Congressional Budget Office
Cost Estimate

August 31, 2022

H.R. 6671, a bill to amend title 38, United States Code, to ensure that a member of the Armed Forces, granted a general discharge under honorable conditions on the sole basis that such member failed to obey a lawful order to receive a vaccine for COVID-19, is eligible for certain educational assistance administered by the Secretary of Veterans Affairs

As ordered reported by the House Committee on Veterans' Affairs on July 19, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	7,238	13,627
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	7,238	13,627
Spending Subject to Appropriation (Outlays)	0	0	0

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
		Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	> $5 billion	Contains private-sector mandate?	No

The bill would

- Expand eligibility for GI Bill benefits to veterans who received general discharges under honorable conditions
- Increase fees the Department of Veterans Affairs charges borrowers for home loan guarantees

Estimated budgetary effects would mainly stem from

- Payment of additional GI Bill benefits
- Increasing fees charged for home loan guarantees

Areas of significant uncertainty include

- Predicting the number of veterans who received general discharges prior to enactment of the bill and who would become eligible for and use GI Bill benefits

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437; *How CBO Prepares Cost Estimates*, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 6671 would make changes to education benefits and home loan programs administered by the Department of Veterans Affairs (VA). Enacting the bill would increase net direct spending by $13.6 billion over the 2022-2032 period, CBO estimates.

Estimated Federal Cost

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. 6671

	By Fiscal Year, Millions of Dollars												
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2022-2027	2022-2032
	Increases or Decreases (-) in Direct Spending												
Expand GI Bill	0	988	1,292	1,755	1,657	1,546	1,503	1,227	1,248	1,253	1,278	7,238	13,747
Home Loan Fees	0	0	0	0	0	0	0	0	0	-120	0	0	-120
Total Changes in Direct Spending	0	988	1,292	1,755	1,657	1,546	1,503	1,227	1,248	1,133	1,278	7,238	13,627

Budget authority is equal to the outlays shown here for all provisions.

Basis of Estimate

For this estimate, CBO assumes that H.R. 6671 will be enacted early in fiscal year 2023 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

H.R. 6671 would make changes to VA's educational benefits and home loan guarantee programs. On net, enacting the bill would increase direct spending by $13.6 billion over the 2022-2032 period, CBO estimates.

Expand GI Bill. Under the Post-9/11 GI Bill and the Montgomery GI Bill Active Duty (MGIB-AD), VA pays benefits to or on behalf of students who pursue approved education or training programs. Benefits are paid from mandatory appropriations.

Veterans must have received an honorable discharge to be eligible for benefits under either program. Under H.R. 6671, most veterans who received a general discharge under honorable conditions would also be eligible. (Veterans who receive a general discharge because they commit one of several serious offenses listed in the bill would remain ineligible.) An honorable discharge is granted when a member's service was meritorious and generally met the standards of acceptable conduct and performance of duty, whereas a general discharge under honorable conditions is warranted if the service was honest and faithful, but their conduct or performance of duty was substandard. Since 2010, an average of 78 percent of discharges from active duty were honorable, and just over seven percent were general under honorable conditions.

On the basis of data about discharge characterizations from the Department of Defense and about education benefit use provided by VA, CBO expects that on average about 74,000 newly eligible people would use about $18,400 in Post-9/11 GI Bill benefits each year. CBO also expects that an average of about 1,700 newly eligible veterans would use about $9,400 in MGIB benefits each year. CBO estimates that the total costs for those additional beneficiaries would increase direct spending by $13.7 billion over the 2022-2032 period.

Home Loan Fees. 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, 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 and are paid from mandatory appropriations. Any changes to those costs affect direct spending.[1]

Under current law, most of the fees borrowers pay to VA for loans guaranteed after January 14, 2031, will decline from a weighted average of 2.5 percent of the loan amount to 1.2 percent. H.R. 6671 would extend the higher rates through March 1, 2031. On the basis of loan data provide by VA and CBO's projection of home prices, CBO estimates that extending the higher fee rates would decrease direct spending by about $120 million over the 2022-2032 period.

Uncertainty

A significant source of uncertainty for CBO's estimate involves the number of veterans who received general discharges prior to enactment of the bill and would become eligible for and use educational benefits. If that number is higher or lower than projected, the cost of the bill could differ significantly from the estimated amounts.

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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.

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 Deficits

CBO estimates that enacting H.R. 6671 would increase on-budget deficits by more than $5 billion in each of the four consecutive 10-year periods beginning in 2033.

Mandates: None.

Estimate Prepared By

Federal Costs: Paul B.A. Holland

Mandates: Brandon Lever

Estimate Reviewed By

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

Leo Lex
Deputy Director of Budget Analysis

Theresa Gullo
Director of Budget Analysis