Congressional Budget Office
Cost Estimate

July 17, 2024

At a Glance

H.R. 1753, a bill to ensure that certain members of the Armed Forces who served in female cultural support teams receive proper credit for such service

As ordered reported by the House Committee on Veterans' Affairs on December 5, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	9	-8
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	9	-8
Spending Subject to Appropriation (Outlays)	0	2	5

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**

The bill would
- Increase disability payments from the Department of Veterans Affairs (VA) by making it easier for certain veterans to establish that their conditions were caused by service in combat
- Provide additional health care for veterans whose disabilities were determined to be caused by service in combat
- Extend the higher rates for fees that VA charges borrowers for home loan guarantees
- Require reports to the Congress

Estimated budgetary effects would mainly stem from
- Increasing disability compensation payments to certain veterans with service in combat
- Increasing health care usage by veterans with service in combat
- Extending the higher rates for fees charged by VA for home loan guarantees

Areas of significant uncertainty include
- Estimating the number of veterans that would apply for and receive additional benefits

Detailed estimate begins on the next page.

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

Bill Summary

H.R. 1753 would increase disability compensation benefits from the Department of Veterans Affairs (VA) for veterans who served in cultural support teams from January 1, 2010, through August 31, 2021, and increase VA health care benefits for some of those veterans. The bill would increase the fees that borrowers pay for VA's home loan guarantees in 2032. The bill also would require VA and the Department of Defense (DoD) to report to the Congress.

Estimated Federal Cost

The estimated budgetary effects of H.R. 1753 are shown in Table 1. The costs of the legislation fall within budget function 700 (veterans benefits and services).

Table 1.
Estimated Budgetary Effects of H.R. 1753

	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													
Estimated Budget Authority	0	1	2	2	2	2	3	2	-26	2	2	9	-8
Estimated Outlays	0	1	2	2	2	2	3	2	-26	2	2	9	-8
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	*	*	1	1	*	*	*	1	1	1	2	5
Estimated Outlays	0	*	*	1	1	*	*	*	1	1	1	2	5

* = between zero and $500,000.

Basis of Estimate

For this estimate, CBO assumes that H.R. 1753 will be enacted in fiscal year 2024 and that increases in disability compensation will begin in 2025. CBO estimates that outlays will follow historical spending patterns for affected provisions.

Direct Spending

H.R. 1753 would increase disability compensation benefits for certain veterans. Some of those veterans also would receive more health care from VA, a portion of which would be paid from the Toxic Exposures Fund (TEF), a mandatory appropriation. The bill also would modify the fees that VA charges borrowers for its home loan guarantees. CBO estimates that H.R. 1753 would, on net, reduce direct spending by $8 million over the 2024-2034 period (see Table 2).

Table 2.
Estimated Changes in Direct Spending Under H.R. 1753

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
Disability Compensation													
Budget Authority	0	1	2	2	2	2	2	2	2	2	2	9	19
Estimated Outlays	0	1	2	2	2	2	2	2	2	2	2	9	19
Health Care													
Estimated Budget Authority	0	*	*	*	*	*	1	*	*	*	*	*	1
Estimated Outlays	0	*	*	*	*	*	1	*	*	*	*	*	1
Home Loan Fees													
Budget Authority	0	0	0	0	0	0	0	0	-28	0	0	0	-28
Estimated Outlays	0	0	0	0	0	0	0	0	-28	0	0	0	-28
Total Changes													
Budget Authority	0	1	2	2	2	2	3	2	-26	2	2	9	-8
Estimated Outlays	0	1	2	2	2	2	3	2	-26	2	2	9	-8

* = between zero and $500,000.

Disability Compensation. H.R. 1753 would reduce the standards of evidence required for certain veterans to qualify for disability compensation from VA.[1] Disability compensation is paid from mandatory appropriations.

Under the bill, veterans who served in cultural support teams from January 1, 2010, through August 31, 2021, and who have certain skills certified in their military records would benefit from a lower standard of evidence required on certain disability claims. Although those teams worked closely with combat units to facilitate interactions with women and children at locations in the Middle East and North Africa, DoD did not designate them as combat units. According to public information, 310 female service members were assigned to those teams. Under H.R. 1753, their service would be considered service in engagement in combat with the enemy.

1. Disability compensation is a monthly cash benefit paid to veterans who have disabilities or diseases that VA determines are connected to their military service. VA assigns a disability rating to veterans depending on the severity of their condition. The ratings range from zero to 100 percent and increase in increments of 10 percent; veterans with higher ratings receive more compensation.

To receive disability compensation, veterans generally must establish that they have a current disability, that the disability was incurred or aggravated during service, and that there is a medical link between the current disability and an injury or disease that occurred during service. For most veterans, evidence such as military service records, medical records from their time in service, or other similar sources can support a claim that a current disability occurred during service.

