



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 26, 2010

### **H.R. 5136** **National Defense Authorization Act for Fiscal Year 2011**

*As reported by the House Committee on Armed Services on May 21, 2010*

#### **SUMMARY**

H.R. 5136 would authorize appropriations totaling \$726 billion for fiscal year 2011 for the military functions of the Department of Defense (DoD), for certain activities of the Department of Energy (DOE), and for other purposes. That total includes \$159 billion for the cost of overseas contingency operations, primarily in Iraq and Afghanistan. The bill also would authorize an additional \$34 billion for fiscal year 2010 for costs associated with those operations and for DoD relief efforts associated with the recent earthquake in Haiti. In addition, H.R. 5136 would prescribe personnel strengths for each active-duty and selected reserve component of the U.S. armed forces. CBO estimates that appropriation of the authorized amounts would result in outlays of \$749 billion over the 2010-2015 period.

The bill also contains provisions that would increase costs of discretionary defense programs in future years. Those provisions would affect force structure, DoD compensation and benefits, the defense health program, and various other programs and activities. In total, such provisions would raise costs by an average of about \$4.5 billion annually from 2012 to 2015, assuming appropriation of the necessary amounts.

H.R. 5136 contains several provisions that would affect direct spending. CBO estimates that, in total, those changes would decrease direct spending by \$15 million over the 2011-2015 period and by \$2 million over the 2011-2020 period. In addition, CBO and the Joint Committee on Taxation (JCT) estimate that the bill would decrease revenues by \$2 million over that 10-year period. On balance, enacting H.R. 5136 would have a negligible net impact on the deficit over those 10 years.

Because enacting the legislation would affect both direct spending and revenues, pay-as-you-go procedures apply.

H.R. 5136 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate costs of the intergovernmental mandates would not exceed the threshold established in UMRA (\$70 million in 2010, adjusted annually for inflation). CBO cannot determine whether the costs to the private sector of complying with the mandates in the bill would exceed the annual threshold (\$140 million in 2010, adjusted annually for inflation).

## **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 5136 is summarized in Table 1. Almost all of the \$760 billion that would be authorized by the bill is for activities within budget function 050 (national defense). Some authorizations, however, fall within other budget functions, including: \$125 million for the Maritime Administration (function 400—transportation); \$71 million for the Armed Forces Retirement Home (function 600—income security); and \$24 million for the Naval Petroleum Reserves (function 270—energy).

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that H.R. 5136 will be enacted near the start of fiscal year 2011 and that the authorized amounts will be appropriated, including supplemental appropriations for 2010.

### **Spending Subject to Appropriation**

The bill would specifically authorize appropriations totaling \$726.1 billion for 2011 (see Table 2). Of that amount, \$566.8 billion would be for authorizations of regular appropriations—for “base budget” costs not directly related to overseas contingency operations—as follows: \$548.9 billion for DoD, \$17.7 billion for DOE, and \$0.2 billion for other programs.

Compared to the current level of 2010 appropriations enacted for DoD’s base budget, the \$548.9 billion that would be authorized for 2011 represents an increase of \$18.1 billion (3.4 percent). The categories of DoD funding that would receive the largest increases are operation and maintenance at \$15.5 billion (8.4 percent), and procurement at \$7.9 billion (7.5 percent). Authorizations for military construction and family housing would decline by \$4.5 billion (19.5 percent)—largely due to lower amounts necessary for implementing the most recent round of base closures—while authorizations for research and development would be reduced by \$3.6 billion (4.5 percent). Funding for military pay and other programs would increase by \$2.8 billion (2.0 percent).

**TABLE 1. BUDGETARY IMPACT OF H.R. 5136, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2011**

	By Fiscal Year, in Millions of Dollars						
	2010	2011	2012	2013	2014	2015	2010-2015
<b>SPENDING SUBJECT TO APPROPRIATION</b>							
Authorization of Regular Appropriations for 2011, primarily for the Departments of Defense and Energy							
Authorization Level	0	566,804	0	0	0	0	566,804
Estimated Outlays	0	366,802	123,760	45,193	15,995	6,122	557,872
Authorization of Appropriations for Overseas Contingency Operations and for Other Activities							
Authorization Level <sup>a</sup>	33,661	159,335	0	0	0	0	192,997
Estimated Outlays	7,632	91,864	60,638	22,283	6,307	1,968	190,691
Total							
Authorization Level	33,661	726,140	0	0	0	0	759,801
Estimated Outlays	7,632	458,666	184,398	67,476	22,302	8,090	748,563
<b>CHANGES IN DIRECT SPENDING<sup>b</sup></b>							
Estimated Budget Authority	0	-71	3	7	12	4	-45
Estimated Outlays	0	3,973	-3,972	-11	-4	-1	-15
<b>CHANGES IN REVENUES<sup>b</sup></b>							
Taxation of Certain Disability Retirees							
Estimated Revenues	0	*	*	*	*	*	*
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>							
Estimated Deficit Impact <sup>c</sup>	0	3,973	-3,972	-11	-4	-1	-15

Notes: The authorization levels in this table reflect amounts specifically authorized by the bill. The bill also implicitly authorizes some activities in 2012 and future years; those authorizations are not included above (but are shown in Table 3) because funding for those activities would be covered by specific authorizations in future years.

Numbers may not sum up to totals because of rounding; \* = between -\$500,000 and zero.

a. The \$34 billion that would be authorized for 2010 would be for costs associated with overseas contingency operations, primarily in Iraq and Afghanistan, and with DoD activities in Haiti following the recent earthquake in that country. That amount is in addition to the \$130 billion already appropriated for those operations in Public Law 111-118, the Department of Defense Appropriations Act, 2010.

b. In addition to the changes in direct spending and revenues shown above, H.R. 5136 would have effects beyond 2015. CBO and the Joint Committee on Taxation estimate that over the 2011-2020 period, H.R. 5136 would decrease direct spending by \$2 million and would decrease revenues by \$2 million (see Table 4).

c. Negative numbers indicate a reduction in the deficit; positive numbers indicate the opposite.

