CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas Holtz-Eakin, Director

November 12, 2003

Honorable John M. Spratt Jr.
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Congressman:

As you requested, the Congressional Budget Office has reviewed the budgetary impact of the suggestions as submitted by House committees for inclusion in the Budget Committee print, *Addressing Government Waste, Fraud, and Abuse* (September 2003). A summary of the potential budgetary effects based on that review, including some committee suggestions that were submitted too late to be included in the Budget Committee print, is enclosed with this letter.

Many of the committees' suggestions were not sufficiently specific or detailed for CBO to estimate potential budget savings. For example, some committees recommended cutting the level of spending for certain programs but did not specify how much spending should be reduced. A few of the suggestions refer to legislation introduced during the 108th Congress, and we have indicated those cases in which CBO has prepared formal cost estimates. Some of the suggestions are similar to the options considered in CBO's report, *Budget Options* (March 2003).

CBO's review of the committees' suggestions did not consider whether implementing these proposals might eliminate or reduce wasteful or fraudulent government spending. Our review focused only on the estimated net budgetary impact of the committee proposals. For example, changing the procedures used to administer a federal grant program might better target assistance to intended recipients but leave the cost of the program unchanged.

If you wish further details on this analysis, we would be pleased to provide them. The CBO staff contact is Kim Cawley, who can be reached at 226-2860.

Sincerely,

Douglas Holtz-Eakin
Director

Enclosure

cc: Honorable Jim Nussle
Chairman

An Evaluation of the Budgetary Impact
of
House Committee Suggestions
Submitted for the House Budget Committee Print:
Addressing Government Waste, Fraud, and Abuse
(September 2003)

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COMMITTEE ON AGRICULTURE

The committee suggests seven options for reducing spending, mostly in mandatory programs. The options were not presented in sufficient detail for CBO to estimate the potential savings from implementing the proposals.

Committee Recommendations That Could Affect Direct Spending

Use Data-Mining Techniques to Stop Fraud. The committee proposes to mandate increased use of advanced statistical techniques to guide fraud investigations in the crop insurance and commodity programs. In 2003, mandatory spending for the commodity programs totaled about $15 billion, and mandatory spending for the crop insurance program was more than $3 billion. The U.S. Department of Agriculture (USDA) has reported progress in using data-mining techniques to detect and deter fraud and prevent overpayments in the crop insurance program. Increased use of such techniques in the insurance and commodity programs could potentially result in further savings, but an estimate of the extent of such savings would require more detail regarding the specific changes in law that would be proposed.

Strengthen Compliance Measures for Program Eligibility. The committee proposes to tighten compliance measures for commodity programs. Compliance measures for the commodity programs are concerned with eligibility for payments, calculation of benefits, and reductions in payments required to meet various payment-limit provisions. Compliance programs are carried out by staff of the Farm Services Agency through a variety of spot checks and program audits. While increased compliance measures may yield savings from reductions in error rates and fraudulent payments that outweigh the additional cost of the measures, CBO cannot develop an estimate of savings without a more specific legislative proposal.

Consolidate Payment Statements. The committee proposes to consolidate commodity program payment statements that are issued to producers. Consolidated statements could reduce administrative costs, although there may be offsetting costs for developing new reporting procedures. Consolidated payment statements could also contribute to more effective compliance operations and might yield savings from reductions in overpayments. However, the extent of such savings cannot be estimated without further details on how the department would be expected to make use of such statements to achieve savings.

Modify Federal Nutrition Programs. The committee suggests modifying nutrition programs to reduce possible fraud, waste, and abuse. Mandatory spending for these programs in 2003 totaled about $27 billion, mostly for food stamps. While modifications in nutrition programs could potentially yield significant savings, CBO cannot estimate the savings without a specific proposal.

Committee Recommendations That Could Affect Discretionary Spending

Phase In Moratorium on Forest Service Land Acquisition. The Agriculture Committee proposes to phase in a moratorium on land purchases by the Forest Service. CBO estimates that discretionary spending for land acquisition programs of the Forest Service totaled about $66 million in 2003. While a reduction in acquisitions could yield savings in appropriated funding, CBO cannot estimate the extent of savings without specifications on the proposed moratorium. Any discretionary savings would depend on future appropriation actions.

