

### At a Glance

## Reconciliation Recommendations of the House Committee on Financial Services

As ordered reported on February 11, 2021

By Fiscal Year, Millions of Dollars	2021	2021-2030	2021-2031
Direct Spending (Outlays)	<b>38,189</b>	<b>72,880</b>	<b>70,590</b>
Revenues	<b>0</b>	<b>0</b>	<b>0</b>
Increase or Decrease (-) in the Deficit	<b>38,189</b>	<b>72,880</b>	<b>70,590</b>

Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any year after 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

CBO has not reviewed the legislation for effects on spending subject to appropriation.

#### The legislation would

- Appropriate funds for housing assistance, medical supplies, small businesses, and airlines

#### Estimated budgetary effects would mainly stem from

- Spending of appropriations for housing assistance, medical supplies (DPA), small businesses, and airlines
- Collecting offsetting receipts from warrants and notes issued to the Treasury by airlines and related contractors

#### Areas of significant uncertainty include

- Estimating the financial returns on warrants and notes issued by airlines and related contractors
- Estimating the pace at which grantees would distribute rental assistance

**Detailed estimate begins on the next page.**

## Legislation Summary

S. Con. Res. 5, the Concurrent Resolution on the Budget for Fiscal Year 2021, instructed several committees of the House of Representatives to recommend legislative changes that would increase deficits up to a specified amount over the 2021-2030 period. As part of this reconciliation process, the House Committee on Financial Services approved legislation on February 11, 2021, with a number of provisions that would increase deficits.

The legislation would appropriate a total of \$75 billion for fiscal year 2021 for housing and community development programs, payroll support for airlines and related contractors, medical supplies related to the coronavirus pandemic, and financing programs for small businesses. CBO estimates that outlays stemming from those appropriations would total \$73.6 billion over the 2021-2030 period; in addition, the airline support program would increase offsetting receipts (which are recorded as reductions in direct spending) by \$740 million. On net, CBO estimates that enacting the legislation would increase deficits by \$72.9 billion over the 2021-2030 period.

## Estimated Federal Cost

The estimated budgetary effect of the legislation is shown in Table 1. The costs of the legislation fall within budget functions 050 (national defense), 370 (commerce and housing credit), 400 (transportation), 450 (community and regional development) and 600 (income security).

## Basis of Estimate

CBO assumes that the legislation will be enacted by the end of March 2021. Except as noted below, estimated outlays are based on historical spending patterns for each program or similar programs.

## Direct Spending

In 2021, the legislation would appropriate the following amounts:

- \$19.1 billion for rental assistance for households that are low-income and have members who are unemployed;
- \$15 billion for payroll support grants to passenger air carriers and related contractors;
- \$10 billion for states, territories, and municipalities to fund small business financing programs;
- \$10 billion for the purchase, production and distribution of medical supplies to respond to the pandemic and future health emergencies; and

- \$10 billion for states and tribes to provide mortgage assistance and other financial assistance to homeowners impacted by the pandemic.

In addition, the legislation would provide a total of \$11 billion to provide rental assistance, homeless services and support, housing counseling, and mortgage support.

**Emergency Rental Assistance.** Section 4201 would appropriate \$19.1 billion for state and local governments to pay rental arrears, rent, and utilities for low-income households with unemployed members. Those households would need to be at risk of housing instability or homelessness to receive assistance. The Congress appropriated \$25 billion for similar purposes in 2021. The legislation would require the Department of the Treasury to disburse 50 percent of each grantee's total allocation within 60 days of enactment. Grantees could receive additional portions of their allocation once they had obligated at least 75 percent of their first disbursement; CBO assumes that 50 percent of grantees would meet that criteria in 2022 and those grantees would receive their total allocation. The legislation would require the Treasury to distribute any remaining funds to grantees that had obligated, by the end of 2022, at least 50 percent of their total allocation. CBO estimates outlays would total \$19.1 billion over the 2021-2030 period.

