



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 7, 2011

S. 951 **Hiring Heroes Act of 2011**

*As ordered reported by the Senate Committee on Veterans' Affairs
on June 29, 2011*

SUMMARY

S. 951 would affect programs that provide employment services and mortgage guarantees to veterans. If enacted, CBO estimates that, on net, the bill would decrease direct spending by \$227 million over the 2012-2016 period and by \$179 million over the 2012-2021 period.

In addition, CBO estimates that implementing S. 951 would have a discretionary cost of \$160 million over the 2012-2016 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.

S. 951 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 951 is shown in the following table. The costs of this legislation fall within budget functions 700 (veterans benefits and services) and 050 (national defense).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 951, THE HRING HEROES ACT OF 2011

	By Fiscal Year, in Millions of Dollars					2012- 2016
	2012	2013	2014	2015	2016	
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	-72	-62	-111	8	9	-227
Estimated Outlays	-72	-62	-111	8	9	-227
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	59	26	27	28	27	166
Estimated Outlays	25	34	34	34	33	160

Notes: In addition to the direct spending effects shown here, enacting S. 951 would have additional effects on direct spending beyond 2016 (see Table 2). CBO estimates that total direct spending would decrease by \$179 million over the 2012-2021 period.

Components may not add to totals because of rounding.

BASIS OF ESTIMATE

S. 951 would affect 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), and the U.S. Office of Personnel Management (OPM). For the purposes of this estimate, CBO assumes the bill will be enacted near the beginning of fiscal year 2012, that the necessary amounts will be appropriated each year, and that outlays will follow historical patterns for similar and existing programs.

Direct Spending

Table 2 summarizes S. 951's effects on direct spending for veterans' housing loan guarantees and veterans' training and rehabilitation programs. In total, CBO estimates that enacting those provisions would reduce direct spending for veterans' programs by \$179 million over the 2012-2021 period.

Fees for Guaranteed Loans. Section 15 would increase the fee that VA charges for guaranteeing certain mortgages made to veterans. Under current law, VA guarantees lenders a payment of up to 25 percent of the outstanding loan balance (subject to some limitations on the original loan amount) in the event that a veteran defaults. Such guarantees enable veterans to get better loan terms, such as lower interest rates or smaller down payments. VA charges fees to some veterans for this guarantee to offset the costs of subsequent defaults.

Veterans seeking a loan guarantee who have previously used that benefit must pay an upfront fee equal to 2.15 percent of a loan taken in 2012 or 2013, and 1.25 percent of such loans taken in 2014 or any year thereafter. Section 15 would increase the fee to 3.00 percent for such loans taken in the 2012-2014 period. After 2014, the fee would remain at the current-law rate of 1.25 percent. Raising the fee for the next three years would increase collections by VA, thus lowering the subsidy cost of the loan guarantees and reducing direct spending by \$257 million over the 2012-2014 period, CBO estimates.¹

TABLE 2. IMPACT OF S. 951 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars											2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2016	2021	
Fees for Guaranteed Loans													
Estimated Budget Authority	-73	-66	-118	0	0	0	0	0	0	0	-257	-257	
Estimated Outlays	-73	-66	-118	0	0	0	0	0	0	0	-257	-257	
Benefits for Veterans Who Exhaust Unemployment Benefits													
Estimated Budget Authority	1	3	6	7	8	8	8	8	9	9	25	67	
Estimated Outlays	1	3	6	7	8	8	8	8	9	9	25	67	
Employer Incentive Program													
Estimated Budget Authority	*	1	1	1	1	1	1	1	1	1	5	11	
Estimated Outlays	*	1	1	1	1	1	1	1	1	1	5	11	
Total Changes in Direct Spending													
Estimated Budget Authority	-72	-62	-111	8	9	9	9	9	10	10	-227	-179	
Estimated Outlays	-72	-62	-111	8	9	9	9	9	10	10	-227	-179	

Notes: * = less than \$500,000.

Components may not add to totals because of rounding.

Benefits for Veterans Who Exhaust Unemployment Benefits. Section 4 would entitle certain disabled veterans to participate in an additional program of vocational rehabilitation for up to 24 months. Veterans who have previously completed a program of vocational rehabilitation, and who have exhausted all rights to unemployment benefits, could qualify for the additional assistance, but only if they begin such a program within six months of the expiration of their unemployment benefits. Based on information from VA, CBO estimates that an average of 350 veterans would benefit from this provision each

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 recorded in the budget when the loans are disbursed.

year, with each veteran receiving a total of about \$19,000 in additional training assistance. Over the 2012-2021 period, CBO estimates that providing an additional program of vocational rehabilitation to those veterans would increase direct spending by \$67 million.

