

### At a Glance

## S. 805, Stopping Harm and Implementing Enhanced Lead-time for Debts for Veterans Act of 2020

As reported by the Senate Committee on Veterans' Affairs on September 15, 2020

By Fiscal Year, Millions of Dollars	2021	2021-2025	2021-2030
Direct Spending (Outlays)	2	7	14
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	2	7	14
Spending Subject to Appropriation (Outlays)	6	25	not estimated
Statutory pay-as-you-go procedures apply?	Yes	<b>Mandate Effects</b>	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

#### The bill would

- Extend the time period during which a person may request debt relief from the Department of Veterans Affairs (VA)
- Prohibit VA from collecting interest and fees on overpayments of VA benefits
- Prohibit VA from recovering overpayments of veterans' benefits that are caused by the department's processing delays
- Require VA to make changes to information technology systems and administrative processes

#### Estimated budgetary effects would primarily stem from

- Limiting VA's ability to recover debts, interest, and administrative fees

#### Areas of significant uncertainty include

- Estimating the number of additional people who would request debt relief from VA
- Anticipating the standards VA would establish for timely processing of benefits information

**Detailed estimate begins on the next page.**

## Bill Summary

S. 805 would modify the Department of Veterans Affairs' (VA) processes for recovering overpayments of veterans' benefits.

## Estimated Federal Cost

The estimated budgetary effects of S. 805 are shown in Table 1. The costs of the legislation fall within budget function 700 (veterans' benefits and services).

**Table 1.**  
**Estimated Budgetary Effects of S. 805**

	By Fiscal Year, Millions of Dollars					2021-2025
	2021	2022	2023	2024	2025	
<b>Increases in Direct Spending</b>						
Estimated Budget Authority	2	2	2	2	2	7
Estimated Outlays	2	2	2	2	2	7
<b>Increases in Spending Subject to Appropriation</b>						
Estimated Authorization	8	5	5	5	4	26
Estimated Outlays	6	5	5	5	4	25

Components may not sum to totals because of rounding.  
S. 805 would increase direct spending by \$14 million over the 2021-2030 period.

## Basis of Estimate

For this estimate, CBO assumes that the estimated amounts will be appropriated each year, that outlays will follow historical spending patterns for affected programs, and that the bill will be enacted early in fiscal year 2021.

### Direct Spending

S. 805 would change VA's processes for recovering overpayments of benefits. CBO estimates those changes would increase direct spending by \$14 million over the 2021-2030 period (see Table 2).

Under current law, people may accrue debts to VA for several reasons as a result of their participation in the department's benefits programs such as educational assistance, disability compensation, pensions, and loan guarantees. Overpayment of benefit amounts by VA is the most common reason that debts arise. The department is generally required to recoup such overpayments.

**Table 2.  
Estimated Increases in Direct Spending**

	By Fiscal Year, Millions of Dollars										2021-2025	2021-2030
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
	<b>Increases in Direct Spending</b>											
Extension of Period to Request Debt Relief	1	1	1	1	1	1	1	1	1	1	5	10
Interest and Fees	*	*	*	*	*	*	*	*	*	*	1	2
Bar on Recovering Certain Debts	*	*	*	*	*	*	*	*	*	*	1	2
<b>Total Changes in Direct Spending</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>7</b>	<b>14</b>

Components may not sum to totals because of rounding. \* = between zero and \$500,000. The amounts shown above do not include any costs that would arise from section 2 because CBO cannot anticipate the standards VA would establish for timely processing of information on beneficiaries.

**Extension of Period to Request Debt Relief.** Under current law, people can request that VA reduce or forgive debts within 180 days of being notified of such debts. Section 5 would extend that period to one year.

Most beneficiaries who are experiencing financial difficulty will request debt relief during the 180-day period available under current law. CBO expects that few people who are not in financial distress when initially notified of debts would have such problems arise and request debt relief during the subsequent 180-day period that would be afforded by section 5. CBO estimates that extending the period during which people may request relief would reduce mandatory receipts by \$1 million in 2021, and by \$10 million over the 2021-2030 period. Reductions in mandatory receipts are classified as increases in direct spending.

**Interest and Fees.** Under current law, VA charges interest and administrative fees on debts arising from some VA education programs, and interest on certain debts related to VA loan guarantees. Section 3 would prohibit VA from doing so for any debts established on or after enactment.

