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Part 2

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2017

MAY 12, 2016.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. THORNBERRY, from the Committee on Armed Services, submitted the following

SUPPLEMENTAL REPORT

[To accompany H.R.4909]

[Including cost estimate of the Congressional Budget Office]

This supplemental report shows the cost estimate of the Congressional Budget Office with respect to the bill (H.R. 4909), as reported, which was not included in part 1 of the report submitted by the Committee on Armed Services on May 4, 2016 (H. Rept. 114–537, pt. 1).

CONGRESSIONAL BUDGET OFFICE ESTIMATE

In compliance with clause 3(c)(3) of rule XIII of the House of Representatives, the cost estimate prepared by the Congressional Budget Office and submitted pursuant to section 402 of the Congressional Budget Act of 1974 is as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 11, 2016.

Hon. MAC THORNBERRY,
Chairman, Committee on Armed Services,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4909, the National Defense Authorization Act for Fiscal Year 2017.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is David Newman.

Sincerely,

KEITH HALL.

Enclosure.

20–104

H.R. 4909—National Defense Authorization Act for Fiscal Year 2017

Summary: H.R. 4909 would authorize appropriations totaling an estimated $603.3 billion for the military functions of the Department of Defense (DoD), for certain activities of the Department of Energy (DOE), and for other purposes. In addition, H.R. 4909 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 $587 billion over the 2017–2021 period.

Of the amount that would be authorized for 2017 $567.0 billion would be for base budget costs for defense programs, $0.4 billion would be for nondefense programs, and $35.7 billion would be to cover a portion (seven months) of costs directly related to war-related activities. Funds for the direct cost of war-related activities for the remaining five months of 2017—roughly $20 billion—could be provided in supplemental appropriations; the bill, however, would not authorize additional funds for that purpose.[1]

If appropriated, $544.0 billion of the authorized amounts would count against the 2017 defense cap set in the Budget Control Act (BCA), as amended and $0.4 billion would count against the nondefense cap. An additional $58.8 billion would be authorized for overseas contingency operations (OCO) and if appropriated would not count against the caps. Of the amount designated for OCO, $23.1 billion would be used in support of base budget requirements while the remaining $35.7 billion would be for war-related activities.

The bill also contains provisions that would affect the costs of defense programs funded through discretionary appropriations in 2018 and future years. Those provisions would affect force structure, DoD compensation and benefits, and various procurement programs. CBO has analyzed the costs of a select number of those provisions and estimates that they would, on a net basis, increase the cost of those programs relative to current law by about $24 billion over the 2018–2021 period. The net costs of those provisions in the future are not included in the total amount of outlays mentioned above because funding for those activities would be covered by specific authorizations in future years.

In addition, CBO estimates that enacting the bill would lower direct spending by about $206 million over the 2017–2026 period. H.R. 4909 would increase revenues by an insignificant amount. Because enacting the bill would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting H.R. 4909 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 4909 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 ($77 million in 2016, adjusted annually for inflation). CBO estimates that the costs to the private sector of complying with the

[1] For 2017, DoD requested funding for overseas contingency operations totaling $58.8 billion, most of which would be for war-related costs.

mandates in the bill would probably fall below the annual threshold established in UMRA for private-sector mandates ($154 million in 2016, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated budgetary effects of H.R. 4909 are shown in Table 1. Almost all of the $603.3 billion authorized by the bill would be for activities within budget function 050 (national defense). Some authorizations, however, fall within other budget functions, including, in 2017: $208 million for the Maritime Administration in function 400 (transportation); $122 million for function 700 (veterans benefits and services); $64 million for the Armed Forces Retirement Home in function 600 (income security); $22 million for the Small Business Administration in function 370 (commerce and housing credit) and $15 million for the Naval Petroleum Reserves in function 270 (energy).

The budgetary effects of provisions that would affect direct spending fall in function 050 (defense); function 500 (education, training, employment, and social services); function 550 (health); and function 600 (income security).

