Congressional Budget Office
Cost Estimate

August 30, 2023

At a Glance

H.R. 3581, Caregiver Outreach and Program Enhancement Act

As ordered reported by the House Committee on Veterans' Affairs on July 26, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	0	-288
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	-288
Spending Subject to Appropriation (Outlays)	0	277	277

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	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?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Extend the higher rates for fees that the Department of Veterans Affairs (VA) now charges borrowers for home loan guarantees
- Authorize VA to make grants to entities that support mental health care for family caregivers
- Allow VA to contribute funds to local authorities for projects to mitigate flood risks at VA medical facilities
- Require the Government Accountability Office to report on VA's efforts to support family caregivers' mental health
- Require several studies, surveys, and reports on flood risks and security at VA facilities

Estimated budgetary effects would mainly stem from

- Extending the higher rates for fees charged by VA for home loan guarantees
- Authorizing grants to entities that provide mental health support and services
- Providing contributions to local authorities

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. 3581 would make changes to the home loan guarantee program of the Department of Veterans Affairs (VA). The bill also would authorize VA to make grants to entities that provide mental health services to family caregivers of veterans and to contribute funds to local authorities to help mitigate flood risks at VA medical facilities. In addition, the bill would require several studies, surveys, and reports by VA and the Government Accountability Office (GAO).

Estimated Federal Cost

The estimated budgetary effects of H.R. 3581 are shown in Table 1. The costs of the legislation fall within budget function 700 (veterans benefits and services)

Table 1.
Estimated Budgetary Effects of H.R. 3581

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Decreases in Direct Spending													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	-288	0	0	-288
Estimated Outlays	0	0	0	0	0	0	0	0	0	-288	0	0	-288
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	75	76	76	25	25	0	0	0	0	0	277	277
Estimated Outlays	0	70	76	76	30	25	0	0	0	0	0	277	277

Basis of Estimate

For this estimate, CBO assumes that H.R. 3581 will be enacted at the beginning of fiscal year 2024 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

The bill would extend—for about four months—the higher fees that VA charges borrowers for its loan guarantees. VA provides loan guarantees to lenders that allow eligible borrowers to obtain better loan terms—such as lower interest rates or smaller down payments—to purchase, build, improve, or refinance 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, the rates for most fees that borrowers pay to VA for loans guaranteed on or after November 14, 2031, will drop from a weighted average of about 2.4 percent to about 1.2 percent of the loan amount. Section 6 of the bill would extend the higher rates through March 12, 2032, thereby reducing the subsidy cost of loans guaranteed during that four-month period. Using information from VA, CBO estimates that extending the higher rates would decrease direct spending by $288 million over the 2023-2033 period.

Spending Subject to Appropriation

H.R. 3581 also would authorize appropriations for several purposes and would require VA and GAO to produce several reports. In total, implementing those provisions would cost $277 million over the 2023-2028 period (see Table 2). Such spending would be subject to the appropriation of the specified and estimated amounts.

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 3581

	By Fiscal Year, Millions of Dollars						
	2023	2024	2025	2026	2027	2028	2023-2028
Grants							
Authorization	0	50	50	50	0	0	150
Estimated Outlays	0	45	50	50	5	0	150
Contributions							
Authorization	0	25	25	25	25	25	125
Estimated Outlays	0	25	25	25	25	25	125
Reports							
Estimated Authorization	0	*	1	1	*	*	2
Estimated Outlays	0	*	1	1	*	*	2
Total Changes							
Estimated Authorization	0	75	76	76	25	25	277
Estimated Outlays	0	70	76	76	30	25	277

*= between zero and $500,000.

Grants. Section 2 would authorize VA to award grants to entities that provide and coordinate services to improve the mental health of people who participate in the department's family caregiver program. The bill would authorize appropriations of

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.

$50 million for each of fiscal years 2024 through 2026 for those grants. Using historical spending rates for similar activities, CBO estimates that the grants would cost $150 million over the 2023-2028 period.

Contributions. Section 3 would authorize annual appropriations of $25 million over the 2024-2028 period for contributions to local authorities for projects to mitigate the risk of flooding on properties that are adjacent to VA's medical facilities. CBO estimates that implementing section 3 would cost $125 million over the 2023-2028 period.

Reports. H.R. 3581 would require GAO to evaluate the need for and availability of mental health support for family caregivers of veterans and to report those findings to the Congress. The bill also would require VA to survey employees concerning security at the department's facilities and to report that information annually to the Congress. In addition, the bill would require a onetime report on flood risks at its facilities. Based on costs for similar activities, CBO estimates the cost of implementing at $2 million over the 2023-2028 period.

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: None.

Mandates: None.

Estimate Prepared By

Federal Costs:

Paul B.A. Holland (for home loans)
Etaf Khan (for veterans' health)

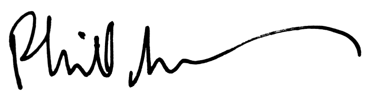
Mandates: Grace Watson

Estimate Reviewed By

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

Christina Hawley Anthony
Deputy Director of Budget Analysis

Estimate Approved By



Phillip L. Swagel
Director, Congressional Budget Office