Congressional Budget Office
Cost Estimate

May 30, 2024

H.R. 2499, VA Supply Chain Management Systems Authorization Act

As ordered reported by the House Committee on Veterans' Affairs on May 1, 2024

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	0	-51
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	-51
Spending Subject to Appropriation (Outlays)	0	45	50

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	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 2035?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

H.R. 2499 would authorize the Department of Veterans Affairs (VA) to develop an information technology (IT) system to manage inventory at its medical facilities. The bill would also increase the fees that VA charges borrowers for its home loan guarantees. In total, H.R. 2499 would increase spending subject to appropriation by $50 million and reduce direct spending by $51 million over the 2024-2034 period.

The costs of the legislation, detailed in Table 1, fall within budget function 700 (veterans benefits and services).

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

Table 1.
Estimated Budgetary Effects of H.R. 2499

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
	By Fiscal Year, Millions of Dollars												
	Increases in Spending Subject to Appropriation												
Authorization	0	50	0	0	0	0	0	0	0	0	0	50	50
Estimated Outlays	0	12	27	4	1	1	1	1	1	1	1	45	50
	Decreases (-) in Direct Spending												
Estimated Budget Authority	0	0	0	0	0	0	0	0	-51	0	0	0	-51
Estimated Outlays	0	0	0	0	0	0	0	0	-51	0	0	0	-51

Spending Subject to Appropriation

H.R. 2499 would authorize appropriations of $50 million for VA to purchase or develop a system for managing inventory of expendable and nonexpendable items at its medical facilities and to implement that system. VA would initially implement the system at one VA medical facility before expanding its use throughout the department, assuming functions of the system are satisfactory. Using information on spending patterns for similar IT programs, CBO estimates implementing the bill would cost $50 million over the 2024-2034 period. Such spending would be subject to the appropriation of the specified amounts.

Direct Spending

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] That subsidy cost is reflected in the federal budget as direct spending.

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 2.3 percent to about 1.2 percent of the loan amount. The bill would extend the higher rates through December 17, 2031, thereby reducing the subsidy cost of loans guaranteed during that

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.

period. Using its forecast of loan volume based on data provided by VA, CBO estimates that extending the higher rates would decrease direct spending by $51 million over the 2024-2034 period (see Table 1).

The CBO staff contacts for this estimate are Logan Smith (IT systems) and Paul B.A. Holland (home loans). The estimate was reviewed by Christina Hawley Anthony, Deputy Director of Budget Analysis.

Phillip L. Swagel
Director, Congressional Budget Office