Improve the Delivery of Rural Development Programs. The committee proposes to achieve savings by improving the delivery of rural development programs. USDA provides grants and loans to rural communities through the Rural Utilities Service, Rural Housing Service, Rural Business Cooperative Service, and Rural Community Advancement Program. The discretionary and mandatory spending on the Rural Community Advancement Program alone totaled about $800 million in 2003. Changing how these programs are implemented might result in some savings; however, CBO cannot estimate any savings or additional costs without a specific legislative proposal.

Reorganize USDA. The committee proposes reorganizing USDA to eliminate duplicative organization structures. Insufficient detail was provided on this option for CBO to estimate any savings.

COMMITTEE ON EDUCATION AND THE WORKFORCE

The committee identified three areas for budgetary savings: federal funding for construction activities, Pell Grants, and federal contracting for services. These proposals would primarily affect discretionary spending, but one could result in small mandatory savings.

Committee Recommendations That Could Affect Direct Spending

Repeal or Reform the Davis-Bacon Act. The committee does not propose specific changes to the Davis-Bacon Act, but it opposes any expansion of the act and "endorses limiting the Davis-Bacon Act to the historic and traditional model for which its was enacted and intended." The Davis-Bacon Act requires a minimum wage scale—based on prevailing wage levels—for construction projects that are at least partially funded by the federal government. The committee's submission discusses the potential budgetary savings that might accrue from raising the minimum size of projects covered by the act from $2,000 to $1 million. CBO estimates that change would save $20 million in direct spending over the 2004-2013 period. (The overwhelming share of construction funding is discretionary; see below.)

Committee Recommendations That Could Affect Discretionary Spending

Reduce Fraud in the Pell Grant Program. The committee recommends enacting legislation that would facilitate matching Internal Revenue Service (IRS) information and Pell Grant applications to verify the income reported on the applications for student financial aid. Under the Higher Education Act, the authority for the match exists, but other legal restrictions on the IRS currently prevent the agency from using tax information for this purpose. The committee urges the Committee on Ways and Means to amend the law to allow such data matches. Because CBO expects that such matching would result in some applicants being credited with higher incomes than they reported on their Pell applications, such applicants might receive reduced awards or be found to be ineligible. Based on information from the Department of Education's Inspector General, CBO estimates that such matching would save $2.4 billion over the 2004-2013 period. (Although this matching could affect the eligibility for, or the amounts of, federal student loans that students would receive, CBO estimates that those effects would not significantly change the subsidy costs of the loans, which are considered direct spending.)

Repeal or Reform the Davis-Bacon Act. Raising the minimum contract threshold from $2,000 to $1 million would save an estimated $1.9 billion in discretionary spending over the 2004-2013 period, assuming that agency appropriations were reduced to reflect the anticipated savings. For further details on this estimate, see option number 920-01 in CBO's *Budget Options* (March 2003).

Repeal or Limit the Service Contract Act. The committee also recommends a review of the Service Contract Act (sometimes referred to as the McNamara-O'Hara Act), which governs the government's contracts for janitorial, cafeteria, data processing, and other services. Like the Davis-Bacon Act, the Service Contract Act relies on prevailing-wage determinations to set a minimum wage scale for workers contracted for certain services. The committee does not make a specific recommendation but refers to an estimate of legislation to repeal the act that CBO prepared in 2001. Relative to the budget resolution baseline, CBO estimates that repeal of the Service Contract Act would reduce outlays by $13.8 billion over the 2004-2013 period, assuming that appropriations would be reduced to reflect the anticipated savings.

COMMITTEE ON ENERGY AND COMMERCE

Committee Recommendations That Could Affect Direct Spending

Changes to the Medicaid Program. The Committee on Energy and Commerce recommends changes to Medicaid's financing, administrative costs, and treatment of drug reimbursements.