TABLE 1.—BUDGETARY EFFECTS OF H.R. 4909, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2017

	By fiscal year, in millions of dollars—					
	2017	2018	2019	2020	2021	2017–2021
SPENDING SUBJECT TO APPROPRIATION						
Authorization Levels For Appropriations Subject To The BCA Caps:						
Defense (Base Budget):						
Specified Authorizations For Base Budget Costs For The Departments Of Defense And Energy:						
Authorization Level	543,234	0	0	0	0	543,234
Estimated Outlays	335,887	119,350	44,058	20,248	9,030	528,573
Estimated Authorization for Additional Base Budget Accrual Payments [a]:						
Estimated Authorization Level	536	0	0	0	0	536
Estimated Outlays	536	0	0	0	0	536
Estimated Authorization for Acquisition of a Maritime Training Vessel [b]:						
Estimated Authorization Level	215	0	0	0	0	215
Estimated Outlays	32	65	75	32	11	215
Estimated Authorization for the Selective Service [c]:						
Estimated Authorization Level	6	6	7	7	7	33
Estimated Outlays	6	6	7	7	7	33
Nondefense						
Specified Authorizations for MARAD, the VA, the AFRH, the NPR and the SBA [d]:						
Authorization Level	432	22	22	22	0	497
Estimated Outlays	337	77	40	22	10	486
Estimated Authorizations for Various Departments and Agencies [e]:						
Estimated Authorization Level	11	13	0	0	0	24
Estimated Outlays	6	16	1	1	0	24
Subtotal:						
Estimated Authorization Level	544,434	41	29	29	7	544,539
Estimated Outlays	336,804	119,514	44,181	20,310	9,058	529,867

TABLE 1.—BUDGETARY EFFECTS OF H.R. 4909, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2017—Continued

	By fiscal year, in millions of dollars—					
	2017	2018	2019	2020	2021	2017–2021
Authorization Levels for Appropriations Not Subject to the BCA Caps (specified):						
Authorization for Overseas Contingency Operations for Base Budget Cost [f]:						
Authorization Level	23,052	0	0	0	0	23,052
Estimated Outlays	9,688	5,828	3,750	1,899	846	22,012
Authorization for Overseas Contingency Operations for War-Related Activities:						
Authorization Level	35,741	0	0	0	0	35,741
Estimated Outlays	19,989	9,115	3,659	1,561	526	34,850
Subtotal:						
Authorization Level	58,794	0	0	0	0	58,794
Estimated Outlays	29,677	14,943	7,409	3,460	1,372	56,862
Total:						
Estimated Authorization Level	603,227	41	29	29	7	603,332
Estimated Outlays	366,481	134,457	51,590	23,770	10,430	586,728
CHANGES IN DIRECT SPENDING [g]						
Estimated Budget Authority	−487	225	−19	−23	−27	−332
Estimated Outlays	−125	86	16	15	−6	−15

Notes: Except as discussed in footnotes a, b, c, and e below, the authorization levels in this table reflect amounts that would be specifically authorized by the bill (as reflected in Table 2). Some provisions in the bill also would affect the costs of defense programs in 2018 and future years; estimates for a select number of those provisions are shown in Table 3, but are not included above because specified authorizations in future NDAAs would cover funding for those activities.

AFRH = Armed Forces Retirement Home; BCA = Budget Control Act; MARAD = Maritime Administration; NDAA = National Defense Authorization Act; NPR = Naval Petroleum Reserves; SBA = Small Business Administration; VA = Department of Veterans Affairs.

Numbers may not add up to totals because of rounding.

[a] This authorization reflects CBO's estimate of the added cost of certain accrual payments required under current law but not fully reflected in the amounts specifically authorized by the bill.

[b] Section 3506 of the bill would authorize MARAD to acquire a new multipurpose vessel. CBO estimates that design and construction of the ship would cost $300 million. H.R. 4909 would specifically authorize $85 million to cover costs in 2017; the $215 million shown above reflects the remaining cost of that acquisition.

[c] Section 528 would require women to register for a military draft, which would increase costs to the Selective Service System (a defense-related activity). Section 528 also would affect nondefense discretionary costs of the Pell Grant program, (which are included under the heading "Estimated Authorizations for Various Departments and Agencies"), as well as associated direct spending costs (included under the heading of "Changes in Direct Spending").