Employer Incentive Program. Under current law, VA may pay employers up to one-half of a veteran's salary for direct expenses incurred in providing employment and on-the-job training to disabled veterans who have successfully completed a program of vocational rehabilitation. Section 3 would expand eligibility to disabled veterans who have not completed the program, thus increasing the number of veterans who would be eligible to have such payments made on their behalf. Based on information from VA, CBO estimates that an average of about 140 additional veterans each year would benefit from on-the-job training opportunities resulting from this provision, with each participating employer receiving an average of \$9,700 per veteran.

Included in the estimated 140 veterans per year are about 40 individuals that we expect would withdraw from a current program of vocational rehabilitation if offered employment with on-the-job training. Each of those veterans then would use an estimated \$6,500 less in vocational rehabilitation benefits than he or she would have used under current law. On net, enacting this provision would increase direct spending by \$11 million over the 2012-2021 period, CBO estimates.

Other Provisions. The following provisions would affect direct spending, because they would allow certain servicemembers on active duty to receive selected veterans' readjustment benefits earlier than they would have under current law but those effects would not be significant. CBO estimates that the shift in timing of benefits usage for those individuals would, collectively, increase direct spending by less than \$500,000 over the 2012-2021 period.

- Section 2 would extend for two years VA's authority to provide rehabilitation and vocational benefits to severely injured servicemembers on active duty. Based on information from VA and DoD, CBO estimates that a small number of those individuals would begin to receive such benefits about three months earlier than they otherwise would have.
- Section 14 would allow active-duty servicemembers who are in the process of separating or retiring from service to participate in apprenticeship programs. Under current law, individuals may receive educational benefits while participating in approved apprenticeship programs. Based on information from VA and DoD, CBO estimates that a small population of individuals participating in apprenticeship programs would begin to receive benefits about four months earlier than they would have under current law.

Spending Subject to Appropriation

S. 951 would authorize various programs to provide employment, training, and placement services to veterans and to servicemembers separating from active-duty. CBO estimates that implementing those programs would cost \$160 million over the 2012-2016 period, assuming appropriation of the specified and necessary amounts (see Table 3).

TABLE 3. IMPACT OF S. 951 ON SPENDING SUBJECT TO APPROPRIATION

	By Fiscal Year, in Millions of Dollars					2012- 2016
	2012	2013	2014	2015	2016	
Outreach and Follow-Up Programs						
Estimated Authorization Level	17	20	23	24	24	108
Estimated Outlays	17	20	23	24	24	108
Individualized MOS Assessment						
Estimated Authorization Level	32	0	0	0	0	32
Estimated Outlays	2	6	6	6	6	26
Mandatory Participation in TAP						
Estimated Authorization Level	2	3	3	3	3	14
Estimated Outlays	2	3	3	3	3	14
Employment Services and Placement Programs						
Estimated Authorization Level	5	*	*	*	*	5
Estimated Outlays	1	3	1	*	*	5
Reports						
Estimated Authorization Level	2	1	1	1	0	4
Estimated Outlays	2	1	1	1	0	4
Credentialing and Licensure						
Estimated Authorization Level	1	2	0	0	0	3
Estimated Outlays	1	1	*	*	0	3
Total Changes in Discretionary Spending						
Estimated Authorization Level	59	26	27	28	27	166
Estimated Outlays	25	34	34	34	33	160

Notes: * = less than \$500,000.

MOS = Military Occupational Specialty, TAP = Transition Assistance Program.

Components may not add to totals because of rounding.

Outreach and Follow-Up Programs. Section 5 would require VA to conduct outreach to certain veterans and to follow up on veterans that participated in a program of vocational rehabilitation. Sections 7 and 11 would require DOL to follow up on all participants in DoD's Transition Assistance Program (TAP) and all recently separated servicemembers that have received unemployment compensation for ex-servicemembers (UCX) for more than 105 days. Collectively, CBO estimates that those programs would cost \$108 million over the 2012-2016 period, assuming appropriation of the estimated amounts.

Veterans in Receipt of UCX. Section 11 would require DOL to establish a program to conduct outreach and provide employment services to veterans who recently separated from uniformed service and who have received UCX for more than 105 days. Based on information from VA and DOL, CBO estimates that about 70,000 veterans each year would be contacted through this program. CBO estimates those efforts would cost about \$45 million over the 2012-2016 period to hire 100 additional employees to conduct this outreach, assuming appropriation of the estimated amounts.