Financing. The committee recommends replacing the program's open-ended funding structure with capped, state-specific allotments. This change would apply only to beneficiaries and services that states cover at their option. The costs or savings from such an approach would depend on how the allotments were established. CBO has not estimated a cost or savings for this proposal because we have insufficient details.

Administrative costs. The committee also recommends reducing federal reimbursements for Medicaid administrative costs to account for costs now included in each state's block grant under the Temporary Assistance for Needy Families (TANF) program. CBO has prepared two estimates for this proposal. For option number 550-02 in CBO's *Budget Options* (March 2003), we estimated reducing payments for those administrative costs on a permanent basis would reduce federal Medicaid spending by $3.7 billion over the 2004-2013 period. We also estimated that section 802 of H.R. 4, as passed by the House of Representatives on February 13, 2003, would reduce federal Medicaid spending by $120 million in 2004 and $230 million in 2005. Savings under H.R. 4 would be smaller than those estimated in the *Budget Options* report because the reduction in payments under the act would be temporary.

Drug reimbursements. The committee recommends requiring that states:

- Reimburse providers for Medicaid-covered outpatient drugs at prices that better reflect their acquisition costs, and

- Collect and submit the necessary information that will enable the Medicaid program to collect the correct rebates for Medicaid drugs.

Such changes could result in savings, but there is not sufficient detail on either of these recommendations for CBO to estimate the amount of savings.

Changes to the Medicare Program. The committee recommends that sections 302 and 303 of H.R. 1 be enacted. Those sections would establish a competitive bidding system for durable medical equipment, off-the-shelf orthotics, and certain other equipment and supplies. It also would reduce payment rates for currently covered outpatient prescription drugs.

CBO estimates that those provisions of H.R. 1 would reduce federal spending by about $17 billion over the 2004-2013 period.

COMMITTEE ON FINANCIAL SERVICES

Committee Recommendations That Could Affect Direct Spending

Recapture Unliquidated Obligations in Housing Programs. The committee recommends that the Department of Housing and Urban Development and the Department of Agriculture recapture any unliquidated obligations that are not needed to meet program requirements in section 8, section 236, and rural rental assistance programs. Unliquidated obligations are funds that have been appropriated and obligated for an activity and are now not expected to be disbursed.

CBO estimates that the recapture of unliquidated obligations would not reduce outlays because the funds would not be spent in any event.

COMMITTEE ON GOVERNMENT REFORM

Committee Recommendations That Could Affect Direct Spending

Increase the Budget of the Inspector General for the Office of Personnel Management (OPM). The committee recommends that funding for OPM's Inspector General (IG) be increased from $12 million to $24 million. As a result of increased IG investigations of payments and claims made under programs the OPM administers, the committee expects that recoveries of inappropriate payments would increase by $116 million. CBO agrees that additional reviews would likely result in increased recoveries and reduce direct spending. However, under budget scorekeeping guidelines, legislation increasing resources available for administrative activities cannot be credited with reducing mandatory spending.

Authorize Sharing Information on Participants in Federal Benefit Programs. The committee proposes legislation that would provide administrators of federal benefit programs with limited access to certain federal and state administrative data (such as federal tax returns) on program beneficiaries. This effort would be designed to identify and eliminate fraud in federal benefit programs. The committee notes the potential savings in Medicare, Social Security, and Food Stamps, as well as in programs of the Department of Education (including Pell Grants), and the Department of Housing and Urban Development. Specific data-matching proposals are included in the submissions of the Committee on Education and the Workforce and the Committee on Ways and Means, and the potential savings from those proposals are discussed under the headings for those committees.

Committee Recommendations That Could Affect Discretionary Spending

Reform the Management of Federal Real Property. The committee proposes to allow the General Services Administration, acting on behalf of landholding agencies, to enter into arrangements with nonfederal entities to improve federal property as specified in H.R. 2548 (the Federal Property Asset Management Reform Act of 2003). CBO is preparing a cost estimate for H.R. 2548 as ordered reported by the House Committee on Government Reform on July 17, 2003, and we prepared a cost estimate for similar legislation in the 107th Congress (H.R. 3947).

