Congressional Budget Office
Cost Estimate

August 18, 2023

At a Glance

H.R. 4461, Modernization of Department of Veterans Affairs Disability Benefit Questionnaires 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	2	*
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	2	*
Spending Subject to Appropriation (Outlays)	0	8	9

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

- Require the Department of Veterans Affairs (VA) to make certain forms submittable in a machine-readable format
- Require VA to update its information technology systems to automatically process certain claims for veterans' benefits
- Increase the fees that VA charges borrowers for home loan guarantees

Estimated budgetary effects would mainly stem from

- Updating information technology systems to comply with the bill's requirements
- Increasing fees charged by VA for home loan guarantees

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. 4461 would require the Department of Veterans Affairs (VA) to update its information technology (IT) systems to accept certain forms in machine-readable formats, and to automatically process certain claims for veterans' benefits. The bill also would increase the fees that the department charges borrowers for home loan guarantees in 2032.

Estimated Federal Cost

The estimated budgetary effects of H.R. 4461 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. 4461

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	6	*	*	*	2	*	*	1	*	*	8	9
Estimated Outlays	0	4	2	*	*	2	*	*	1	*	*	8	9
Increases or Decreases (-) in Direct Spending													
Estimated Budget Authority	0	2	*	*	*	*	2	*	*	-4	*	2	*
Estimated Outlays	0	2	*	*	*	*	2	*	*	-4	*	2	*

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

Basis of Estimate

For this estimate, CBO assumes that H.R. 4461 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.

Provisions That Affect Spending Subject to Appropriation and Direct Spending

H.R. 4461 would require VA to make changes to its IT systems for processing claims for disability compensation. Implementing those changes would increase spending subject to appropriation by $9 million and direct spending by $4 million over the 2023-2033 period, CBO estimates.

Some of the beneficiaries affected by the changes to disability claims processing in H.R. 4461 would be veterans with exposures to environmental hazards; thus, CBO expects that some of the costs of implementing the bill would be paid from the Toxic Exposures

Fund (TEF) established by Public Law 117-168, the Honoring our PACT Act. The TEF is a mandatory appropriation that VA uses to pay for health care, disability claims processing, medical research, and IT modernization that benefit veterans who were exposed to environmental hazards.

Additional spending from the TEF would occur if legislation increases the costs of similar activities that benefit veterans with such exposure. Therefore, in addition to increasing spending subject to appropriation, the bill would increase amounts paid from the TEF, which are classified as direct spending.

In CBO's projections, the percentage of costs paid by the TEF is estimated to grow over time based on the amount of formerly discretionary appropriations that CBO estimated will be provided through the mandatory appropriations specified in the Honoring our PACT Act.[1] For purposes of this estimate, those growing percentages are applied to the estimated increase in costs under H.R. 4461. Accordingly, CBO estimates that 24 percent of the costs of the changes to the affected programs would be paid from the TEF in 2024, increasing to 47 percent in 2033.

Section 102 of the bill would require all disability benefit questionnaires submitted to VA by people other than employees of the department to be transmitted in a machine-readable format. The requirement would take effect within 180 days of enactment. Those questionnaires are standardized forms used by physicians when performing examinations that are used to determine veterans' eligibility for disability compensation. (Disability compensation is a monthly cash benefit paid to veterans who have disabilities or diseases that have been determined to be connected to their military service. Benefit amounts are based on percentage ratings for cumulative disabilities and are assigned from zero to 100 percent in increments of 10.) VA would be required to report on IT systems needed to accept machine-readable questionnaires. Based on information from the department, CBO estimates developing and maintaining the system for machine-readable disability benefit questionnaires would cost $7 million over the 2023-2033 period, of which $5 million would be spending subject to appropriation and $2 million would be direct spending.

Section 202 of the bill would require VA to update its IT systems to automatically process claims for temporary disability ratings for the purposes of disability compensation. Under current law, veterans who are receiving disability compensation from VA may get a temporary disability rating of 100 percent if they are hospitalized for a period of 21 days or more. Currently, VA manually processes those rating changes. The bill would require VA to automate that processing while ensuring VA employees continue to determine final eligibility. According to VA, the agency would require additional IT resources to automate

1. For additional information about spending from the TEF, see Congressional Budget Office, Statement for the Record Regarding How CBO Would Estimate the Effects of Future Authorizing Legislation on Spending From the Toxic Exposures Fund (December 2022), www.cbo.gov/publication/58843.

claims processing. Based on information from VA, CBO estimates that updating and sustaining the department's IT systems to automate such claims would cost $6 million over the 2023-2033 period, of which $4 million would be spending subject to appropriation and $2 million would be direct spending.

Spending Subject to Appropriation

The discussion above in "Provisions That Affect Spending Subject to Appropriation and Direct Spending" describe provisions that would increase spending subject to appropriation under H.R. 4461, totaling $9 million over the 2023-2033 period (see Table 2).

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 4461

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Machine-readable Questionnaire													
Estimated Authorization	0	3	*	*	*	1	*	*	1	*	*	4	5
Estimated Outlays	0	2	1	*	*	1	*	*	1	*	*	4	5
Temporary Ratings													
Estimated Authorization	0	3	*	*	*	1	*	*	*	*	*	4	4
Estimated Outlays	0	2	1	*	*	1	*	*	*	*	*	4	4
Total Changes													
Estimated Authorization	0	6	*	*	*	2	*	*	1	*	*	8	9
Estimated Outlays	0	4	2	*	*	2	*	*	1	*	*	8	9

* = between zero and $500,000.

Direct Spending

H.R. 4461 would require VA to update IT systems. The changes to those IT systems are described above in "Provisions That Affect Spending Subject to Appropriation and Direct Spending" and would increase direct spending from the Toxic Exposures Fund. The bill also would increase fees paid for VA home loan guarantees. In total, enacting the bill would change net direct spending by an insignificant amount over the 2023-2033 period (see Table 3).

Table 3.
Estimated Changes in Direct Spending Under H.R. 4461

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Loan Fees													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	-4	0	0	-4
Estimated Outlays	0	0	0	0	0	0	0	0	0	-4	0	0	-4
Machine-readable Questionnaire													
Estimated Budget Authority	0	1	*	*	*	*	1	*	*	*	*	1	2
Estimated Outlays	0	1	*	*	*	*	1	*	*	*	*	1	2
Temporary Ratings													
Estimated Budget Authority	0	1	*	*	*	*	1	*	*	*	*	1	2
Estimated Outlays	0	1	*	*	*	*	1	*	*	*	*	1	2
Total Changes													
Estimated Budget Authority	0	2	*	*	*	*	2	*	*	-4	*	2	*
Estimated Outlays	0	2	*	*	*	*	2	*	*	-4	*	2	*

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

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.[2]

2. 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.

Under current law, most of the 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 of the loan amount to about 1.2 percent. Section 203 would extend the higher rates through November 16, 2031. On the basis of loan data provided by VA, CBO estimates that extending the higher rates for those fees would decrease direct spending by $4 million over the 2023-2033 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 3.

Increase in Long-Term Net Direct Spending and Deficits: None.

Mandates: None.

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