**TABLE 2. SPECIFIED AUTHORIZATIONS IN H.R. 5136**

	By Fiscal Year, in Millions of Dollars						2010- 2015
	2010	2011	2012	2013	2014	2015	
<b>Authorization of Regular Appropriations</b>							
<b>Department of Defense</b>							
<b>Military Personnel <sup>a</sup></b>							
Authorization Level	0	138,541	0	0	0	0	138,541
Estimated Outlays	0	136,269	1,554	167	36	*	138,026
<b>Operation and Maintenance</b>							
Authorization Level	0	200,027	0	0	0	0	200,027
Estimated Outlays	0	144,291	41,844	9,108	2,140	766	198,149
<b>Procurement</b>							
Authorization Level	0	112,713	0	0	0	0	112,713
Estimated Outlays	0	28,060	40,454	24,843	10,387	4,174	107,918
<b>Research and Development</b>							
Authorization Level	0	76,473	0	0	0	0	76,473
Estimated Outlays	0	40,677	28,091	4,983	1,377	350	75,478
<b>Military Construction and Family Housing</b>							
Authorization Level	0	18,745	0	0	0	0	18,745
Estimated Outlays	0	3,060	6,883	5,082	2,101	842	17,968
<b>Revolving Funds</b>							
Authorization Level	0	2,369	0	0	0	0	2,369
Estimated Outlays	0	1,901	346	66	38	18	2,369
<b>General Transfer Authority</b>							
Authorization Level	0	0	0	0	0	0	0
Estimated Outlays	0	392	-84	-168	-84	-28	28
<b>Subtotal, Department of Defense</b>							
Authorization Level	0	548,869	0	0	0	0	548,869
Estimated Outlays	0	354,650	119,088	44,081	15,995	6,122	539,936
<b>Atomic Energy Defense Activities</b>							
Authorization Level <sup>b</sup>	0	17,716	0	0	0	0	17,716
Estimated Outlays	0	11,971	4,639	1,106	0	0	17,716

(Continued)

**TABLE 2. CONTINUED**

	By Fiscal Year, in Millions of Dollars						2010- 2015
	2010	2011	2012	2013	2014	2015	
<b>Other Programs</b>							
Authorization Level <sup>c</sup>	0	220	0	0	0	0	220
Estimated Outlays	0	181	33	6	0	0	220
<b>Subtotal, Authorization of Regular Appropriations</b>							
Authorization Level	0	566,804	0	0	0	0	566,804
Estimated Outlays	0	366,802	123,760	45,193	15,995	6,122	557,872
<b>Authorization of Appropriations for Overseas Contingency Operations and for Other Activities</b>							
<b>Military Personnel</b>							
Authorization Level	1,896	15,276	0	0	0	0	17,171
Estimated Outlays	1,701	15,101	321	8	*	*	17,130
<b>Operation and Maintenance</b>							
Authorization Level	25,149	114,972	0	0	0	0	140,121
Estimated Outlays	5,173	68,989	46,365	13,722	3,420	994	138,663
<b>Procurement</b>							
Authorization Level	4,843	26,249	0	0	0	0	31,092
Estimated Outlays	483	5,948	12,404	7,923	2,687	904	30,349
<b>Research and Development</b>							
Authorization Level	277	1,097	0	0	0	0	1,374
Estimated Outlays	59	684	488	93	23	6	1,353
<b>Military Construction</b>							
Authorization Level	521	1,257	0	0	0	0	1,778
Estimated Outlays	2	316	668	476	182	74	1,718
<b>Working Capital Funds</b>							
Authorization Level	975	485	0	0	0	0	1,460
Estimated Outlays	214	704	418	96	21	7	1,460

(Continued)

**TABLE 2. CONTINUED**

	By Fiscal Year, in Millions of Dollars						2010- 2015
	2010	2011	2012	2013	2014	2015	
Special Transfer Authority							
Authorization Level	0	0	0	0	0	0	0
Estimated Outlays	0	123	-26	-35	-26	-18	18
Subtotal, Overseas Contingency Operations and for Other Activities							
Authorization Level	33,661	159,335	0	0	0	0	192,997
Estimated Outlays	7,632	91,864	60,638	22,283	6,307	1,968	190,691
Total Specified Authorizations							
Authorization Level	33,661	726,140	0	0	0	0	759,801
Estimated Outlays	7,632	458,666	184,398	67,476	22,302	8,090	748,563

Notes: This table summarizes the authorizations of appropriations explicitly stated in the bill—in specified amounts. Various provisions of the bill also would authorize activities and provide authorities that would result in additional costs in 2011 and in future years. Because the bill would not specifically authorize appropriations to cover those costs, they are not reflected in this table. Rather, Table 3 contains the estimated costs of a select number of those provisions.

Numbers may not sum to totals because of rounding; \* = less than \$500,000.

- a. The authorization of appropriation in section 421 for military personnel includes \$10.9 billion for accrual payments for the TRICARE For Life program.
- b. This authorization is primarily for atomic energy activities within the Department of Energy.
- c. This authorization is for the Maritime Administration (\$125 million), the Armed Forces Retirement Home (\$71 million), and the Naval Petroleum Reserves (\$24 million). The authorized level for the Maritime Administration does not include the amounts specified in the bill for maritime loan guarantees or payments to shipping companies under the maritime security program because those programs are authorized for 2011 by existing statute.

For DOE, the \$17.7 billion that would be authorized for 2011 represents a \$1.1 billion (6.6 percent) increase over the level appropriated for 2010.

The \$159.3 billion that would be authorized for 2011 overseas contingency operations—primarily for military operations in Iraq and Afghanistan—represents a decrease of about \$4.3 billion (3.3 percent) compared to the \$130 billion appropriated thus far for 2010, plus the \$33.7 billion in supplemental appropriations that would be authorized by the bill. Authorizations for most major categories of DoD funding would be reduced by between \$0.5 billion and \$1.5 billion; the exception is research and development, which would have increased authorizations totaling \$0.5 billion.

The bill also contains provisions that would increase the cost of defense discretionary programs in future years. Most of those provisions would affect end strength, military compensation, health benefits, and multiyear procurement authorities. The estimated costs of those provisions are shown in Table 3 and discussed below. The following discussion does not address the timing of outlays from those estimated authorizations. All such spending would be subject to appropriation of the estimated amounts.

**Force Structure.** The bill would affect the force structure of the various military services by setting end-strength levels for 2011 and the minimum end-strength authorization in permanent law.

Under title IV, the authorized end strengths in 2011 for active-duty personnel and personnel in the selected reserves would total 1,432,400 and 846,200, respectively. Of those selected reservists, about 78,900 would serve on active duty in support of the reserves. In total, active-duty end strength would increase by 400 and selected-reserve end strength would increase by 1,700 when compared with levels authorized under current law for 2011.

*Active-Duty End Strength.* Section 401 would authorize 7,000 additional active-duty personnel for the Army, 500 additional active-duty personnel for the Air Force, 100 fewer active-duty personnel for the Navy, and maintain the current authorized end strength for the Marine Corps, compared with authorized end-strength levels for 2010. However, because the Army has temporary authority to exceed its 2010 authorized end-strength level by 30,000 personnel in the years 2011 and 2012, the increase under section 401 would not affect Army active-duty end-strength levels until 2013. CBO estimates that the net increase in active-duty personnel—an additional 400 in 2011 and 2012 and an additional 7,400 in 2013, 2014, and 2015—would increase costs to DoD by \$3.1 billion over the 2011-2015 period. Those costs include the pay and benefits of the additional personnel, as well as costs for operation and maintenance.

*Reserve Component End Strengths.* Sections 411 and 412 would authorize the end strengths for the reserve components, including those who serve on active duty in support of the reserves. Under this bill, the Air Force Reserve would experience an increase in end strength of 1,700, while the other reserve components would maintain the levels authorized in 2010. On net, the number of full-time reservists who serve on active-duty in support of the reserves would decline by 5 compared with authorized end-strength levels for 2010. CBO estimates that the net result of implementing those provisions would be an increase in costs for salaries and other expenses for selected reservists of \$284 million over the 2011-2015 period.