In general, H.R. 2548 would authorize certain agencies to enter into agreements with nonfederal entities to borrow funds for a wide range of federal property management activities. Most such agreements to obtain project financing through nonfederal entities for government projects should be recorded in the budget as new government borrowing and spending. While making improvements to federal properties and replacing buildings could lead to a long-term reduction in the need for appropriated funds for construction and repair costs, the legislation would largely substitute new direct spending for money now provided through the appropriation process for property improvements and federal building replacements. To the extent that the bill permits financing through nonfederal entities (i.e., public-private partnerships), the financing would occur at higher rates of interest than those for direct borrowing by the U.S. Treasury, thereby raising net spending.

Expand Competition for and Accountability of Federal Grants. The committee proposes to amend the procedures for awarding federal grants so as to encourage competition and increase accountability. Such steps might lead to more efficient use of the government's funds, but this proposal does not recommend reducing the amounts that would be available for federal grants; consequently, CBO cannot estimate any savings for the proposal.

COMMITTEE ON HOUSE ADMINISTRATION

Committee Recommendations That Could Affect Direct Spending

The committee recommends reforming the program that provides public funding for Presidential election campaigns. Public funding has been part of the Presidential election system since 1976. The program is funded by the $3 tax checkoff and administered by the Federal Election Commission. Through the public funding program, the federal government provides matching funds to qualified candidates for their primary campaigns, federal funds to major and minor parties for Presidential nominating conventions, and grants to Presidential nominees for the general election campaign.

When a taxpayer checks "yes" on a federal income tax return, $3 is placed in the Presidential Election Campaign Fund. Every four years money from the fund is distributed to qualified Presidential and national party committees for use in Presidential elections.

In fiscal year 2000, the Federal Election Commission provided $28.9 million for political party convention grants and $147.2 million for use by general election candidates.

The committee proposes various changes to the Presidential Primary Matching Payment Account.

Increase the Threshold for Matching Payments. Under current law, to be eligible for matching funds, candidates must raise a minimum of $100,000 through collections of at least $5,000 in 20 different states in amounts no greater than $250 from an individual. Other eligibility requirements include agreeing to an overall spending limit, abiding by spending limits in each state, using public funds only for legitimate campaign-related expenses, keeping financial records, and permitting an extensive campaign audit.

The committee recommends three changes:

- Raise the threshold amount from $100,000 to $373,000;
- Set the threshold for qualifying for matching payments at a percentage of spending in the previous election cycle; and
- Raise the current 20-state requirement for donations to at least 30 states.

CBO expects that implementing these proposals could lead to changes in how many candidates receive federal funds but that the spending of amounts collected through the

$3 tax checkoff would remain unchanged. Unless the option reduced the amount of funds available to all candidates or eliminated the check-off option, there would be no net budgetary savings for this program.

Deny Public Financing to Criminal Violators of the Fund. The committee proposes to deny access to matching funds for candidates who have been convicted of knowing and willful violations of the Presidential Election Campaign Fund or who have not made repayments with respect to past campaigns. This option would not reduce total spending of funds collected through the $3 tax checkoff because CBO expects that grants to other eligible candidates and party conventions would consume all available funds in the program.

COMMITTEE ON INTERNATIONAL RELATIONS

The House Committee on International Relations made no specific recommendations for eliminating fraud, waste, and abuse within the agencies under its jurisdiction. Rather, the committee's submission summarizes current efforts underway at the Department of State and the Agency for International Development to address fraud, waste, and abuse. The committee included testimony from a recent hearing on the subject.

CBO cannot estimate any savings because there are no specific legislative proposals in the committee's submission.

COMMITTEE ON THE JUDICIARY

Committee Recommendations That Could Affect Direct Spending

Collect Visa Fees for Student and Exchange Visitor Program. The committee proposes to begin charging fees for student and exchange visas, which are currently authorized but not yet collected by the Bureau of Citizenship and Immigration Services (BCIS). Because current law directs the BCIS to collect fees for these visas, they are reflected in the CBO baseline, which assumes agency compliance with enacted legislation. The BCIS expects to begin collecting these fees in fiscal year 2004.

