Congressional Budget Office
Cost Estimate

April 21, 2022

H.R. 6376, Student Veteran Work Study Modernization Act

As ordered reported by the House Committee on Veterans' Affairs on April 6, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2026	2022-2031
Direct Spending (Outlays)	*	14	-1
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	*	14	-1
Spending Subject to Appropriation (Outlays)	0	0	0

		Mandate Effects	
Statutory pay-as-you-go procedures apply?	Yes	Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	No	Contains private-sector mandate?	No

* = between zero and $500,000.

H.R. 6376 would make changes to education benefits and home loan programs administered by the Department of Veterans Affairs (VA). Enacting the bill would decrease net direct spending by $1 million over the 2022-2031 period, CBO estimates.

Under current law, VA pays work-study allowances directly to students receiving education benefits from the department if they are hired by a VA facility, state veterans' agency, or a Congressional office or institution of higher learning to perform duties related to veteran benefits or services. Students must be enrolled at least three-quarters of full-time to be paid allowances. Those allowances are paid at the higher of the state or federal minimum wage for up to 25 hours per week. H.R. 6376 would establish a five-year pilot program under which VA would pay allowances to students who are enrolled at least half-time. On the basis of data provided by VA concerning student enrollment rates and work-study payments, CBO estimates that such payments would increase by an average of about nine percent in each year of the pilot program, increasing direct spending by $19 million over the 2022-2031 period.

VA provides loan guarantees to lenders to help eligible borrowers obtain better loan terms—such as lower interest rates or smaller down payments—for 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 of VA loan guarantees, which is paid from mandatory appropriations; hence, changing the subsidy cost affects direct spending.[1] Under current law, most of the fees borrowers pay to VA for loan guarantees after January 14, 2031, will decline from a weighted average of 2.5 percent of the loan amount to 1.2 percent. Section 4 of the bill would extend the higher rates through January 23, 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 $20 million over the 2022-2031 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. 6376

	By Fiscal Year, Millions of Dollars											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
	Increases or Decreases (-) in Direct Spending											
Work-study Payments	*	3	3	4	4	4	0	0	0	0	14	19
Home Loan Fees	0	0	0	0	0	0	0	0	0	-20	0	-20
Total Changes in Direct Spending	*	3	3	4	4	4	0	0	0	-20	14	-1

* = between zero and $500,000. Budget authority is equal to the outlays shown here for all provisions.

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.

The CBO staff contact for this estimate is Paul B.A. Holland. The estimate was reviewed by Leo Lex, Deputy Director of Budget Analysis.

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.