Veterans Who Participated in DoD's TAP. Section 7 would require DOL to determine the employment status of every TAP participant not later than 180 days after separating from uniformed service and then once every 90 days thereafter for a period of 180 days. Based on information from DOL and DoD, and assuming enactment of section 6 (see discussion below under "Mandatory Participation in TAP"), CBO estimates that DOL would need to contact about 175,000 veterans each year. CBO estimates that it would cost \$39 million to hire the additional staff and about \$2 million to develop and maintain the information technology (IT) system needed to conduct this outreach over the 2012-2016 period, assuming appropriation of the estimated amounts.

Veterans Who Participated in a Program of Vocational Rehabilitation. Section 5 would require VA to determine the employment status of veterans who have either completed or terminated a program of vocational rehabilitation and to assess the effectiveness of those programs. Those assessments must be made within 180 days after an individual completes or terminates a program and then once every 180 days for a period of one year. Based on information from VA, CBO estimates that VA would have to hire about 40 additional vocational rehabilitation counselors to conduct this type of follow-up on about 35,000 veterans annually. VA also would have to develop an IT system to track those efforts. CBO estimates that the costs to hire those vocational rehabilitation counselors and to develop and maintain the IT system would total \$21 million and \$1 million, respectively, over the 2012-2016 period, assuming appropriation of the estimated amounts.

Individualized MOS Assessments. Section 9 would require DOL, VA, and DoD to conduct a joint study to identify the skills servicemembers develop through their respective military occupational specialties (MOS) and then map those skills to positions in the civilian sector. Upon completion of the study, the Secretary of Defense would be required

to provide separating servicemembers with an individualized assessment of the different positions in the civilian sector for which they may be qualified. Based on information from DoD, CBO estimates that about 1,750 different MOSs would need to be studied. CBO estimates that the study would take several years and would cost \$26 million over the 2012-2016 period, assuming appropriation of the estimated amounts.

Mandatory Participation in TAP. Under current law, separating servicemembers are not required to participate in the employment and job training workshops provided by DOL as an element of TAP. Section 6 would mandate that all servicemembers separating from active-duty participate in those workshops. (The Secretaries of Defense and Homeland Security would be authorized to waive that requirement for certain individuals.) Under current law, DOL provides employment and job training services to an average of 130,000 separating servicemembers through about 4,100 employment workshops per year. Based on information from DOL and DoD, CBO estimates that under section 6 an additional 45,000 individuals would be required to attend those workshops each year and that DOL would have to hold about 1,400 additional workshops annually to accommodate the increased attendance. Based on the cost of current workshops, CBO estimates that implementing section 6 would cost \$14 million over the 2012-2016 period, assuming appropriation of the estimated amounts.

Employment Services and Placement Programs. Sections 8, 10, 12, and 14 would assist veterans and servicemembers separating from active duty in seeking and obtaining employment. Such assistance would include:

- Direct appointment of qualified veterans to civil service positions,
- A work-experience program within DoD and with DoD contractors for active-duty servicemembers on terminal leave,
- Access to apprenticeship programs for members separating or retiring from active duty, and
- A mentorship and training program for veterans seeking employment.

Based on information from DoD and OPM, CBO estimates that, collectively, those programs would cost about \$5 million over the 2012-2021 period, assuming appropriation of the authorized and estimated amounts.

Reports, Studies, and Audits. S. 951 would require several reports, studies, and an audit to be completed by the Secretaries of Labor, Defense, and Veterans Affairs. CBO estimates that those efforts, collectively, would cost \$4 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

Credentialing and Licensure. Section 13 would continue a demonstration project on credentialing and licensure of veterans for two years beginning on the date of enactment of this bill. The authority to run that project ended September 30, 2009. This section also would require DOL to select not less than five MOSs for the demonstration project. Based on information from DOL, CBO estimates that continuing that demonstration project would cost \$3 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

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. CBO estimates that by modifying the veterans' housing loan guarantee program and other veterans' training and rehabilitation programs, S. 951 would decrease direct spending for veterans' benefits. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table. (Enacting S. 951 would not affect revenues.)

CBO Estimate of Pay-As-You-Go Effects for S. 951 as ordered reported by the Senate Committee on Veterans' Affairs on June 29, 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 DEFICIT													
Statutory Pay-As-You-Go Impact	0	-72	-62	-111	8	9	9	9	9	10	10	-227	-179

Note: Numbers do not add to totals because of rounding.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 951 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs:

Veterans Housing Loan Program—David Newman

Readjustment Benefits—William Ma

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