*Reserve Technicians End Strengths.* Section 413 would authorize the minimum end-strength levels for dual-status military technicians, who are federal civilian personnel required to maintain membership in a selected reserve component as a condition of their

employment. On net, the bill would increase the required number of technicians by 384 relative to the levels currently authorized. CBO estimates the costs in civilian salaries and expenses that would result from those additional military technicians would total \$186 million over the 2011-2015 period.

*Non-dual Status Technicians.* Section 414 would increase the maximum end strength authorized for military technicians employed by the Army National Guard in a non-dual status by 920 above the maximum level of 1,600 for 2010. Unlike dual-status technicians, non-dual status technicians are not members of the Selected Reserve. CBO estimates the increase in costs for civilian salaries and other expenses for these 920 additional technicians would be about \$70 million in 2011 and \$370 million over the 2011-2015 period. However, under an emergency hiring authority delegated by the Office of Personnel Management, the Army National Guard is currently employing about 920 such technicians over the maximum level for 2010. That emergency authority will expire at the end of fiscal year 2012. Thus, compared to the personnel level authorized under both the permanent authority and the expiring authority, CBO estimates that section 414 would authorize about 920 additional Army National Guard technicians to be employed in a non-dual status starting in 2013. CBO estimates the cost for those additional technicians would be \$183 million over the 2013-2015 period.

*Coast Guard Reserve End Strengths.* The bill also would authorize an end-strength level of 10,000 servicemembers in 2011 for the Coast Guard Reserve. Because this authorization is the same as that under current law, CBO does not estimate any additional costs for this provision.

**Compensation and Benefits.** H.R. 5136 contains several provisions that would affect compensation and benefits for uniformed personnel. The bill would specifically authorize regular appropriations of \$138.5 billion for the costs of military pay and allowances in 2011. For related costs due to overseas contingency operations (primarily in Iraq and Afghanistan), the bill would authorize the appropriation of an additional \$15.3 billion for 2011.

*Pay Raises.* Section 601 would raise basic pay for all individuals in the uniformed services by 1.9 percent, effective January 1, 2011. CBO estimates the total cost of a 1.9 percent military pay raise would be \$1.4 billion in 2011. Compared with current law (under which CBO estimates the across-the-board increase that will go into effect on January 1 will be 1.4 percent), this section would increase the pay raise in 2011 by an additional 0.5 percent. CBO estimates that the incremental cost of this larger raise would be \$377 million in 2011 and \$2.5 billion over the 2011-2015 period.



*Expiring Bonuses and Allowances.* Sections 611 through 616 would extend for another year DoD's authority to enter agreements to pay certain bonuses and allowances to military personnel. Those bonuses and allowances are scheduled to expire on December 31, 2010. Some bonuses are paid in a lump sum, while others are paid in annual or monthly installments over the period of obligated service. Based on DoD's budget submission for fiscal year 2011, CBO estimates that extending those authorities for one year would cost \$3.5 billion over the 2011-2015 period.

*Family Separation Allowance.* Section 604 would increase from \$250 to \$285 the monthly allowance paid to servicemembers with dependents who are separated from their families while assigned to certain types of duty. Based on information from DoD, CBO estimates that about 186,000 servicemembers would earn an average of 12 months of family separation pay in fiscal year 2011, and that the provision would cost \$288 million over the 2011-2015 period. Because CBO expects deployments for overseas contingency operations to decline over time, our estimate of the annual cost of this \$35 a month increase in the family separation allowance similarly declines over time.

*Hostile Fire and Imminent Danger Pays.* Under current law, DoD has permanent authority to pay servicemembers up to \$225 a month for undertaking certain types of hazardous duty. DoD also has temporary authority (through December 31, 2010) to pay up to \$450 a month for service in a hostile fire area and up to \$250 a month for other types of hazardous duty. Section 618 would increase—to \$260 a month—the maximum amount paid under the permanent authority and the maximum amount paid under the temporary authority for service in an imminent danger area. In addition, section 614 would extend the expiring authority by one year, to December 31, 2011.

Based on information from DoD, CBO estimates that increasing these special pays would cost \$188 million over the 2011-2015 period. (Our estimate of the cost of extending the expiring authority is included in the section above on expiring bonuses and allowances.)

*Other Military Compensation Provisions.* CBO estimates that certain other provisions in title VI—sections 602, 603, 632, and 671—would increase DoD military compensation costs by \$87 million over the 2011-2015 period.

**TABLE 3. ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS IN H.R. 5136**

	By Fiscal Year, in Millions of Dollars					2011-2015
	2011	2012	2013	2014	2015	
<b>FORCE STRUCTURE</b>						
Active-Duty End Strengths	29	56	613	1,184	1,196	3,078
Reserve Component End Strengths	32	62	62	63	65	284
Reserve Technicians End Strengths	20	40	41	42	43	186
Non-Dual Status Technicians	0	0	36	73	74	183
<b>COMPENSATION AND BENEFITS (DOD)</b>						
Pay Raises	377	509	516	525	539	2,466
Expiring Bonuses and Allowances	1,834	836	319	353	163	3,505
Family Separation Allowance	78	64	54	47	45	288
Hostile Fire and Imminent Danger Pay	3	57	54	39	35	188
Other Military Compensation Provisions	16	18	18	18	17	87
<b>DEFENSE HEALTH PROGRAM</b>						
TRICARE for Dependents	10	100	240	310	330	990
TRICARE for Early Reserve Retirees	13	19	25	31	37	125
Hearing Exams	7	10	7	5	4	33
Neurocognitive Assessments	5	5	5	5	5	25
Prohibition on Fee Increases	12	0	0	0	0	12
<b>SEXUAL ASSAULT RESPONSE PROGRAMS</b>						
Response Coordinators and Victim Advocates	24	46	70	96	99	335
Prevention Training	20	19	17	15	15	86
Forensic Examiners	6	9	11	11	11	48
Other Title XVI Provisions	2	2	2	2	2	10
<b>OTHER PROVISIONS</b>						
Multiyear Procurement	3,423	2,900	2,399	273	28	9,023
IMPCA Programs	0	0	0	558	624	1,182
Naval Battle Force Fleet	123	144	217	311	352	1,147
Assistance to Guam	198	200	202	204	206	1,010
Insulation Retrofitting	160	0	0	0	0	160
Euro-NATO Joint Jet Pilot Training Program	5	5	5	5	5	25
Decontamination of Flamenco Beach	15	0	0	0	0	15

Notes: For every item in this table, the 2011 levels are assumed to be included in amounts specifically authorized to be appropriated by the bill (and reflected in Tables 1 and 2). Amounts shown in this table for 2012 through 2015 are not included in Tables 1 or 2 because authorizations for those amounts would be covered by specific authorizations in future years.

