

At a Glance

H.R. 2935, VA Beneficiary Debt Collection Improvement Act

As ordered reported by the House Committee on Veterans' Affairs on May 4, 2021

By Fiscal Year, Millions of Dollars	2021	2021-2026	2021-2031
Direct Spending (Outlays)	*	100	219
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	*	100	219
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and \$500,000.

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 mainly 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

H.R. 2935 would modify the processes used by the Department of Veterans Affairs (VA) to recover overpayments of veterans' benefits.

Estimated Federal Cost

The estimated budgetary effects of H.R. 2935 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 H.R. 2935													
By Fiscal Year, Millions of Dollars												2021-2026	2021-2031
2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031			
Increases in Direct Spending													
Extension of Period to Request Debt Relief	*	19	19	18	20	21	21	24	21	24	24	97	211
Interest and Fees	*	*	*	*	*	*	*	*	*	*	*	2	5
Bar on Recovering Certain Debts	*	*	*	*	*	*	*	*	*	*	*	1	3
Total Changes in Direct Spending	*	19	19	18	20	21	21	24	21	24	24	100	219

Estimated budget authority equals outlays. 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 the Department of Veterans Affairs would establish for timely processing of information on beneficiaries. Implementing the bill would increase spending subject to appropriation by less than \$500,000, CBO estimates.

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted in fiscal year 2021 and that outlays will follow historical spending patterns for affected programs. Under those assumptions, VA could incur some costs in 2021, but CBO expects that most of the costs would be incurred in 2022 and later.

Direct Spending

H.R. 2935 would change the processes used by VA to recover overpayments of benefits. CBO estimates those changes would increase direct spending by \$219 million over the 2021- 2031 period.

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

Extension of the Period to Request Debt Relief. Under current law, people can ask VA to reduce or forgive debts within 180 days of being notified of such debts. Section 4 would extend that period to one year.

According to VA, 67 percent of beneficiaries who request debt relief do so during the 180-day period available under current law. The remaining requests for debt relief are not considered timely. VA suspended most debt recoupment in 2020 and 2021 as a result of the coronavirus pandemic. The department waived \$139 million in debts arising from benefit programs in 2019, the most recent year in which all VA debt policies were in place. Another \$68 million in debt relief was not approved in 2019 because requests were submitted after the 180-day period. CBO estimates that 25 percent of those requests—accounting for \$17 million of the outstanding debt—were submitted during the subsequent 180-day period that would be provided under the bill. CBO anticipates that a similar amount of debt relief will be requested in that period during subsequent years.

After accounting for continued growth in payments of VA benefits, CBO estimates that extending the period during which people may request relief would reduce mandatory receipts by \$19 million in 2022, and by \$211 million over the 2021-2031 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 2022 and by \$5 million over the 2021-2031 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 5 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 5 would increase direct spending by less than \$500,000 in 2022 and by \$3 million over the 2021-2031 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 the eligibility status of their dependents 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 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

H.R. 2935 also would require VA to:

- Provide additional notices to people about any debts arising from VA benefits programs and ensure information about those debts is available electronically,
- Permit VA patients to electronically view their medical billing statements,
- Report to the Congress on its plans to improve how it provides information about debts to people who have been overpaid benefits.

People may already view information about their VA benefits-related debts and medical billing statements electronically. On the basis of information about similar reports, CBO estimates that the reporting requirements would cost less than \$500,000 over the 2021-2026 period. Such spending would be subject to the availability of appropriated funds.

Uncertainty

If the number of people who request debt forgiveness in the additional 180 days permitted under the bill differs from CBO's estimates, costs could be higher or lower than shown here. 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 1.

Increase in Long-Term Deficits:

CBO estimates that enacting H.R. 2935 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2032.

Mandates: None.

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