Congressional Budget Office
Cost Estimate

May 16, 2023

At a Glance

H.R. 1669, VET–TEC Authorization Act of 2023

As ordered reported by the House Committee on Veterans' Affairs on April 28, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	*	373	*
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	*	373	*
Spending Subject to Appropriation (Outlays)	0	0	0

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	**< $2.5 billion**	Statutory pay-as-you-go procedures apply?	**Yes**
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	**< $5 billion**	Contains intergovernmental mandate?	**No**
		Contains private-sector mandate?	**No**

* = between -$500,000 and $500,000.

The bill would

- Increase the fees that the Department of Veterans Affairs (VA) charges borrowers for home loan guarantees
- Extend and modify the Veteran Employment Through Technology Education Courses (VET TEC) program
- Provide burial allowances to the surviving family of certain veterans receiving hospice care provided by VA
- Make additional changes to other education and training benefit programs administered by VA

Estimated budgetary effects would mainly stem from

- Increasing fees charged by VA for home loan guarantees
- Payment of additional education and training benefits
- Payment of additional burial allowances

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 1669 would increase the fees that the Department of Veterans Affairs (VA) will charge borrowers for home loan guarantees in 2032. The bill also would modify and extend the authorization for the Veteran Employment Through Technology Education Courses (VET TEC) program through 2028 and make additional changes to other benefit programs administered by VA.

Estimated Federal Cost

The estimated budgetary effects of H.R. 1669 are shown in Table 1. The bill would change net direct spending by an insignificant amount over the 2023-2033 period. The costs of the legislation fall within budget function 700 (veterans benefits and services).

Table 1.
Estimated Budgetary Effects of H.R. 1669

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
	Increases or Decreases (-) in Direct Spending												
Home Loan Fees	0	0	0	0	0	0	0	0	0	-413	0	0	-413
VET TEC Extension	0	31	70	77	79	80	0	0	0	0	0	337	337
Burial Allowance	0	3	3	3	3	3	3	4	4	4	4	15	34
Flight Training	*	2	2	2	2	2	2	2	2	2	2	10	20
Benefits in Philippines	*	2	2	2	2	2	2	2	2	2	2	10	20
Sole Liability	*	*	*	*	1	*	*	*	1	*	*	1	2
Total Changes in Direct Spending	*	38	77	84	87	87	7	8	9	-405	8	373	*

* = between -$500,000 and $500,000; budget authority equals outlays for all sections.

Basis of Estimate

For this estimate, CBO assumes that H.R. 1669 will be enacted in fiscal year 2023 and that provisions will take effect upon enactment or on the dates specified by the bill. CBO also estimates that outlays will follow historical spending patterns for affected programs.

Direct Spending

H.R. 1669 would make changes to VA's home loan guarantee program, educational benefits, and burial benefits. Enacting the bill would change net direct spending by an insignificant amount over the 2023-2033 period, CBO estimates.

Home Loan Fees. VA provides guarantees to lenders for eligible borrowers to obtain better loan terms—such as lower interest rates or smaller down payments—when purchasing, constructing, improving, or refinancing a home. VA typically pays lenders up to 25 percent of the outstanding mortgage balance if a borrower's home is foreclosed upon. Those payments, net of fees paid by borrowers and recoveries by lenders, constitute the subsidy cost for the loan guarantees.[1]

Under current law, most of the fees that borrowers pay to VA for loans guaranteed after November 14, 2031, will decline from a weighted average of about 2.4 percent of the loan amount to about 1.2 percent. Section 8 would extend the higher rates for five months, through April 30, 2032. On the basis of loan data provided by VA, CBO estimates that extending the higher fee rates would decrease direct spending by $413 million over the 2023-2033 period.

VET TEC Extension. Under the Veteran Employment through Technology Education Courses pilot program, VA contracts with entities to provide vocational training in computer programing, computer software, media applications, data processing, and information services to veterans who are eligible for VA education benefits. Veterans can also receive monthly housing stipends while they attend that training. Costs for the program are paid from mandatory appropriations, subject to annual maximum amounts. VA is authorized to spend $15 million annually in 2019 and 2020, $45 million in 2021, $125 million in 2022, and $45 million in each 2023 and 2024. Under current law, the authority to conduct the program expires after 2024.

Section 2 would extend the authority to conduct the VET TEC program through 2028 and make several other modifications to the program. On net, CBO estimates that enacting section 2 would increase direct spending by $337 million over the 2023-2033 period.

Beginning in 2024, instead of annual spending caps, the bill would limit the number of participants to 6,000 veterans annually. It also would expand the eligibility to veterans who cannot use the program under current law and would newly authorize colleges and universities to provide VET TEC courses. In 2022, more than 20,000 people applied and

1. Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses offset by any payments to the government, including origination or other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed or modified. A positive subsidy indicates that the loan results in net outlays from the Treasury; a negative subsidy indicates that the loan results in net receipts to the Treasury.

were eligible for VET TEC. Because of that eligibility expansion and the current high demand for the program, CBO expects that interest in VET TEC would remain high and that the maximum limit of 6,000 participants each year would be reached.

Under section 2, payments to VET TEC providers would typically be reduced if the veterans they train do not remain employed in their field of study for at least 180 days following completion of VET TEC courses. Additionally, payments to providers of VET TEC courses would be limited to the same tuition and fee rates under the Post-9/11 GI Bill. Those changes would slightly reduce average payments compared to the current program.