Figures shown here may not add up to numbers in the text because of rounding; IMPCA = International Materials Protection, Control, and Accounting; NATO = North Atlantic Treaty Organization.

**Defense Health Program.** Titles VI and VII contain several provisions that would affect the health care benefits provided by DoD.

*TRICARE for Dependents.* Section 702 would expand TRICARE eligibility to provide coverage, up to age 26, to the dependents of military personnel. Under current law, dependents lose their TRICARE eligibility when they reach the age of 21 (or 23 if they are enrolled in college). Based on data from DoD, CBO estimates there are about 500,000 children of current and retired members of the armed forces who are between the ages of 21 and 26 and who are no longer eligible for TRICARE. However, because section 702 would require that eligible dependents have no access to employer sponsored health coverage as a condition of participation in the new extended benefit, CBO estimates that only about 175,000 of those dependents would use the coverage. CBO based this estimate on Center for Disease Control statistics for employer-sponsored insurance coverage among young adults, as well as current TRICARE participation rates.

Section 702 would require the Secretary of Defense to charge a premium in an amount not to exceed the full cost of providing the new benefit. Because it is not clear to what extent the Secretary would choose to subsidize the premiums, the cost of implementing section 702 is uncertain. The Secretary could choose to set the premium equal to the cost of providing the care, in which case the cost of this section would be minimal. Information from DoD indicates that the average annual cost of providing health care to people in this age group is about \$2,000. CBO assumes the Secretary would subsidize about 75 percent of this amount, or about \$1,500, based on an analysis of subsidy rates in the private sector and other government programs. Including adjustments for inflation, this would require appropriations for DoD and the other Uniformed Services of over \$300 million annually when fully implemented.

The amount of appropriations required would be lower in the first few years because of the time needed to establish rules and procedures, and because it would take time to notify and enroll eligible beneficiaries. CBO expects enrollment in the new extended benefit program would reach a steady state level by 2014, which is when people are required to have minimal health coverage under the Patient Protection and Affordable Care Act (Public Law 111-148). In total, CBO estimates section 702 would require appropriations of \$990 million over the 2011-2015 period.

*TRICARE for Early Reserve Retirees.* Section 643 would allow all former servicemembers who are receiving a retirement annuity for non-regular (reserve) service to become eligible for the TRICARE health benefit. Currently, those members are not eligible for TRICARE until they are at least 60 years of age. Under the early reserve retirement provisions of Public Law 110-181, CBO estimates that the number of former reserve members under the age of 60 receiving an annuity will grow from about 1,000 in

2011 to over 2,500 by 2015.<sup>1</sup> CBO estimates that about 75 percent of those former members would use TRICARE if it were available to them, based on participation rates from the eligible retiree population. CBO estimates that the average amount needed to provide health benefits to former members in this age group would be about \$16,500 per household in fiscal year 2011 and that amount would grow with projected inflation thereafter. In total, CBO estimates that section 643 would require appropriations of \$125 million over the 2011-2015 period. In addition, this section would increase direct spending which is discussed in the section on “Direct Spending and Revenues” below.

*Hearing Exams.* Section 704 would require DoD to administer hearing exams to all members before they deploy overseas and again when they return. Based on current personnel statistics from DoD, CBO estimates this requirement would result in about 300,000 hearing exams per year. Based on current TRICARE reimbursement rates, CBO estimates each exam would cost about \$40. Total amounts would be lower in the first year because of the time needed to establish regulations and would decrease over time, assuming the number of deployments begins to subside. In total, CBO estimates that this provision would require appropriations of \$33 million over the 2011-2015 period.

*Neurocognitive Assessments.* Section 722 would require DoD to administer neurocognitive testing—examinations that measure mental speed and acuity—to all members returning from deployment. Currently, such testing is administered prior to deployment and then again upon return only in selected circumstances. Based on information about the cost of administering computer-based neurocognitive assessments, CBO estimates expanding such testing would require appropriations of about \$5 million per year.

*Prohibition on Fee Increases.* Sections 701 and 705 would prohibit DoD from increasing any fees or copayments under the TRICARE plans during fiscal year 2011. Because Administration officials have stated their intent not to increase any fees or copayments during 2011, CBO generally does not ascribe any costs to those sections. The exception is a provision in section 701, which would prohibit DoD from increasing the daily inpatient deductible under the TRICARE Standard health option.<sup>2</sup> Current law sets the daily maximum inpatient deductible under TRICARE Standard at \$535. However, as of October 1, 2010, the law requires DoD to increase the deductible to an amount equal to 25 percent of the cost of the provided care, which CBO estimates will be about \$675 per day, on average. Section 701 would extend the \$535 deductible through 2011.

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1. Reserve component members with over 20 years of creditable service are generally prohibited from receiving their retirement annuities until age 60. Section 647 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181) allows reserve component members to start receiving their annuities 90 days prior to age 60 for each 90 day increment they serve on active duty in support of a contingency operation.

Based on information from DoD, CBO estimates that beneficiaries who utilize the TRICARE Standard plan accumulate about 325,000 inpatient days per year. However, after factoring in the use of other health insurance and the fact that out-of-pocket costs under TRICARE Standard are limited to \$3,000 per year, we estimate that only about 80,000 of those days would be affected by the higher deductible. Therefore, CBO estimates that capping the daily inpatient deductible under TRICARE Standard at \$535 through 2011 would require appropriations of \$12 million for that year.

**Sexual Assault Prevention and Response Program.** Title XVI would modify and expand DoD programs designed to prevent and respond to sexual assault.

*Response Coordinators and Victim Advocates.* Section 1642 would require DoD to employ at least one full-time Sexual Assault Response Coordinator (SARC) and one full-time Sexual Assault Victim Advocate for each brigade or brigade equivalent of the armed forces. The bill also would require that such personnel must either be members of the armed forces or DoD civilian employees. Information from DoD indicates that the services currently use different combinations of military personnel, civilians, and contractors, employed both full- and part-time, to fill such positions.

Assuming an average brigade size of 4,000 personnel and including the reserve forces of the military services, CBO estimates that implementing this provision would require approximately 900 additional civilian personnel. Approximately half of those personnel would be victim advocates, while the other half would include approximately 250 additional SARCs and 200 support personnel. Assuming the additional personnel would be hired over the 2011-2013 period and the provision is fully implemented by the beginning of 2014, CBO estimates that the provision would require appropriations of \$335 million over the 2011-2015 period. Of that amount, approximately \$10 million would be used to train and certify the additional personnel while the remainder would cover salaries and benefits.

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2. The military's health care program, TRICARE, comprises nine health plans that cover uniformed service members, retirees, and their dependents in the United States and abroad. Three of the most commonly used plans are TRICARE Prime—a managed care option, TRICARE Standard—a traditional fee-for-service option, and TRICARE-for-Life—which provides wrap-around coverage for Medicare-eligible beneficiaries.

