Congressional Budget Office
Cost Estimate

May 23, 2024

H.R. 6324, Fiscal Year 2024 Veterans Affairs Major Medical Facility 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	-425
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	-425
Spending Subject to Appropriation (Outlays)	0	368	409

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. 6324 would authorize appropriations for the Department of Veterans Affairs (VA) to construct medical and related facilities. The bill also would increase the fees that VA charges borrowers for its home loan guarantees.

Spending Subject to Appropriation

H.R. 6324 would authorize the appropriation of $3,819 million for fiscal year 2024 to construct or renovate eleven major medical facilities for VA. A total of $3,400 million was provided for the authorized projects in prior appropriations acts, including the Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2024 (Division A of Public Law 118-42). Thus, the bill would authorize an additional $419 million in appropriations compared with current law. Using information on historical spending patterns for similar projects, CBO estimates that implementing the construction projects authorized by H.R. 6324 would cost an additional $409 million over the 2024-2034 period. Such spending would be subject to the appropriation of specified amounts.

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

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. 6324

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
Increases in Spending Subject to Appropriation													
Authorization	419	0	0	0	0	0	0	0	0	0	0	419	419
Estimated Outlays	8	63	126	84	54	33	21	10	5	3	2	368	409
Decreases (-) in Direct Spending													
Estimated Budget Authority	0	0	0	0	0	0	0	0	-425	0	0	0	-425
Estimated Outlays	0	0	0	0	0	0	0	0	-425	0	0	0	-425

Direct Spending

H.R.6324 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] 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 August 3, 2032, 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 $425 million 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.

The CBO staff contacts for this estimate are Christopher Mann and Paul B.A. Holland. The estimate was reviewed by Christina Hawley Anthony, Deputy Director of Budget Analysis.

Phillip L. Swagel
Director, Congressional Budget Office