**Homeowner Assistance Fund.** Section 4207 would provide roughly \$10 billion for states and tribes to provide mortgage payment assistance and other financial assistance to homeowners affected by the coronavirus pandemic. CBO expects that the vast majority of this funding will be spent, in the form of payments to states and tribes, in 2021, as required under the legislation; additional administrative and oversight spending would occur over the 2022-2025 period.

**State Small Business Credit Initiative.** Section 4301 would reauthorize the State Small Business Credit Initiative, a program created by Small Business Jobs Act of 2010, and would provide \$10 billion for states, tribes, territories, and municipalities to fund financing programs for small businesses. Based on the patterns of spending from the original program, CBO expects that funding would be allocated to states in multiple tranches over time, and would be distributed to eligible government entities gradually over the 2021-2030 period. CBO estimates that reauthorizing the program would increase direct spending by \$9 billion over the same period.

**Payroll Support for Air Carriers.** The Consolidated Appropriations Act (CAA), 2021, provided \$16 billion for financial assistance to certain passenger air carriers and related contractors for payroll support. Section 4401 would appropriate \$15 billion for similar purposes, under the same terms and conditions, and largely to the same pool of recipients as established by that act. Consistent with the relevant provisions of the CAA, CBO expects that the cost of providing payroll support would be partially offset by proceeds from warrants and notes that larger air carriers and contractors would issue to the Treasury as a condition of

receiving assistance. Further, CBO expects that the Treasury would exercise those warrants and that the issuers would repay principal on the notes near the anticipated maturity dates in 2026 and 2031, respectively. Accordingly, CBO estimates the receipts from those transactions, which reduce direct spending, would total \$740 million over the 2021-2030 period and that direct spending would increase, on net, by \$14.26 billion over the same period.

### **Uncertainty**

Direct spending under section 4401 could be higher or lower than CBO's estimate because the estimates of receipts rely on projections that are uncertain, including interest, default, and recovery rates. In addition, the timing of receipts is uncertain because it depends on future administrative actions and firm behavior. For example, if recipients of assistance repay the notes earlier than assumed in this estimate, receipts over the 2021-2030 period could be larger.

Spending for the housing programs could be faster or slower than CBO's estimate because CBO cannot precisely predict the pace of program implementation. Many grantees would need to significantly expand their housing assistance programs in order to spend the appropriated funds; if grantees hire staff and process applications more slowly than CBO expects, the spending in each year could be different but total spending over the 2021-2030 period is unlikely to change.

### **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. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 1.

**Increases On-Budget Deficits in any Year after 2030:** No. The legislation would decrease on-budget deficits in 2031 and in future years as the principal on notes related to airline payroll support is repaid and recoveries on defaults are collected.

### **Mandates**

CBO has not reviewed Subtitle A of the bill for intergovernmental or private-sector mandates. Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any legislative provisions that are necessary for the national security. CBO has determined that the provisions of the Defense Production Act of 1950, as amended by Subtitle A, would fall under that exclusion.

The remaining provisions of the legislation would not impose intergovernmental or private-sector mandates as defined in UMRA.

## **Estimate Prepared By**

### Federal Costs:

Elizabeth Cove Delisle (housing assistance provisions)

Caroline Dorminey (defense provisions)

David Hughes (commerce and housing credit)

Aaron Krupkin (transportation)

Robert Reese (commerce and housing credit)

Jon Sperl (community development provisions)

Mandates: Rachel Austin

## **Estimate Reviewed By**

David Newman

Chief, Defense, International Affairs, and Veterans' Affairs Cost Estimates Unit

Sheila Dacey

Chief, Income Security and Education Cost Estimates Unit

Susan Willie

Chief, Natural and Physical Resources Cost Estimates Unit

H. Samuel Papenfuss

Deputy Director of Budget Analysis

Theresa Gullo

Director of Budget Analysis

**Table 1.**  
**Estimated Budgetary Effects of Reconciliation Recommendations**  
**As Reported by the House Committee on Financial Services**