*Prevention Training.* Section 1619 would require that within one year of enactment, secretaries of the military departments develop curricula to provide training on sexual assault prevention and response to members of the Armed Forces. Based on information from DoD about the cost to develop previous curricula, CBO estimates that developing new training materials would cost approximately \$15 million over the 2011-2013 period. In addition, the bill also envisions an expanded emphasis on training to prevent sexual assault through the education system for military professionals, and would require that the peer education and specialized first-responder and leadership training be included in DoD educational programs. While we cannot predict precisely how those requirements would be implemented by DoD, CBO based its estimates on similar programs, such as the “Bystander Intervention” training modules that have been conducted by the Navy and the Air Force. CBO expects that DoD would use such training modules to provide the additional training required by the bill and estimates that implementing this provision would require appropriations of \$71 million over the 2011-2015 period.

In total, CBO estimates that implementing section 1619 would require appropriations of \$86 million over the 2011-2015 period.

*Forensic Examiners.* Section 1620 would require DoD to employ forensic examiners to conduct sexual assault forensic exams (SAFE) within two years after enactment of the bill. CBO anticipates that implementing this provision would require hiring additional personnel to conduct and oversee SAFE programs at DoD hospitals.

Based on discussions with the Indian Health Service, which has recently studied the implications of implementing SAFE programs, CBO anticipates that establishing this capability within DoD would require hiring a certified Sexual Assault Nurse Examiner at each of DoD’s approximately 60 hospitals. In addition, CBO anticipates that providing forensic exams at all of DoD’s hospital and medical clinics would require training and certifying approximately 600 nurses. Assuming this provision is fully implemented by the beginning of fiscal year 2013, CBO estimates that implementing the provision would require appropriations of \$48 million over the 2011-2015 period.

*Other Provisions in Title XVI.* CBO estimates that other provisions in title XVI, including the establishment of a universal DoD Sexual Assault Hotline (Section 1616) and a Sexual Assault Advisory Board (Section 1621) would require appropriations of \$2 million annually over the 2011-2015 period.

**Other Provisions.** Various other provisions would increase the cost of discretionary programs over the 2011-2015 period.

*Multiyear Procurement.* Section 122 would authorize the Department of the Navy to enter into a multiyear procurement contract for F/A-18 E/F fighter/attack aircraft and EA-18G electronic attack aircraft. Multiyear procurement is a special contracting method

authorized in current law (title 10, United States Code, section 2306b) that permits the government to enter into contracts covering acquisitions for more than one year but not more than five years, even though the total funds required for every year are not appropriated at the time the contracts are awarded. As part of such a contract, the government commits to purchase all items specified at the time the contract is signed, including those to be produced and paid for in subsequent years. Because multiyear procurement allows a contractor to plan for more efficient production, such a contract can reduce the cost of an acquisition compared with the cost of buying the items through a series of annual procurement contracts.

The President's budget includes a request for \$2.9 billion to purchase 22 F/A-18 E/Fs and 12 EA-18Gs in 2011. In addition, the Navy plans to purchase another 50 of those aircraft over the 2012-2013 period at an additional cost of \$5.6 billion. DoD has not requested multiyear procurement authority for those aircraft.

H.R. 5136 would authorize additional appropriations of \$500 million for procurement of F/A-18 aircraft over the level requested for 2011; section 122 would direct the Navy to use those funds and the savings from the multiyear contract to purchase eight additional F-18E/F aircraft in 2011. It would further direct the Navy to use the savings in subsequent years to purchase additional aircraft, rather than reduce the amount budgeted for procurement. CBO estimates that those savings would be sufficient to purchase three more aircraft than the Navy plans after 2011. If the department enters a multiyear contract to purchase 42 aircraft in 2011 and another 53 over the 2012-2013 period, required appropriations would total \$9 billion.

Such contracts frequently include provisions that require DoD to pay for unrecovered fixed costs in the event that the contract is canceled before completion. Because the Navy procured F/A-18 E/F aircraft under two previous multiyear contracts, CBO estimates that new cancellation liabilities for a third such contract would likely be small.

*International Materials Protection, Control, and Accounting (IMPCA) Programs.*

Section 3111 would extend by five years the authority to provide support to Russia and other countries to secure and eliminate nuclear weapons and to install detection equipment at international crossing points. Under current law, that authority expires in fiscal year 2013. These programs are managed by the National Nuclear Security Administration (NNSA). Based on information from the Department of Energy, CBO estimates that the level of appropriations to extend this authority would be about \$1.2 billion in 2014 and 2015 with most of that amount going towards installing nuclear detection equipment.

*Naval Battle Force Fleet.* Two provisions in the bill would increase the number of ships in the battle force fleet by delaying the retirement of certain ships. Section 1024 would require the Navy to retain the U.S.S Nassau (LHA-4) and the U.S.S Peleliu (LHA-5) in a

commissioned and operational status until the delivery to the Navy of their replacements (the LHA-6 and LHA-7, respectively). The Navy plans to retire the LHA-4 in 2011 and the LHA-5 in 2013, while the new deliveries would occur in 2013 and 2016, respectively. Thus, the provision would have the effect of keeping one additional LHA-class amphibious assault ship in the operational fleet through 2016 as compared to current plans.

Section 1023 would require the Navy to limit the total number of ship retirements in a year to no more than two-thirds of the number of vessels planned for commissioning into the battle fleet in that year. This restriction would continue until the number of vessels in the battle force fleet reaches 313 vessels. Based on an analysis of the Navy's battle force plans, and discussions with the Navy, CBO expects the Navy would implement this requirement by delaying the retirement of about 15 Oliver Hazard Perry class frigates.

CBO estimates that the appropriations required for operating the additional frigates and amphibious ships at normal tempo (nearly 3,000 steaming hours a year for both types of ships) would be \$123 million in 2011 and total about \$1.1 billion over the 2011-2015 period. That amount includes the costs for sea pay, fuel, and maintenance. (Because this estimate assumes an endstrength level specified in section 401 of Title IV, CBO does not include any costs for additional military personnel.) A significantly lower appropriation would be required should the Navy decide to operate the ships in a "not underway" operating tempo (about 900 steaming hours per ship, on average).

*Assistance to Guam.* The Government of Guam must improve its municipal infrastructure to prepare for the influx to the island of approximately 40,000 military personnel, family members, and civilian workers that will result from the relocation of U.S. forces in the Pacific. Section 2822 would allow DoD to provide financial assistance to Guam for that purpose. DoD plans to spend about \$12 billion to construct new facilities for its personnel, but the local government will also need to expand utilities, roads, port facilities, and other infrastructure to serve the needs of a population that is expected to increase by 25 percent.

Section 2822 would authorize DoD to use existing federal programs to transfer defense appropriations to Guam through the end of fiscal year 2017, to help it meet the costs of increased municipal services and facilities. Assistance for constructing facilities would be capped at \$500 million, but assistance for municipal services would not be similarly limited. Guam received about \$300 million in funding in 2009 from 10 federal agencies other than the Department of Defense for a variety of services. If per capita funding remained constant, the expected growth in population of about 40,000 people would increase annual assistance through those programs by almost \$100 million. In total, under section 2822, assistance to Guam for construction and services would increase by \$1 billion over the 2011-2015 period, CBO estimates.



