CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 19, 2009

H.R. 466
Wounded Veteran Job Security Act

As ordered reported by the House Committee on Veterans' Affairs on May 6, 2009, and amended on May 12, 2009

SUMMARY

H.R. 466 would protect veterans from losing their jobs when they are absent from work in order to receive medical treatment for service-connected disabilities and would allow them to retain seniority, health, pension, and other benefits. CBO estimates that implementing the bill would cost $6 million over the 2010-2014 period, assuming the appropriation of the necessary amounts. In addition, CBO estimates that enacting H.R. 466 would reduce revenues by $15 million over the 2010-2019 period and would have an insignificant effect on direct spending.

The requirements on employers to retain veterans as employees and to provide certain benefits would be intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the costs of complying with the mandates would fall below the annual thresholds established in UMRA for both intergovernmental and private-sector mandates ($69 million and $139 million in 2009, respectively, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 466 is shown in the following table. The discretionary costs of this legislation fall within budget functions that include employee pay and benefits. The direct spending costs fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
CHANGES IN REVENUES [a]												
Estimated Revenues	-1	-1	-1	-1	-1	-2	-2	-2	-2	-2	-6	-15
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	1	1	1	1	1	1	1	1	2	2	6	13
Estimated Outlays	1	1	1	1	1	1	1	1	2	2	6	13

Notes. CBO estimates that the direct spending costs of this bill would total less than $500,000 over the 2010-2019 period.

Components may not sum to totals because of rounding.

a. Negative numbers indicate a reduction in revenues and an increase in the deficit.

BASIS OF ESTIMATE

For this estimate, CBO estimates that H.R. 466 will be enacted near the end of fiscal year 2009 and that the necessary amounts will be appropriated for each year beginning in 2010.

Revenues

H.R. 466 would result in higher matching contributions by private-sector employers into 401(k) plans. Higher contributions, in turn, would result in more of an employee's compensation being received in the form of tax-deferred retirement contributions, and less in the form of taxable wages. As a result of this shift, federal revenues from income and payroll taxes would decline. CBO estimates that revenues would be reduced by $15 million over the 2010-2019 period. Social Security payroll taxes, which are off-budget, would account for about $5 million of that amount.

Spending Subject to Appropriation

The federal government would bear the increased cost of employee benefits for veterans who are federal employees and who would take leave from work under this bill; however, many of the protections available to veterans under this bill already exist in current law, and would not increase costs to the federal government. Under Executive Order 5396, disabled veterans employed by the Executive Branch are entitled to leave-without-pay in order to receive necessary medical treatment. Employees of the federal government who have been at their jobs for at least a year are already allowed to take up to 12 weeks of unpaid leave for certain medical reasons and retain their health care benefits under the Family and Medical Leave Act (FMLA). In addition, benefit and leave policies throughout the federal government allow individuals in leave-without-pay status to continue to be eligible for health insurance, retirement, and other benefits for up to a year.

Under current law, federal employees taking unpaid leave cannot contribute to or receive a matching contribution from their employers to their Thrift Savings Plan (TSP), the retirement savings and investment plan for federal employees. H.R. 466 would allow eligible veterans to make the missed TSP contributions after they return to work. The employing agency would then be required to make a matching contribution. Based on information from the Department of Veterans Affairs and usage and benefit rates for FMLA, CBO estimates that approximately 9,400 eligible veterans who are federal employees would take leave under H.R. 466 annually. Based on TSP participation rates from the U.S. Office of Personnel Management, CBO estimates that approximately 5,700 veterans annually (or 60 percent) would contribute to their TSP after returning to work and would receive a 3 percent matching contribution. Assuming an average leave period of one month, the employer cost would be approximately $200 per employee. CBO estimates that the cost to the federal government for the matching contributions would be approximately $1 million in the first year, and $5 million over the 2010-2014 period, assuming the availability of appropriated funds.

CBO estimates that there would be a relatively small cost for benefits for employees not covered under FMLA, but who would be allowed to take unpaid leave under this bill. This would include new employees of less than a year and individuals who needed more than 12 weeks of leave. CBO estimates these costs would total about $1 million over the 2010-2014 period.

Direct Spending

H.R. 466 also would have a relatively small direct spending cost for increased retirement payments for federal employees. Under current law and policy, individuals on unpaid leave for more than six months in one year receive a reduced retirement benefit under the Federal Employees Retirement System. Under H.R. 466, individuals taking over six months of leave-without-pay would not have their retirement benefits reduced. CBO expects the increases in retirement payments under this bill to be small; most of the increase in spending would occur outside the 10-year budget projection period. We estimate that the increased retirement payments would increase direct spending by an insignificant amount over the 2010-2019 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 466 would impose intergovernmental and private-sector mandates as defined in UMRA on employers of veterans who miss work for a period of time due to medical treatment for a service-connected injury. The bill would require employers to retain such veterans as employees, and grant them seniority and other rights and benefits as if they had not been absent. Those rights to employment, seniority, and benefits would accrue to veterans regardless of their length of employment. Benefit levels would, however, be limited to those provided to similar employees. Based on leave and benefits data for individuals who are covered by FMLA, CBO estimates that the costs of the mandates would fall below the annual thresholds established in UMRA for both intergovernmental and private-sector mandates ($69 million and $139 million in 2009, respectively, adjusted annually for inflation).

Section 4 of UMRA excludes from the application of that act any legislative provisions that establish or enforce any statutory rights that prohibit discrimination on the basis of race, color, religion, sex, national origin, age, handicap, or disability. CBO has determined that section 3(d) of the bill would fall within that exclusion and has not reviewed the section for mandates.

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