[d] This reflects specified 2017 authorizations for MARAD ($208 million), the VA ($122 million), the Armed Forces Retirement Home ($64 million), and the Naval Petroleum Reserves ($15 million), plus authorizations of $87 million over the 2017–2020 period for the SBA's Women's Business Center Program.

[e] This reflects estimated costs for: SBA's SCORE Program (section 1851, $22 million); the extension of certain benefits to federal civilian workers who perform official duties in a combat zone and are employed by departments and agencies other than DoD (section 1103, $9 million), and the effects on programs in the Department of Education due to female registration in the Selective Service (section 528, savings of $7 million).

[f] Although this authorization would be for base budget costs, it would not, if appropriated, be subject to the cap set by the BCA for 2017 because the funding would be designated for Overseas Contingency Operations.

[g] In addition to the changes in direct spending shown here (a decrease of $15 million over the 2017–2021 period), H.R. 4909 would have effects beyond 2021. CBO estimates that over the 2017–2026 period, H.R. 4909 would decrease revenues by $206 million (see Table 4).

Basis of estimate: For this estimate, CBO assumes that H.R. 4909 will be enacted near the start of fiscal year 2017 and that the authorized and estimated amounts will be appropriated near the beginning of each fiscal year.

Spending subject to appropriation

In total, the bill would authorize an estimated $603.3 billion, nearly all of which ($602.5 billion) would be specifically authorized by the bill. The remaining $0.8 billion largely reflects CBO's estimate of amounts not specifically authorized by the bill that would be necessary to fund certain accrual payments required under current law and that would be needed to fully fund construction of a Maritime Training Vessel.

For base budget costs—defense costs not directly related to war-related operations—the bill would specifically authorize two sets of appropriations for 2017 (see Table 2):

- $543.2 billion that would, if appropriated, be counted against the BCA caps; and
- $23.1 billion that would not count against the caps because that amount would be specifically categorized by the bill as funding for overseas contingency operations (despite being authorized for base budget costs).

Base budget funding would rise for nearly all major categories of defense spending with operation and maintenance receiving the largest increase ($15.2 billion, or 8 percent), followed by procurement ($3.6 billion, or 3 percent), research and development ($3.3 billion, or 5 percent), and military personnel ($2.1 billion, or 2 percent). Funding for other categories combined would increase by $1.6 billion (or 6 percent).

The remaining authorizations, totaling $35.7 billion, are for war-related costs that also would be considered as OCO and if appropriated, would not count against the cap. That amount is a decrease of $22.9 billion (or 39 percent) from the appropriated level for 2016, primarily because the bill's authorization would cover only seven months of day-to-day operating costs in 2017. Most of the decline is for operation and maintenance, which would receive authorizations of $25.9 billion, a decline of $21 billion (or 45 percent) from 2016.

Although H.R. 4909 would not authorize supplemental appropriations for 2017, such funding for the remaining five months could be needed if spending for war-related operations continues at the current rate. Based on DoD's request for 2017 appropriations for those purposes, CBO estimates that such supplemental funding could total roughly $20 billion.

H.R. 4909 also contains provisions that would affect the cost of various discretionary programs in future years. Most of those provisions would affect end strength (the size of the military forces at the end of a fiscal year), military compensation and benefits, and acquisition of weapons systems. The estimated effects of some of those provisions are shown in Table 3 and discussed below. The following sections discuss how those provisions would affect the cost of operating those programs in future years; all such spending would be subject to appropriation action.

Force Structure. The bill would affect the force structure of the various military services by setting end-strength levels for 2017 and modifying the minimum end-strength levels authorized in permanent law.

Under title IV, the authorized end strengths in 2017 for active-duty personnel and personnel in the selected reserves would total 1,310,615 and 833,200 respectively. Of those selected reservists, 76,351 would serve on active duty in support of the reserves. In total, active-duty end strength would increase by 1,700 and selected-reserve end strength would increase by 15,200 when compared with levels authorized under current law for 2017. The specified end-strength levels for each component of the armed forces are detailed below.