*Insulation Retrofitting.* Section 2833 would require DoD to inspect all of its facilities to determine the costs and savings that would accrue from retrofitting those facilities with improved insulation. It would also require the department to provide the Congress with an assessment of the number of DoD facilities that could be retrofitted at a cost equal to or less than half the estimated savings from those improvements and the total amount of cost and energy that could be saved from making the improvements. DoD is undertaking an expansive energy audit of many of its facilities in compliance with the Energy Independence and Security Act of 2007 (Public Law 110-140). The department estimates that those audits will cover about half of the square footage it owns. Section 2833 would compel DoD to analyze the rest of its facilities. Hiring engineering firms and energy savings contractors to conduct such audits would require appropriations of about \$160 million in 2011, CBO estimates.

*Euro-NATO Joint Jet Pilot Training Program.* Section 1204 would require the Secretary of the Air Force to establish and maintain a demonstration scholarship program that would fund undergraduate pilot training for certain foreign personnel at the Euro-NATO Joint Jet Pilot Training (ENJJPT) Program based at Sheppard Air Force Base. According to the Air Force, the ENJJPT Program currently enrolls 206 students a year but has the capacity to enroll as many as 256 students a year.

Based on existing cost-sharing arrangements with participating countries, each country's contribution to the total costs of the program (over \$600 million in 2010) are proportional to the number of students it has enrolled (the U.S. share has been about 72 percent in recent years). Under this provision, we expect that the U.S. share would go up and that the Air Force would pay for an additional five students each year at an annual level of about \$1 million per student. On that basis, CBO expects providing those scholarships would require appropriations of about \$25 million over the 2011-2015 period.

*Decontamination of Flamenco Beach.* The Military Construction Authorization Act, 1974, prohibits the use of the former naval bombardment range on Culebra, Puerto Rico, for any purpose that would require decontamination and removal of expended ordnance. Section 2814 would waive that prohibition to allow the Army Corps of Engineers to clean up a part of that bombardment area known as Flamenco Beach and study the extent of and the cost to remove unexploded ordnance from the remainder of the bombardment area. Based on information from the Army Corps of Engineers, CBO estimates that the authorized cleanup and the study of the remaining area would require the appropriations of \$15 million over the 2011-2015 period.

## **Direct Spending and Revenues**

Several provisions in H.R. 5136 would affect direct spending. CBO estimates that, on net, those provisions would decrease direct spending by \$2 million over the 2011-2020 period. In addition, one provision (which would affect retirement pay for certain retirees

with over 30 years of service) would lower revenues by \$2 million over the 2011-2020 period. The net impact on the deficit over that period would be insignificant (see Table 4).

**Pentagon Reservation Maintenance Revolving Fund (PRMRF).** Section 1404 would transfer \$77 million of unobligated balances from the PRMRF to the Treasury, to be deposited as miscellaneous receipts. This transfer would lower spending estimated to occur under current law because DoD would be unable to obligate and expend those amounts without a subsequent appropriation.

The PRMRF finances the maintenance, repair, and renovation of the Pentagon and certain other facilities in the national capital area using appropriations originally provided to various operation and maintenance accounts (and later transferred into the fund). The unobligated balances in the fund have grown in recent years—from \$35 million at the end of 2006 to \$119 million at the end of 2009. By the end of 2011, the administration expects those balances to total \$120 million. As a result, CBO assumes a portion of those balances—roughly 20 percent, or \$25 million—are excess to current requirements and will not be spent during the 2011-2020 period under current law. As a result, CBO expects that section 1404 would have no effect on outlays in 2011, but would lower spending by \$52 million over the 2012-2020 period.

**Minimum Service for Retirement as an Officer.** Officers who began their military career as enlisted servicemembers must complete at least 10 years of commissioned service in order to retire as an officer. Those with less than 10 years of commissioned service receive retirement annuities based on the highest enlisted grade the member achieved. Section 506 would give the service secretaries the authority to retire members as officers with a minimum of eight years of commissioned service. This authority would apply to fiscal years 2011 through 2013 only.

Based on information from DoD, CBO estimates that about 200 officers per year would be allowed to retire under this authority over the 2011-2013 period. Because those officers would retire earlier than they otherwise would have, section 506 would initially increase military retirement costs. Savings would accrue in later years because those retiring early would accumulate fewer years of service and would therefore accept smaller annuities. On net, CBO estimates that section 506 would increase costs for military retirement by \$25 million over the 2011-2020 period.

**National Defense Stockpile Sales.** Section 1412 would increase by \$20 million the target contained in the National Defense Authorization Act for Fiscal Year 2000 (Public Law 106-65, as most recently amended by Public Law 110-181, the National Defense Authorization Act for Fiscal Year 2008) for continual sales of chromium from the National Defense Stockpile through 2013. That change would increase receipts by \$20 million over the 2012-2013 period. Such receipts are a credit against direct spending.

**TABLE 4. ESTIMATED IMPACT OF H.R. 5136 ON DIRECT SPENDING AND REVENUES**

	By Fiscal Year, in Millions of Dollars											2011-	2011-	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020		
<b>CHANGES IN DIRECT SPENDING</b>														
Pentagon Reservation Maintenance Revolving Fund														
Budget Authority	-77	0	0	0	0	0	0	0	0	0	-77	-77		
Estimated Outlays	0	-8	-18	-16	-5	-3	-1	-1	0	0	-47	-52		
Minimum Service for Retirement as an Officer														
Estimated Budget Authority	4	11	13	8	*	-2	-2	-2	-2	-3	36	25		
Estimated Outlays	4	11	13	8	*	-2	-2	-2	-2	-3	36	25		
National Defense Stockpile Sales														
Estimated Budget Authority	0	-10	-10	0	0	0	0	0	0	0	-20	-20		
Estimated Outlays	0	-10	-10	0	0	0	0	0	0	0	-20	-20		
Reserve Early Retirement Credit for Medical Holdovers														
Estimated Budget Authority	*	1	1	1	1	1	1	2	2	2	4	12		
Estimated Outlays	*	1	1	1	1	1	1	2	2	2	4	12		
Retired Pay for Reserve Members Wounded in Action														
Estimated Budget Authority	*	*	1	1	1	1	1	1	2	2	4	11		
Estimated Outlays	*	*	1	1	1	1	1	1	2	2	4	11		
TRICARE for Early Reserve Retirees														
Estimated Budget Authority	*	*	1	1	1	1	1	1	2	2	3	10		
Estimated Outlays	*	*	1	1	1	1	1	1	2	2	3	10		
Authority to Spend Landing Fees														
Estimated Budget Authority	1	1	1	1	1	1	1	1	1	1	5	10		
Estimated Outlays	1	1	1	1	1	1	1	1	1	1	5	10		
Retirement Age of Certain Medical Professionals														
Estimated Budget Authority	*	*	-1	-1	-1	-1	*	*	*	*	-3	-4		
Estimated Outlays	*	*	-1	-1	-1	-1	*	*	*	*	-3	-4		
Special Survivor Allowance														
Estimated Budget Authority	1	*	*	*	1	1	1	0	0	0	2	4		
Estimated Outlays	1	*	*	*	1	1	1	*	0	0	2	4		

