	-80	-96	-108	-121	-134	-142	-214	-815

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 3016 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3016 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. State agencies that serve veterans would benefit from contact and service information about veterans provided electronically by VA.

PREVIOUS COST ESTIMATES

On August 26, 2015, CBO transmitted a cost estimate for H.R. 475, the GI Bill Processing Improvement and Quality Enhancement Act of 2015, as ordered reported by the House Committee on Veterans' Affairs on May 21, 2015. Sections 102 and 103 of that bill are similar to sections 306 and 307 of H.R. 3016 and the estimated costs are the same. Section 104 of H.R. 475 is similar to section 501 of H.R. 3016. CBO estimates a smaller cost in fiscal year 2016 for section 501 than we estimated for the earlier provision because of the later expected date of enactment.

ESTIMATE PREPARED BY:

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