Congressional Budget Office
Cost Estimate

May 8, 2024

H.R. 7643, Veterans Congressional Work Study Act of 2024

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)	*	2	-17
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	*	2	-17
Spending Subject to Appropriation (Outlays)	*	*	*

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	**< $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 2035?	**< $5 billion**	Contains intergovernmental mandate?	**No**
		Contains private-sector mandate?	**No**

* = between zero and $500,000.

H.R. 7643 would make changes to education benefit and home loan programs administered by the Department of Veterans Affairs (VA). The costs of both programs are paid from mandatory appropriations. CBO estimates that enacting the bill would decrease net direct spending by $17 million over the 2024-2034 period.

Congressional Work-Study. Under current law, VA pays work-study allowances to students using VA education benefits who are hired by a VA facility, state veterans agency, educational institution, or office of a Member of Congress to perform specified activities related to veteran benefits or services. That allowance is paid at the higher of the state or federal minimum wage for up to 25 hours per week during enrollment. H.R. 7643 would add related work at Congressional committees or agencies, including policy-making and departmental oversight, to the authorized activities for which VA may pay work-study allowances. CBO expects that roughly 25 students located in or around Washington, D.C. would receive work-study allowances for activities authorized by the bill. Using information about the D.C. minimum wage, CBO estimates that allowances paid to those students would increase direct spending by $5 million over the 2024-2034 period.

The bill also would require VA to report annually to the Congress on the number of students participating in work-study activities at Congressional offices, committees, and agencies. Based on the costs of preparing similar reports, CBO estimates that satisfying that requirement would cost less than $500,000 over the 2024-2034 period; such spending would be subject to the availability of appropriated funds.

Homes Loan Fees. H.R.7643 would increase the 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]

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 November 29, 2031, thereby reducing the subsidy cost of loans guaranteed during that 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 $22 million over the 2024-2034 period.

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

Table 1.
Estimated Budgetary Effects of H.R. 7643

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
	Increases or Decreases (-) in Direct Spending												
Work-Study	*	*	1	*	1	*	1	*	1	*	1	2	5
Home Loan Fees	0	0	0	0	0	0	0	0	-22	0	0	0	-22
Total Changes in Direct Spending	*	*	1	*	1	*	1	*	-21	*	1	2	-17

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

In addition to the amounts shown here, implementing the bill would increase spending subject to appropriation by less than $500,000 over the 2024-2034 period.

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.

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