Committee Recommendations That Could Affect Discretionary Spending

Use Cost-Effective Facilities. The committee proposes to require the Department of Justice (DOJ) to use government facilities for training and meeting exercises unless specifically authorized by the Attorney General. CBO estimates no significant savings for this proposal because DOJ currently uses mostly federal facilities, with some limited exceptions.

Audit Community Oriented Policing Service (COPS) Grants. The committee proposes to establish an Office of Audit and Assessment that would conduct on-site audits of recipients of COPS grants. The new office would conduct audits on at least 10 percent of the total amount of grants and could suspend the grant if more than 1 percent of the funding is misused. In 2003, the Congress appropriated $929 million for COPS grants.

Establishing an Office of Audit and Assessment would probably cost at least $5 million annually. While the new office could have some success in reducing fraud and misuse of grants, any budgetary savings would depend on whether the amounts appropriated for such grants were reduced accordingly.

Audit Local Law Enforcement Block (LLEB) Grants and Byrne Formula Grants. The committee proposes to establish a Community Capacity Development Office to train grant recipients and an Office of Audit and Assessment, which would conduct on-site audits of recipients. The latter office would conduct audits on at least 10 percent of the total amount of grants and could suspend the grant if more than 1 percent of the funding is misused. In 2003, the Congress appropriated $900 million for LLEB and Byrne formula grants.

Establishing the two new offices would probably cost a total of at least $10 million annually, and the new offices might achieve some success in reducing fraud and misuse of grants.

Whether this would lead to budgetary savings would depend on whether the amounts appropriated for such grants were reduced accordingly.

Improve Administration of State Criminal Alien Assistance Program (SCAAP). The committee proposed to institute more verifiable requirements for applicants for SCAAP funding (which is used to reimburse states for costs to incarcerate criminal aliens); such a change could encourage states to better adhere to the program's guidelines. In 2003, the Congress appropriated $250 million for SCAAP grants.

CBO cannot predict how new requirements for grant applicants would affect their adherence to the program's guidelines. Although, this proposal might lead to a different allocation of funds among states, it would not reduce the amount appropriated for such grants.

COMMITTEE ON RESOURCES

Committee Recommendations That Could Affect Direct Spending

Reduce Spending for Land Acquisition in Nevada. The committee proposes to cut $29 million for fiscal year 2004 from the program for land acquisition in Nevada. CBO estimates that the Bureau of Land Management will earn $53 million from sales of surplus Nevada lands in 2004. Under current law, 85 percent, or $45 million, of those funds will become available for land acquisition in Nevada in 2004. CBO estimates that enacting legislation to permanently cancel $29 million of that authority would reduce direct spending by $9 million in 2004 and by $29 million over the 2004-2013 period.

Lease the Arctic National Wildlife Refuge (ANWR). The committee proposes to enact title IV of division C of H.R. 6, as passed by the House of Representatives on April 11, 2003. This provision would direct the Department of the Interior to implement an oil and gas leasing program in the ANWR in Alaska. CBO estimates that the proposed leasing program would generate gross receipts totaling about $4.3 billion over the 2004-2013 period. Under the bill, Alaska would receive half of that amount; the remaining $2.15 billion would be deposited in the U.S. Treasury as miscellaneous receipts.

Indian Gaming Commission. The Indian Gaming Regulatory Act, as amended, authorizes the National Indian Gaming Commission (NIGC) to collect and expend up to $8 million in gaming activity fees. The committee proposes to raise this cap to $12 million.

Under the Consolidated Appropriations Resolution, 2003 (Public Law 108-7), the NIGC is already authorized to collect $12 million in 2004, but the cap remains at $8 million for subsequent years. Thus, the committee’s proposal would increase both revenues (from collecting the fees) and direct spending of those collections by $4 million a year over the 2005-2013 period.

