Congressional Budget Office
Preliminary Estimate - subject to change

July 9, 2019

H.R. 397, the Rehabilitation for Multiemployer Pensions Act of 2019, discussion draft posted by the House Committee on Ways and Means on July 8, 2019
Estimated Budget Effects

	By Fiscal Year, Millions of Dollars												
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2019-2024	2019-2029
	Increases or Decreases (-) in Direct Spending Outlays[a,b]												
Subsidy Cost of Pension Rehabilitation Administration Loans[c,d]	0	31,834	0	0	0	0	0	0	0	0	0	31,834	31,834
Financial Assistance													
New assistance under H.R. 397[e]	0	15,023	771	679	944	2,063	2,845	3,197	3,841	4,415	4,798	19,480	38,576
Financial assistance under current law	0	-10	-66	-210	-639	-1,688	-216	4	12	31	60	-2,612	-2,720
Total Changes	0	46,847	706	469	304	376	2,629	3,202	3,853	4,446	4,858	48,702	67,690
	Increases in Revenues												
Revenues	0	4	12	27	150	272	325	442	555	665	797	464	3,249
	Net Increase in the Deficit From Changes in Direct Spending and Revenues												
Effect on the Unified-Budget Deficit	0	46,843	694	443	154	103	2,304	2,760	3,298	3,780	4,062	48,238	64,441

Components may not sum to totals because of rounding; estimates relative to CBO's May 2019 baseline; PBGC = Pension Benefit Guaranty Corporation.

This estimate is for the discussion draft of H.R. 397 dated July 8, 2019, 1:43 p.m., and posted by the House Committee on Ways and Means at https://docs.house.gov/meetings/WM/WM00/CPRT-116-WM00-D001.pdf. That legislation would provide funds for 30-year loans and new financial assistance (in the form of grants) to financially troubled multiemployer pension plans. The grants would be provided primarily over the next 30 years. Plans would apply for both the loan and grants jointly. Certain plans would be required to apply. The loans and grants would be available only to plans that are currently financially troubled, as described in the bill; other plans would be eligible only for financial assistance that is available under current law.

a. This estimate does not include an analysis of the administrative costs to Treasury and PBGC associated with reviewing applications and approving disbursement of loans and new financial assistance.
b. CBO estimates that enacting H.R. 397 would increase on-budget deficits by more than $5 billion in at least one of the four consecutive 10-year periods beginning in 2030.
c. The subsidy cost of the loans is calculated under procedures specified by the Federal Credit Reform Act (FCRA). Those costs are expressed as a present value in the year in which they are disbursed. That present value reflect all disbursements and repayments over the period of the loan, discounted to the year of disbursement using interest rates on Treasury securities.
d. Although FCRA provides the procedures for calculating the cost of loans, it does not clearly state whether federal grant assistance should be taken into account when calculating the cost of a loan. CBO interprets FCRA to say that the cost of a loan should be calculated separately from the cost of grants provided to the same entity (that is, as if the grants were not available for loan repayments). Other interpretations of FCRA are possible, and in order to provide complete information to the Congress, CBO also calculated the loan subsidy cost assuming that such grant assistance, which would generally be disbursed over the next three decades, would be available to make loan repayments. Under that assumption, CBO estimates that plans would be able to repay more of the loans and that the subsidy cost of the loans would equal $5.8 billion rather than $31.8 billion.
e. These amounts include loans to and payments from plans that would be required to apply for loans under H.R. 397; such assistance does not meet the definition of a loan under FCRA and is thus treated on a cash basis.