Congressional Budget Office
Cost Estimate

January 17, 2024

At a Glance

H.R. 3738, Veterans Economic Opportunity and Transition Administration Act

As ordered reported by the House Committee on Veterans' Affairs on December 5, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	0	0	-36
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	-36
Spending Subject to Appropriation (Outlays)	1	28	66

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

- Establish a new administration in the Department of Veterans Affairs (VA) to oversee programs that provide education benefits, vocational training, and home loan guarantees to veterans and service members
- Extend the higher rates for fees that VA charges borrowers for home loan guarantees

Estimated budgetary effects would mainly stem from

- Establishing the new administration
- Extending the higher fee rates 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. 3738 would create a new administration in the Department of Veterans Affairs (VA) to manage several of its current programs. The bill also would make changes to VA's home loan guarantee program.

Estimated Federal Cost

The estimated budgetary effects of H.R. 3738 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. 3738

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
Decreases (-) in Direct Spending												
Estimated Budget Authority	0	0	0	0	0	0	0	0	-36	0	0	-36
Estimated Outlays	0	0	0	0	0	0	0	0	-36	0	0	-36
Increases in Spending Subject to Appropriation												
Estimated Authorization	1	9	7	7	7	7	7	8	8	8	31	69
Estimated Outlays	1	6	7	7	7	7	7	8	8	8	28	66

Basis of Estimate

For this estimate, CBO assumes that H.R. 3738 would be enacted early in calendar year 2024 and that the provisions will take effect upon enactment or on the dates specified by the bill. CBO estimates that outlays will follow historical spending patterns for affected programs.

Direct Spending

The bill would extend the higher rates for 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, construct, 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]

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

Under current law, the rates for most of the fees that borrowers pay to VA for loans guaranteed after November 15, 2031, will drop from a weighted average of about 2.4 percent to about 1.2 percent of the loan amount. H.R. 3738 would extend the higher rates through November 30, 2031, thereby reducing the subsidy cost of loans guaranteed during that period. Using information from VA, CBO estimates that extending the higher rates would decrease direct spending by $36 million over the 2024-2033 period.

Spending Subject to Appropriation

The bill would establish the Veterans Economic Opportunity and Transition Administration (VEOTA) within VA. Beginning in fiscal year 2025, that new administration would take on responsibility for managing readjustment benefits (such as employment programs, education assistance, and vocational rehabilitation) and home loan guarantees. Currently those programs are managed by the Veterans Benefits Administration (VBA). Like VBA, the new administration would be led by an Under Secretary.

CBO estimates that establishing and operating the new administration would cost $28 million over the 2024-2028 period and $66 million over the 2024-2033 period, subject to the appropriation of the estimated amounts. Most of those costs would stem from 20 additional employees that CBO estimates would be needed to support the new Under Secretary and to manage the daily operations of the new administration. (About 4,600 VA employees oversee and carry out the benefit programs that would be administered by VEOTA under the bill. CBO expects that those personnel, along with the records, property, and budgetary resources currently used by VBA to manage those programs would be transferred to the new administration.)

CBO expects that the administration would gradually hire those employees beginning in 2024, and that onetime costs associated with reorganization, relocation, and information technology needs would be incurred in 2025. By 2026, employee compensation and ongoing operating expenses would average about $7 million annually.

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 under the heading "Decreases (-) in Direct Spending."

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 3738 would not increase net direct spending or deficits in any of the four consecutive 10-year periods beginning in 2034.

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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.

Mandates

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Estimate Prepared By

Federal Costs:

Paul B.A. Holland (for home loans)
Logan Smith (for VA administration)

Mandates: Grace Watson

Estimate Reviewed By

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

Kathleen FitzGerald
Chief, Public and Private Mandates Unit

Christina Hawley Anthony
Deputy Director of Budget Analysis

Estimate Approved By

Phillip L. Swagel
Director, Congressional Budget Office