COMMITTEE ON SMALL BUSINESS

Committee Recommendations That Could Affect Direct Spending

Collections of Defaulted 504 Loans. The committee proposes to contract out collections on loans in the 504/Certified Development Company (CDC) program in order to increase recoveries on defaulted loans. CDC loans, also known as section 503 and 504 loans, provide small businesses with long-term, fixed-rate financing for the purchase of land, buildings, and equipment. In 2002, SBA loaned about $2.5 billion under this program.

Under current law, the Administrator of SBA must adjust an annual fee on CDC loans to produce an estimated subsidy rate of zero at the time the loans are guaranteed. CBO expects that any changes affecting recoveries of defaults for future loans in the CDC program would result in an adjustment of the annual fee associated with that program so that the program would maintain the subsidy rate of zero. Therefore, CBO estimates this proposal would have no effect on spending subject to appropriation.

For loans disbursed in prior years, an increase in expected recoveries would produce savings in direct spending. According to SBA, recoveries for CDC loans are similar to other recoveries for business loans administered by SBA. Because CBO has no reason to expect that SBA can improve this recovery rate by contracting out, we estimate that this proposal will have no effect on direct spending.

This proposal is included in H.R. 2802 as reported by the committee on October 21, 2003. CBO's cost estimate for that bill included no cost or savings for this provision.

Committee Recommendations That Could Affect Discretionary Spending

Preferred Lending in SBA's 7(a) Program. Under the 7(a) program, SBA can designate certain qualified lenders as preferred lenders, authorizing them to approve, close, service, and liquidate loans. These responsibilities would otherwise be carried out by SBA. The committee proposes to enact a provision in H.R. 2802, the Small Business Reauthorization and Manufacturing Revitalization Act of 2003, that would require more stringent qualifications for lenders wishing to be designated as preferred lenders in SBA's 7(a) program.

In 2002, SBA guaranteed $9.3 billion in loans under the traditional 7(a) program, with a subsidy cost of about $99 million. The estimated subsidy rate set by the Administration for fiscal year 2003 for the 7(a) program is about 1 percent. If the proposed changes lead to a decrease in defaults, the subsidy rate for the 7(a) program also would decrease. Whether this would lead to budgetary savings would depend on whether the amounts appropriated for such loan guarantees would be reduced accordingly. This proposal could also increase SBA's costs for administering the 7(a) loan program if the agency would be left to process a larger volume of loans in the absence of lenders that would qualify as preferred lenders under current law but not under the committee's proposal.

Reassignment of SBA's Deputy District Administrators. The committee proposes to reassign SBA's Deputy District Administrators to positions that would directly assist small businesses in obtaining federal contracts. Because no new positions would be created under this proposal, CBO estimates that any cost associated with reassigning these employees would be insignificant.

The committee also expressed concern about several issues related to SBA and small businesses but did not propose any changes relating to those concerns.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

The committee suggests six options for reducing spending on highway and transit programs, an option for increasing receipts to the Highway Trust Fund, two options for reducing spending on the Essential Air Service program, and one option for reducing spending of the Railroad Retirement Board (RRB). Most of these options would not have a significant impact on the federal budget, and one of the options for the railroad retirement program does not include sufficient detail for CBO to estimate its impact.

Committee Recommendations That Could Affect Direct Spending

End Tax Evasion. The committee proposes to increase the collection of taxes deposited in the highway trust fund by ending fuel-tax evasion. The federal government currently administers a program to combat fuel-tax evasion, and the committee does not propose any new authority for the federal government to improve its efforts. For this reason, CBO does not estimate any increased tax collections from this proposal.

Changes to the Railroad Retirement Board. The railroad retirement program administers Medicare Part B benefits for railroad workers and annuitants. The committee suggests transferring responsibility for investigating waste and fraud in this program from the Department of Health and Human Service's Office of the Inspector General to the RRB's Office of the Inspector General (IG). CBO estimates this would not have a significant impact on the federal budget because there is no reason to believe that shifting these responsibilities from one office to another without providing additional investigative resources would result in cost savings.

