



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 18, 2009

S. 386

Fraud Enforcement and Recovery Act of 2009

As reported by the Senate Committee on the Judiciary on March 5, 2009

SUMMARY

S. 386 would broaden the coverage of current laws against financial crimes, including fraud affecting mortgages, securities, and federal assistance and relief programs. The bill would authorize the appropriation of \$245 million for each of fiscal years 2010 and 2011 for the Department of Justice (DOJ), the Postal Inspection Service, and other federal agencies to investigate and prosecute violators of the bill's provisions. S. 386 also would amend certain provisions of the False Claims Act (FCA), which allows private individuals with knowledge of past or present fraud committed against the government to file claims against federal contractors.

CBO estimates that implementing S. 386 would cost \$490 million over the 2010-2014 period, assuming appropriation of the authorized amounts. S. 386 could affect direct spending and revenues; CBO has no basis for estimating the timing or magnitude of any such effects, but we estimate that they would have no net costs over both the 2010-2014 and 2010-2019 periods.

S. 386 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 386 is shown in the following table. The costs of this legislation fall within budget functions 370 (commerce and housing credit), 450 (community and regional development), and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars					2010- 2014
	2010	2011	2012	2013	2014	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Authorization Level	245	245	0	0	0	490
Estimated Outlays	211	240	32	5	2	490

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted during fiscal year 2009, that the authorized amounts will be appropriated each year, and that spending will follow historical patterns for the authorized activities.

Spending Subject to Appropriation

S. 386 would authorize the appropriation of \$245 million for each of fiscal years 2010 and 2011 for investigations and prosecutions relating to financial crimes. For each of those years the bill would authorize:

- \$75 million for the Federal Bureau of Investigation;
- \$90 million for offices of the United States Attorneys and the DOJ criminal, civil, and tax divisions;
- \$30 million for the Postal Inspection Service;
- \$30 million for the Inspector General for the Department of Housing and Urban Development; and
- \$20 million for the United States Secret Service.

Revenues and Direct Spending

CBO estimates that the provisions relating to the FCA would, on net, increase civil fines and recoveries collected by the federal government because it would likely lead to the initiation of additional claims under FCA. S. 386 also could increase collections of civil and criminal fines for violations of the bill's other provisions.

Recoveries from FCA cases would be recorded as offsetting receipts (a credit against direct spending). Civil fines are recorded as revenues and deposited in the U.S. Treasury. Criminal fines are recorded as revenues, deposited in the Crime Victims Fund, and subsequently spent without further appropriation.

CBO has no basis for estimating the magnitude of any additional recoveries and collections of civil and criminal fines. However, we estimate that any such effects would have no net costs over both the 2010-2014 and 2010-2019 periods.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 386 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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