In recent years VA collected an annual average of \$215,000 in interest and administrative fees on debts from its education program and about \$285,000 in interest on VA home loan guarantees. Using that information, CBO estimates that prohibiting the collection of interest and administrative fees on new debts would increase direct spending by less than \$500,000 in 2021 and by \$2 million over the 2021-2030 period.

**Bar on Recovering Certain Debts.** Under current law, VA may temporarily reduce a person's VA benefits payments to recover previous overpayments of those or other VA

benefits. Section 6 would prohibit VA from doing so if the administrative costs of such recovery would exceed the amount owed.

Using information from VA about the average amount of indebtedness resulting from overpayments, CBO estimates that most debts would still be recovered by reducing benefit payments. CBO estimates that dismissing a small number of debts under section 6 would increase direct spending by less than \$500,000 in 2021 and by \$2 million over the 2021-2030 period.

**Timeliness Standards.** Section 2 of the bill would prevent VA from establishing a debt for any person if the debt is attributable to VA's failure to process information in a timely manner. For example, veterans receiving disability compensation may receive higher payments if they have eligible dependents. Veterans must notify VA if dependents' eligibility status changes. Veterans will continue to receive higher disability compensation until VA updates its records; thus, in the event of a delay on VA's part, veterans may receive payments that are higher than the amount they are legally entitled to, resulting in an overpayment that VA must recoup.

Under the bill, VA would be required to establish timeliness standards for processing information in order to prevent such overpayments and to forgive any overpayments that result from VA's failure to process information within those standards. The department would have 180 days from the bill's enactment to establish timeliness standards.

CBO cannot determine the amount of debts that arise from VA's processing delays. Further, CBO cannot predict the standards VA would establish for timely processing under the bill. Enacting section 2 would reduce mandatory receipts if some debts would not be recorded or collected. However, CBO has no basis for estimating the amount of those effects.

### **Spending Subject to Appropriation**

CBO estimates that implementing S. 805 would increase VA's expenses for information technology and administration by a total of \$25 million over the 2021-2025 period (see Table 3). Such spending would be subject to the availability of appropriated funds.

**Table 3.**  
**Estimated Increases in Spending Subject to Appropriation Under S. 805**

	By Fiscal Year, Millions of Dollars					2021-2025
	2021	2022	2023	2024	2025	
Administrative Expenses						
Estimated Authorization	5	3	3	3	2	16
Estimated Outlays	4	3	3	3	2	15
Information Technology Improvements						
Estimated Authorization	3	2	2	2	2	11
Estimated Outlays	2	2	2	2	2	10
Total Changes						
Estimated Authorization	8	5	5	5	4	27
Estimated Outlays	6	5	5	5	4	25

**Administrative Expenses.** Beneficiaries who are notified that they are indebted to VA can dispute the existence or amount of those debts. The bill would require VA to adjudicate and resolve those disputes within 120 days after they are filed. Using information from VA about the limitations of its current IT systems, CBO estimates the agency would require additional information technology and personnel resources to ensure debt disputes are resolved within 120 days. CBO estimates that those resources would cost \$15 million over the 2021-2025 period.

**Information Technology.** S. 805 would require VA to update its information technology systems to have the capability to:

- Provide additional notices to people about any debts arising from VA benefits programs,
- Implement within 60 days any changes to information about beneficiaries' dependents that are submitted electronically, and
- Permit VA patients to electronically view their medical billing statements.

Using information from VA on the cost to implement other information technology improvements, CBO estimates VA would require additional personnel and computer resources to implement the first two requirements, costing \$10 million over the 2021-2025 period.

VA patients can already access their medical billing statements online; thus, satisfying that requirement would not increase costs.

**Reports.** S. 805 would require VA to report to the Congress on its plans to improve its methods for providing information about debts to people who have been overpaid benefits.

The report would be due within 180 days of the bill's enactment, and one year thereafter. On the basis of the costs to prepare similar reports, CBO estimates that satisfying the reporting requirement would cost less than \$500,000 over the 2021-2025 period.

**Uncertainty**

To the extent that more people request debt forgiveness in the additional 180 days permitted under the bill, costs could be higher than CBO estimates. Costs also would be higher if VA forgives more debts as a result of the standards it sets for the timely processing of information about beneficiaries.

**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 Table 2.

**Increase in Long-Term Deficits:**

CBO estimates that enacting S. 805 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2031.

**Mandates:** None.

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