Committee Recommendations That Could Affect Discretionary Spending

Changes to Highway and Transit Programs. For 2003, the highway and transit programs received about $40 billion in budgetary resources. The committee's proposals for these programs include improving federal oversight of local projects, requiring more local projects to submit formal finance plans to the federal government, requiring the debarment of contractors who have been convicted of fraud, allowing states to retain some of the recoveries that result from fraud investigations, redirecting funds from inactive to active projects, and eliminating contract authority for which there is no authority to obligate. Some of these changes could improve the cost-effectiveness of the highway and transit programs; however, CBO estimates none of the proposals would affect the total amount of federal spending on highway and transit projects.

Change the Essential Air Service (EAS) Program. Under the current EAS program, the federal government subsidizes airlines that provide service to certain communities. For 2003, the EAS program received about $102 million in budget authority. The committee proposed two changes to the EAS program that are included in H.R. 2115 as reported by the committee on June 6, 2003. The committee proposes to require communities to contribute to the cost of this program. The committee also suggests providing communities with another alternative under which they could receive a federal grant to establish and pay for the type of transportation that best meets their needs. These two changes might affect the level of air service funded through the EAS program, but CBO estimates that the options would not affect total spending on the program because the proposal is not aimed at reducing the size of the total subsidy provided to eligible communities.

Railroad Retirement Programs. The committee supports restoring the authority of the RRB's IG to investigate fraud or conduct oversight of the Medicare benefits received by railroad beneficiaries. To the extent that activities would be shifted from the Department of Health and Human Services to the RRB's IG (and appropriations are adjusted accordingly), restoring these functions to the RRB's IG would have no effects on discretionary spending.

COMMITTEE ON VETERANS' AFFAIRS

Committee Recommendations That Could Affect Discretionary Spending

Enhance Medical Care Collection Authority. The proposal contained in H.R. 1562, the Veterans Health Care Cost Recovery Act of 2003, would increase the ability of the Department of Veterans Affairs (VA) to collect reimbursements from third-party insurers for medical care provided to veterans at VA facilities. Specifically, the bill would not allow any person or preferred provider organization (PPO) to deny or reduce reimbursement to VA solely because VA does not have a participation agreement with that person or PPO. The bill also would grant specific authority for VA to recover the cost of providing medical care to nonveterans from any private health plan or government health program, including Medicare and Medicaid. The increased collections would be deposited into the Medical Care Collections Fund (MCCF) which, under current law, are treated as offsets to discretionary spending.

On May 19, 2003, CBO transmitted a cost estimate of H.R. 1562 as ordered reported by the Committee on Veterans' Affairs on May 15, 2003. CBO estimated that total collections from nonfederal sources would be more than $700 million over the 2004-2008 period. Because deposits into the MCCF are treated as offsets to discretionary spending, this proposal would only realize savings if the new deposits were not appropriated, or if other appropriations were reduced by the estimated amount of savings. In addition to any potential discretionary savings, CBO estimated that under H.R. 1562, direct spending for Medicare and Medicaid would increase by $55 million over the 2004-2008 period. This spending would result from VA's new authority under H.R. 1562 to collect reimbursements from those programs.

Other Areas for Potential Savings

In addition to that specific legislative proposal, the committee identified a number of areas in which improvements in VA's program management might lead to savings in veterans' programs. They include:

- Improving collections from third-party insurers,
- Strengthening debt management,
- Restructuring or relocating VA facilities,
- Increased sharing of health-care resources between VA and the Department of Defense,
- Better management of long-term care for veterans,
- More effective management of VA's Workers' Compensation program,

- Improved management of part-time physicians,
- Improved management of contracting, procurement, and acquisition,
- Effective implementation of Public Law 107-103, which bars fugitive felons from receiving VA benefits,
- Aggressive investigation of fraud related to veterans' benefits paid to recipients living outside the continental United States,
- Improving performance measures for the vocational rehabilitation program,
- Reducing errors in processing claims for educational assistance,
- Preventing pension overpayments, and
- Providing additional resources to the Office of the Inspector General.