Veterans with combat service can use a lower standard of evidence to establish that a current disability occurred during service. Significantly, lay evidence (for example, statements from fellow service members) that the disability was incurred during combat service may be sufficient to support a claim for disability compensation, even if there is no other record of an event. (Lay evidence is generally accepted by VA but is not sufficient to establish that a disability is connected to military service for veterans who did not serve in combat.) H.R. 1753 would allow veterans who served in a cultural support team to benefit from the reduced evidentiary standard to qualify for disability compensation.

CBO used information about other veterans of the Gulf War era to estimate the bill's effect on benefits for eligible veterans. Of the 310 veterans who served on cultural support teams, CBO expects that half, or 155 veterans, would apply for and receive new or increased disability compensation. CBO estimates that beginning in 2025, about 45 percent, or 70 veterans, would newly receive disability compensation and the other 85 would receive an increase in the compensation they get under current law.

CBO estimates that annual compensation for each newly eligible veteran would average \$16,000 and that the increase for veterans who currently receive compensation would average \$13,000. In total, enacting the provision would increase direct spending by \$19 million over the 2024-2034 period, CBO estimates.

Health Care. Under the bill, some veterans who served in cultural support teams would receive new disability ratings, some of whom would receive additional VA health care benefits. Under current law, veterans who enroll in VA's health care system are assigned to priority groups using criteria that include whether they have service-connected disabilities and the severity of those disabilities. Veterans without service-connected disabilities also can receive VA health care benefits, depending on their income.

Assignment to a priority group affects access to health care and is used to determine out-of-pocket costs. Veterans with service-connected disabilities receive the highest priority for medical treatment. VA's costs to provide care are higher for veterans in higher priority groups, and those veterans pay less out of pocket—or pay nothing at all. Some also can receive additional benefits, such as transportation subsidies for medical appointments. Veterans in the highest priority groups are more likely than those in lower groups to enroll in and use VA health benefits and services.

CBO estimates that about 50 of the 70 veterans with new disability ratings would newly enroll and that, on average, the annual cost for each veteran's health care would total $9,000. The cost for another 20 veterans who already are enrolled would increase by $6,000, on average, above the cost under current law. CBO estimates that enacting the bill would increase spending for VA health care by $6 million over the 2024-2034 period. (CBO anticipates that the cost of VA health care would not change significantly for some veterans who would receive higher disability ratings as a result of the bill.)

Some veterans who would receive additional health care from VA have been exposed to environmental hazards. Thus, CBO expects that some of the costs of their care would be paid from the Toxic Exposures Fund, a mandatory appropriation that VA uses to pay for health care, disability claims processing, medical research, and information technology modernization that benefit veterans who were exposed to environmental hazards. Additional spending from the TEF occurs if legislation increases the costs of similar activities that benefit veterans with such exposure. Enacting the bill thus would increase amounts paid from the TEF, which are classified as direct spending.

In CBO's baseline projections, the portion of health care costs paid from the TEF averages 20 percent over the 2024-2034 period. Using that average, CBO estimates that $1 million of the $6 million in additional health care spending under the bill would be paid from the TEF. The remainder would be paid from discretionary appropriations, which are discussed below in "Spending Subject to Appropriation."

Home Loan Fees. H.R. 1753 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.[2] Those costs are recorded in the 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 3, 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

2. 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.

extending the higher rates would decrease direct spending by $28 million over the 2024-2034 period.

Spending Subject to Appropriation
Health care costs and reporting requirements associated with H.R. 1753 would increase spending subject to appropriation by $5 million over the 2024-2034 period, CBO estimates (see Table 1). Such spending would be subject to the availability of appropriated funds.

As discussed above in "Direct Spending," some beneficiaries who would receive disability compensation because of the bill also would receive additional health care from VA. Using cost allocations in CBO's baseline projections, about 80 percent that spending—or $5 million—would be subject to appropriation.

H.R. 1753 would require VA and DoD to report to the Congress on the number of people who served in cultural support teams. VA also would be required to report on the number of those veterans who have applied for and received disability compensation. Based on the cost of similar activities, CBO estimates that satisfying those requirements would cost less than $500,000 over the 2024-2034 period.

Uncertainty
CBO's estimate of the bill's costs is subject to uncertainty about the number of veterans who would apply for and receive disability compensation under the lower evidentiary standards. If more or fewer veterans become eligible than CBO expects, costs could be higher or lower than CBO estimates.

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 Net Direct Spending and Deficits

CBO estimates that enacting H.R. 1753 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2035.

CBO estimates that enacting H.R. 1753 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2035.

Mandates

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Estimate Prepared By

Federal Costs:

Paul B. A. Holland (for home loans)
Logan Smith (for disability compensation)
David Newman (for health care)

Mandates: Grace Watson

Estimate Reviewed By

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

Kathleen FitzGerald
Chief, Public and Private Mandates Unit

Christina Hawley Anthony
Deputy Director of Budget Analysis

Estimate Approved By

Phillip L. Swagel
Director, Congressional Budget Office