(Continued)

**TABLE 4. CONTINUED**

	By Fiscal Year, in Millions of Dollars										2011-	2011-	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020	
Multiplier Cap for Disability Retirees With Over 30 Years of Service													
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	*	1	2
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	*	1	2
Payment Date for Retired Pay													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	3,967	-3,967	0	0	0	4,370	142	-4,512	0	0	0	0	0
Total Changes in Direct Spending													
Estimated Budget Authority	-71	3	7	12	4	2	3	3	5	5	-45	-27	
Estimated Outlays	3,973	-3,972	-11	-4	-1	4,369	144	-4,510	5	5	-15	-2	
<b>CHANGES IN REVENUES</b>													
Multiplier Cap for Disability Retirees With Over 30 Years of Service													
Estimated Revenues	*	*	*	*	*	*	*	*	*	*	*	*	-2
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>													
Estimated Deficit Impact <sup>a</sup>	3,973	-3,972	-11	-4	-1	4,369	144	-4,510	6	6	-15	0	

Notes: Numbers may not add up to totals because of rounding.

\* = between -\$500,000 and \$500,000.

a. Negative numbers indicate a reduction in the deficit; positive numbers indicate the opposite.

**Reserve Early Retirement Credit for Medical Holdovers.** Under section 644, time spent by reserve component members in a medical holdover status would count towards earning an early—or earlier—retirement annuity. Reserve members with at least 20 years of service are eligible to receive retirement annuities at age 60. However, they may receive the annuities 90 days earlier for each 90 days they serve on active duty in a contingency operation. Based on an analysis of the number and ages of personnel currently in a holdover status, CBO estimates this section would increase direct spending for military retirement by \$12 million over the 2011-2020 period.

**Retired Pay for Reserve Members Wounded in Action.** Section 642 would allow reserve members who retire from the military because of wounds received in combat to have their retirement annuities calculated as though their years of service had all been spent on full-time active duty. (Under current law, such annuities are based on a combination of active and part-time reserve duty.) Based on data from DoD, CBO

estimates that such a change would double the retirement annuities paid to qualifying individuals, from an average of about \$7,000 per year to about \$14,000 per year. Based on recent casualty statistics, CBO estimates that about 90 new disability retirees would benefit each year from the change in the annuity calculation and that direct spending for military retirements would increase by about \$11 million over the 2011-2020 period.

**TRICARE for Early Reserve Retirees.** Section 643 would allow all former members who are receiving a retirement annuity for non-regular (reserve) service to become eligible for the TRICARE health benefit. Currently, those members do not become eligible for TRICARE until they are at least 60 years of age. Under the early reserve retirement provisions recently enacted in Public Law 110-181, CBO estimates that the number of former reserve members receiving an annuity before reaching age 60 will grow from about 1,000 in 2011 to more than 5,000 by 2020. Most of the funding associated with health care for those individuals would be subject to appropriation (see discussion in the “Spending Subject to Appropriation” section above).

However, based on an analysis of the current military retiree population, CBO estimates that about four percent of those individuals would be eligible for Medicare. When military annuitants become eligible for Medicare, they also become eligible for the TRICARE-for-Life (TFL) health benefit, which acts as a Medicare supplement. Benefits under TFL are paid from the Medicare-Eligible Retiree Health Care Fund (MERHCF), a mandatory account. CBO estimates the average TFL benefit will be about \$4,500 per beneficiary in 2011, and that it will grow to almost \$8,000 by 2020. In total, CBO estimates section 643 would increase spending from the MERHCF by \$10 million over the 2011-2020 period.

**Authority to Spend Landing Fees.** Section 341 would allow the military departments to retain and spend fees collected from civilian aviators who utilize military airfields. Under temporary authority that expires after fiscal year 2010, DoD can use those fees to defray the costs of operating and maintaining the airfields where the fees are collected. Thereafter, any such amounts will be deposited in the Treasury as miscellaneous receipts, and will be unavailable for obligation without a subsequent appropriation. Section 345 would provide permanent authority to retain and spend those fees, leading to an increase in direct spending. Information from the Department of Defense indicates that those receipts total almost \$1 million dollars annually. Thus, section 345 would increase direct spending by \$10 million over the 2011-2020 period, CBO estimates.

**Retirement Age of Certain Medical Professionals.** Section 501 would allow certain medical professionals (to be designated by the Secretary of Defense) to remain in an active status until age 68. Currently, they must retire at age 62. CBO estimates that this change would decrease spending for military retirement because some members would begin receiving retirement annuities at a later date than they otherwise would have. Based on information from DoD, we estimate that, under section 501, about five officers each

year would delay their retirements by an average of two years and would forgo about \$80,000 in annuities for each of those years. The annual savings would decrease over time however, as those officers would receive larger annuities when they retire. In total, CBO estimates this section would reduce net direct spending for military retirements by \$4 million over the 2011-2020 period.

**Special Survivor Allowance.** Public Law 110-181 authorized a monthly allowance to be paid to those recipients of Survivor Benefit Plan (SBP) payments who have their annuities reduced dollar-for-dollar by the amount of Dependency and Indemnity Compensation (DIC) they receive from the Department of Veterans Affairs. The amount of that monthly allowance was \$50 in 2009, and will increase each year until it reaches \$310 per month in 2017, at which point the allowance is scheduled to terminate.<sup>3</sup> However, survivors of retirees who died prior to the creation of the SBP benefit do not receive the allowance, even though their annuities are also offset by any DIC they might be receiving. Section 645 would eliminate this disparity. Based on data from DoD's Office of the Actuary, CBO estimates that fewer than 500 additional survivors would receive the allowance under this section, which would increase direct spending for military retirement by \$4 million over the 2011-2020 period. Costs in the first year would include back payments for fiscal years 2009 and 2010.

**Multiplier Cap for Disability Retirees With Over 30 Years of Service.** Section 641 would increase the annuities of those members with over 30 years of service who elect a disability retirement. Currently, the annuity for disability retirees is capped at 75 percent of the amount of their basic pay. Under this section, disability retirees would have their annuities increased by 2.5 percent for each year in which the member serves past 30 years. This would make the calculation for disability retirement consistent with the calculation of annuities for those who elect a non-disability retirement.

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3. The amount of the allowance was originally \$50 per month in fiscal year 2009 and was then supposed to increase to \$100 by 2014. It was scheduled to terminate five months into fiscal year 2016. Section 201 of the Family Smoking Prevention and Tobacco Control Act (Public Law 111-131) subsequently increased the monthly amounts and extended the payments through 2017.