In general, the committee is not recommending additional legislation in these areas.

COMMITTEE ON WAYS AND MEANS

The committee proposes to enact legislation affecting the Social Security, Supplemental Security Income (SSI), unemployment compensation, and Medicare programs. CBO estimates that the recommended legislation would reduce direct spending by about $2.2 billion over the 2004-2013 period. In addition, the committee identified possible areas of fraud, waste, and abuse in the Social Security, SSI, and unemployment compensation programs and in the collection of taxes but did not make specific recommendations for addressing them.

Committee Recommendations That Could Affect Direct Spending

Require Pre-effectuation Reviews for SSI Benefits. The committee recommends enacting legislation to require the Social Security Administration to conduct reviews of initial decisions to award SSI benefits to certain disabled adults. That provision was included in H.R. 4, the Personal Responsibility, Work, and Family Promotion Act of 2003, which was passed by the House of Representative on February 13, 2003. CBO estimates that the provision would reduce spending by $1.4 billion over the 2004-2013 period.

Use the New-Hire Directory to Detect Fraud in the Unemployment Compensation Program. The committee recommends enacting legislation to allow states to have access to information on new hires in the national database to help detect fraud in the unemployment compensation system. This provision was also included in H.R. 4. CBO estimates that this proposal would reduce spending for unemployment compensation by $198 million over the 2004-2013 period. Such a reduction in spending for unemployment benefits would lead states to reduce their unemployment taxes. As a result, CBO estimates that revenues would fall by $128 million over the 2004-2013 period. Because state spending and tax collection for unemployment compensation are reflected on the federal budget, CBO estimates that enactment of this proposal would result in a net deficit reduction of $70 million over the 10-year period.

Enact H.R. 743. The committee recommends that the Congress enact H.R. 743, the Social Security Protection Act of 2003. That bill would deny Social Security benefits to fugitive felons and tighten benefit rules for some state and local retirees who switch jobs briefly in order to boost their Social Security benefits. This proposal would reduce spending and increase revenues, resulting in a reduction in deficits of an estimated $655 million over the 2004-2013 period.

Disability Reviews and Eligibility Redeterminations. The committee urges the Congress to provide the Social Security Administration (SSA) with administrative funds sufficient for the agency to conduct all disability reviews and eligibility redeterminations required under the Social Security Disability Insurance and SSI programs. SSA estimates indicate that such reviews generate benefit savings far in excess of their costs. CBO concurs with this assessment, but any such savings would be subject to appropriation of the necessary funds to carry out those reviews.

Enact Certain Provisions of H.R. 1. The committee recommends that the Congress enact title III of H.R. 1, the Medicare Prescription Drug and Modernization Act of 2003, as passed by the House of Representatives on June 27, 2003. Title III of H.R. 1 would clarify the legal basis for collecting from third-party insurers the excess amounts that Medicare paid to providers when the third-party payer should be the primary payer and Medicare should be secondary. It would also establish a competitive bidding system for durable medical equipment, off-the-shelf orthotics, and certain other equipment and supplies. In addition, that title would reduce payment rates for currently covered outpatient prescription drugs.

CBO estimates that the provisions of title III of H.R. 1 would reduce payments to providers by $31 billion over the 2004-2013 period. However, those provisions would also reduce receipts of Part-B premiums. CBO estimates that the net effect of the provisions of title III would be to reduce direct spending by about $26 billion over the 2004-2013 period.

Committee Recommendations That Could Affect Discretionary Spending

Enact H.R. 810. The committee recommends that the Congress enact H.R. 810, the Medicare Regulatory and Contracting Reform Act of 2003, as reported by the Committee on Ways and Means on April 11, 2003. The bill would change the procedures by which Medicare makes contracts with entities to process and pay claims, and it would place new requirements on those contractors. CBO estimates that enacting H.R. 810 would have a negligible effect on direct spending. We estimate that it would increase the cost of administering contracts and the total amount spent on contracts by $1.3 billion over the 2004-2008 period, and would add other costs of $0.3 billion over that period, assuming appropriation of the necessary amounts.