Using data published by VA, CBO estimates that the department would pay an average of $15,000 per participant per year over the 2024-2028 period, increasing direct spending by $447 million. Since section 2 would eliminate the authorization for the existing VET TEC pilot program after 2023, a year before it expires under current law, CBO estimates the increase in direct spending under the bill would be partially offset by a reduction of $45 million, the amount that had been provided under current law for 2024.

Veterans generally earn 36 months of education benefits from their military service, referred to as their benefit entitlement. Section 2 would require VA to count time in the VET TEC program as use of that entitlement for participants who have remaining entitlement to other education benefit programs (e.g., the Post-9/11 GI Bill, Montgomery GI Bill, Survivors' and Dependents' Educational Assistance). CBO expects that roughly a quarter of VET TEC participants under the bill would have and use remaining entitlement and that nearly all of that entitlement would have otherwise been used for the Post-9/11 GI Bill. On the basis of VA-provided data on the average length of VET TEC courses and usage of other education benefit programs, CBO estimates that reducing remaining entitlement on a month-for-month basis would decrease direct spending for other education benefits by $65 million over the 2023-2033 period.

Burial Allowance. Section 3 would expand eligibility for VA burial allowances paid to the surviving family of certain veterans to cover funeral and other expenses. Under current law, the survivors of veterans who die while receiving care in a VA hospital or nursing home facility, who have a service-connected disability, or who are receiving a VA pension at the time of death are eligible to receive payments of $893 in 2023.[2] VA adjusts the amount of those payments each year based on inflation. Under section 3, families of veterans who die while receiving VA-provided hospice care outside of a VA facility would be eligible to receive burial allowance payments if the veteran was receiving hospital or nursing home care from VA immediately preceding such hospice care. That change would apply to deaths that occur 180 days following enactment.

2. Veterans receive disability ratings from VA based on injuries and illnesses sustained during military service. Ratings range from zero to 100 percent. If a veteran dies because of their service-connected disability, their surviving family may receive a payment of $2,000.

According to VA, an average of 26,000 veterans receive hospice care from VA each year. Many of those veterans would already be eligible for the burial allowance under current law. CBO estimates that under the bill, an average of 3,200 additional families each year would receive average burial allowances of a little over $1,000. As a result, section 3 would increase direct spending by $34 million over the 2023-2033 period, CBO estimates.

Flight Training. Veterans with service-connected disabilities that limit or prevent them from working can receive vocational rehabilitation services such as educational assistance, job training, skills counseling, and independent-living services. VA pays the tuition, fees, and related costs as well as housing allowances for veterans pursuing education or training programs. Under current law, VA pays for flight training that leads to a college degree; section 4 would expand the types of programs that veterans could pursue to include flight training that does not lead to a degree. Such non-degree programs are often provided by vocational pilot schools, rather than colleges or universities, and result in a license or certification upon successful completion.

On the basis of information provided by VA concerning pursuit of non-degree flight training by people using the Post-9/11 GI Bill, CBO expects that roughly 100 veterans each year who would not otherwise receive vocational rehabilitation would pursue such training under the bill, at an average annual cost of about $19,000 per person. As a result, CBO estimates that this provision would increase direct spending by $20 million over the 2023-2033 period.

Benefits in Philippines. Under the Survivors' and Dependents' Educational Assistance program, VA pays dependents of veterans with certain service-connected disabilities or who die under certain circumstance a monthly benefit while they are pursuing qualified education or training. Beneficiaries can receive payments for up to 36 months. The amount is determined by the number of credits earned during an academic term and is adjusted annually for inflation. The benefit for a full-time student is $1,401 per month in 2023.

Beneficiaries pursuing education or training at institutions located in the Republic of the Philippines receive half of the amount that they would receive from VA if located elsewhere. Under section 6, payment rates would be the same in all locations. On the basis of information provided by VA, CBO estimates that roughly 500 beneficiaries each year would receive an additional $4,200, thereby increasing direct spending by $20 million over the 2023-2033 period.

Sole Liability. Under the Post-9/11 GI Bill, VA pays the tuition and provides housing allowances for beneficiaries pursuing approved education programs. Beneficiaries, including veterans, service members, and their designated dependents, can receive that assistance for up to 36 months. Service members who complete at least six years of active duty and agree to perform another four years can be approved to transfer up to a total of 36 months of their education benefits to their spouses or children. Spouses may begin using benefits upon transfer; children cannot use benefits until the service member completes the four additional years of service. With some exceptions, if the service member fails to complete their service obligation or receives a less than honorable discharge, payments for the use of transferred education benefits are classified as overpayments. Both the service member and the person to whom benefits were transferred are liable for repayment.

Section 5 would make the service member solely liable for overpayments of education benefits that arise from their failure to complete the service obligation or obtain an honorable discharge. On the basis of information provided by VA, CBO expects that a small number of people who use benefits transferred to them by such service members would no longer be liable for those overpayments and, consequently, VA would collect fewer repayments than under current law. CBO estimates that the reduction in repayments would total about $2 million over the 2023-2033 period. That reduction in collections is classified as an increase in direct spending.

Spending Subject to Appropriation

H.R. 1669 would increase administrative expenses by less than $500,000 over the 2023-2033 period. Such spending would be subject to the availability of appropriated funds.

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

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 1669 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2034.

CBO estimates that enacting H.R. 1669 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2034.

Mandates: None.

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