Eliminating that cap would affect both direct spending and revenues. Direct spending would increase because those retirees with over 30 years of service who will elect to receive a disability retirement under current law would see their annuities increased. Based on information from DoD, CBO estimates that each year about five new retirees would see their annuities increased by an average of \$5,000. In total, CBO estimates this change would increase spending for military retirement by \$2 million over the 2011-2020 period.

In addition, because those portions of disability retired pay that are related to combat-related disabilities are non-taxable, CBO estimates that each year about 10 new retirees who would otherwise elect a non-disability retirement would now choose a disability retirement. CBO and JCT estimate that this would decrease federal revenues by \$2 million over the 2011-2020 period.

**Payment Date for Retired Pay.** Section 646 would change the payday for military retirement annuities from the first business day of each month to the first calendar day of each month. For most months this would have no effect, since the first business day usually falls on the first of the month. However, for months in which the first day falls on a weekend or holiday, DoD would instead make the payments on the last business day of the preceding month. Because the first day of fiscal years 2012, 2017, and 2018 will fall on weekends, changing the payday to the first of the month would result in paydays shifting into fiscal years 2011, 2016, and 2017.<sup>4</sup> Each payday would cost about \$4 billion, CBO estimates; thus, the provision would shift that amount to an earlier fiscal year in three of the next 10 years. However, we estimate that there would be no net impact over the 2011-2020 period.

**Other Provisions.** The following provisions would have an insignificant effect on direct spending, primarily because they would affect few individuals or because they authorize both the collection and spending of funds so that the net budgetary impact would be small.

- Section 353 would allow DoD to retain fees collected for transporting civilian passengers and cargo when such transportation is provided in response to an emergency, or in response to a request for humanitarian assistance.
- Section 532 would give former enlisted members the ability to appeal separation decisions to certain disability review boards. This could result in a small number of disability separations being changed to disability retirements.

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1. The federal fiscal year begins on October 1.

- Section 576 would award the Medal of Honor to four former members of the Army. An award of the Medal of Honor includes a monthly stipend, unless the Medal is awarded posthumously. Because only one of the recipients is still living, CBO estimates this section would have an insignificant effect on direct spending.
- Section 578 would allow the Secretary of Defense to accept voluntary services provided to assist with the Commemoration of the 60th Anniversary of the Korean War. Because those volunteers would be eligible for mandatory compensation if they are injured while volunteering, CBO estimates that section 578 could have an insignificant effect on direct spending.
- Section 606 would authorize higher rates of pay for the senior enlisted members at each of the combatant commands and would require DoD to use those higher rates of pay when computing the annuities of those members.
- Section 619 would make certain members of the Armed Forces or civilian employees of DoD who were killed or wounded eligible to receive additional compensation. CBO estimates that a small number of people would receive this compensation, including certain tax benefits and mandatory benefits, such as retroactive combat-related special pay and combat related special compensation. Any impacts on direct spending and revenues would be small, CBO estimates.
- Section 701 would prohibit DoD from increasing the daily inpatient deductible under the TRICARE Standard health benefit. This prohibition would increase mandatory health care spending for certain TRICARE beneficiaries who live overseas, as well as for former members of the Coast Guard and other uniformed services.
- Section 702 would require the Secretary of Defense to establish a new TRICARE benefit for dependents of current and former members who are under the age of 26. To offset the cost of the new benefit, the Secretary would be required to charge a premium for the new benefit and would be allowed to spend the proceeds without further appropriation.
- Section 933 would extend by two years the authority to allow DoD to waive payment of reimbursable expenses at the various Defense Regional Centers for Security Studies by non-governmental and international organizations. Under current law, the waiver authority would expire after fiscal year 2010. DoD has the authority to retain and spend such reimbursements.



## 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 and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

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### CBO Estimate of Pay-As-You-Go Effects for H.R. 5136 as reported by the House Committee on Armed Services on May 21, 2010

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	By Fiscal Year, in Millions of Dollars												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010-2015	2010-2020
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	3,973	-3,972	-11	-4	-1	4,369	144	-4,510	6	6	-15	0

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## INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5136 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act. CBO estimates the costs of the intergovernmental mandates would not exceed the threshold established in UMRA (\$70 million in 2010, adjusted annually for inflation). CBO cannot determine whether the costs to the private sector would exceed the annual threshold (\$140 million in 2010, adjusted annually for inflation).

### Increasing the End Strength of Active Duty Forces

Section 401 would increase the costs of complying with existing intergovernmental and private-sector mandates by increasing the number of servicemembers on active-duty by more than 7,000 for fiscal year 2011. Those additional servicemembers would be eligible for existing protections under the Servicemembers Civil Relief Act (SCRA).

SCRA allows servicemembers to maintain a single state of residence for purposes of paying state and local personal income taxes and to request deferrals for certain state and local fees. CBO estimates that the additional cost of those mandates on state and local governments would be small.

SCRA also requires creditors to reduce the interest rate on servicemembers' loan obligations to 6 percent when the acquisition of such obligations predate active-duty service, allows courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions, and precludes the use of a servicemember's personal assets to satisfy the member's trade or business liability while he or she is in military service.

CBO does not have sufficient information to estimate precisely the increased costs of complying with these provisions in SCRA. Servicemembers' utilization of the various provisions of the SCRA depends on a number of uncertain factors, including how often and how long they are deployed. While some of the SCRA protections might affect a greater number of service members, the cost per person could be relatively small. On the other hand, other SCRA protections could have relatively high per-person costs even though they affect a small number of servicemembers. Because of those uncertainties, CBO cannot determine whether the costs to private-sector entities would exceed the annual threshold.

### **Preemptions of State Law**

Section 713 would authorize health care professionals who are members of the National Guard and who are serving in response to actual or potential disasters to practice in military and civilian health care facilities regardless of state licensing laws. That preemption of state laws would impose an intergovernmental mandate as defined in UMRRA, but CBO estimates that the cost of complying with the mandate would be small.

Section 544 would preempt state laws governing child custody if they are inconsistent with or provide less protection to the rights of a parent who is a servicemember than those provided under the bill. Because the preemption would simply limit the application of state laws, CBO estimates that it would not impose significant costs on state governments.

### **Providing Benefits to State and Local Governments**

The bill would authorize aid to local educational agencies that have significant numbers of students who are dependents of members of the Armed Forces and Department of Defense civilian employees. Any costs to those governments would be incurred voluntarily as conditions of receiving that federal assistance.

**ESTIMATE PREPARED BY:**

Federal Costs:

Defense Authorizations—Kent Christensen  
Military Construction and Multiyear Procurement—David Newman  
Military and Civilian Personnel—Dawn Regan  
Military Retirement and Health Care—Matthew Schmit  
Operation and Maintenance—Jason Wheelock  
Ship Acquisition and Stockpile Sales—Raymond J. Hall  
Euro-NATO Joint Jet Pilot Training Program—John Chin

Impact on State, Local, and Tribal Governments: Burke Doherty

Impact on the Private Sector: Elizabeth Bass

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