		By Fiscal Year, Millions of Dollars											2021-	2021-
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2030	2031
<b>Increases in Direct Spending</b>														
<b>Subtitle A. Defense Production Act of 1950</b>														
Sec. 4101	COVID-19 Emergency Medical Supplies Enhancement													
	Budget Authority	10,000	0	0	0	0	0	0	0	0	0	0	10,000	10,000
	Estimated Outlays	2,600	3,700	2,600	1,000	0	0	0	0	0	0	0	9,900	9,900
<b>Subtitle B. Housing Provisions</b>														
Sec. 4201	Emergency Rental Assistance													
	Budget Authority	19,050	0	0	0	0	0	0	0	0	0	0	19,050	19,050
	Estimated Outlays	9,525	4,763	4,762	0	0	0	0	0	0	0	0	19,050	19,050
Sec. 4202	Emergency Housing Vouchers													
	Budget Authority	5,000	0	0	0	0	0	0	0	0	0	0	5,000	5,000
	Estimated Outlays	250	1,000	1,500	1,250	1,000	0	0	0	0	0	0	5,000	5,000
Sec. 4203	Emergency Assistance for Rural Housing													
	Budget Authority	100	0	0	0	0	0	0	0	0	0	0	100	100
	Estimated Outlays	35	65	0	0	0	0	0	0	0	0	0	100	100
Sec. 4204	Housing Assistance and Supportive Services Programs for Native Americans													
	Budget Authority	750	0	0	0	0	0	0	0	0	0	0	750	750
	Estimated Outlays	75	225	225	150	45	0	0	0	0	0	0	720	720
Sec. 4205	Housing Counseling													
	Budget Authority	100	0	0	0	0	0	0	0	0	0	0	100	100
	Estimated Outlays	100	0	0	0	0	0	0	0	0	0	0	100	100
Sec. 4206	Homeless Assistance and Supportive Services Program													
	Budget Authority	5,000	0	0	0	0	0	0	0	0	0	0	5,000	5,000
	Estimated Outlays	0	500	1,500	1,500	1,000	250	0	0	0	0	0	4,750	4,750
Sec. 4207	Homeowner Assistance Fund													
	Budget Authority	9,961	0	0	0	0	0	0	0	0	0	0	9,961	9,961
	Estimated Outlays	9,925	15	15	5	1	0	0	0	0	0	0	9,961	9,961
Sec. 4208	RHS Loan Modifications													
	Budget Authority	39	0	0	0	0	0	0	0	0	0	0	39	39
	Estimated Outlays	29	10	0	0	0	0	0	0	0	0	0	39	39
<b>Subtitle C. Small Business</b>														
Sec. 4301	Reauthorization of the State Small Business Credit Initiative Act of 2010													
	Budget Authority	10,000	0	0	0	0	0	0	0	0	0	0	10,000	10,000
	Estimated Outlays	825	1,750	1,800	1,950	1,425	875	275	100	0	0	0	9,000	9,000
<b>Subtitle D. Airlines</b>														
Sec. 4401	Air Transportation Payroll Support Program Extension													
	Estimated Budget Authority	14,980	-30	-30	-30	-30	-210	-90	-90	-100	-110	-2,290	14,260	11,970
	Estimated Outlays	14,825	122	-30	-30	-30	-210	-90	-90	-100	-110	-2,290	14,260	11,970
<b>Total Increase in Direct Spending</b>														
	<b>Estimated Budget Authority</b>	74,980	-30	-30	-30	-30	-210	-90	-90	-100	-110	-2,290	74,260	71,970
	<b>Estimated Outlays</b>	38,189	12,150	12,372	5,825	3,441	915	185	10	-100	-110	-2,290	72,880	70,590

Components do not sum to totals because of rounding; RHS = Rural Housing Service.