TABLE 2.—SPECIFIED AUTHORIZATIONS OF APPROPRIATIONS IN H.R. 4909

	By fiscal year, in millions of dollars—					
	2017	2018	2019	2020	2021	2017–2021
Specified Authorization Levels for Appropriations Subject to the BCA Caps:						
Defense (base budget):						
Military Personnel [a]:						
Authorization Level	134,850	0	0	0	0	134,850
Estimated Outlays	129,231	3,795	180	39	0	133,245
Operation and Maintenance:						
Authorization Level	203,448	0	0	0	0	203,448
Estimated Outlays	135,344	48,857	10,738	3,267	1,150	199,356
Procurement:						
Authorization Level	103,613	0	0	0	0	103,613
Estimated Outlays	21,035	32,698	24,277	13,199	5,915	97,124
Research and Development:						
Authorization Level	71,630	0	0	0	0	71,630
Estimated Outlays	35,210	26,080	5,216	2,297	1,321	70,124
Military Construction and Family Housing:						
Authorization Level	7,952	0	0	0	0	7,952
Estimated Outlays	742	2,105	2,374	1,321	570	7,112
Revolving Funds:						
Authorization Level	2,230	0	0	0	0	2,230
Estimated Outlays	1,202	432	198	170	98	2,100
General Transfer Authority:						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	250	−100	−75	−50	−25	0
Subtotal, Department of Defense:						
Authorization Level	523,722	0	0	0	0	523,722
Estimated Outlays	323,014	113,867	42,908	20,243	9,029	509,061
Atomic Energy Defense Activities:						
Authorization Level [b]	19,512	0	0	0	0	19,512
Estimated Outlays	12,873	5,483	1,150	5	1	19,512
Subtotal, Defense:						
Authorization Level	543,234	0	0	0	0	543,234
Estimated Outlays	335,887	119,350	44,058	20,248	9,030	528,573
Nondefense:						
Department of Veterans Affairs and Other Departments and Agencies:						
Authorization Level [c]	432	22	22	22	0	497
Estimated Outlays	337	77	40	22	10	486
Subtotal (subject to caps)						
Authorization Level	543,666	22	22	22	0	543,731
Estimated Outlays	336,224	119,427	44,098	20,270	9,040	529,059
Specified Authorization Levels for Appropriations Not Subject to the BCA Caps:						
Base Budget Activities Designated as Overseas Contingency Operations:						
Military Personnel [a]:						
Authorization Level	2,623	0	0	0	0	2,623
Estimated Outlays	2,512	73	3	0	0	2,589
Operation and Maintenance:						
Authorization Level	9,211	0	0	0	0	9,211
Estimated Outlays	5,828	2,245	649	209	70	9,001
Procurement:						
Authorization Level	10,728	0	0	0	0	10,728
Estimated Outlays	1,147	3,318	3,048	1,667	766	9,946
Research and Development:						
Authorization Level	452	0	0	0	0	452
Estimated Outlays	200	184	37	15	7	443
Military Construction:						
Authorization Level	38	0	0	0	0	38
Estimated Outlays	1	8	13	8	3	33
Subtotal: Base Budget Designated OCO						
Authorization Level	23,052	0	0	0	0	23,052

TABLE 2.—SPECIFIED AUTHORIZATIONS OF APPROPRIATIONS IN H.R. 4909—Continued

	By fiscal year, in millions of dollars—					
	2017	2018	2019	2020	2021	2017–2021
Estimated Outlays	9,688	5,828	3,750	1,899	846	22,012
War-Related Activities Designated as Overseas Contingency Operations:						
Military Personnel:						
Authorization Level	2,200	0	0	0	0	2,200
Estimated Outlays	2,098	70	2	0	0	2,170
Operation and Maintenance:						
Authorization Level	25,944	0	0	0	0	25,944
Estimated Outlays	14,833	6,751	2,321	1,031	336	25,272
Procurement:						
Authorization Level	7,043	0	0	0	0	7,043
Estimated Outlays	2,734	2,147	1,288	519	186	6,874
Research and Development:						
Authorization Level	336	0	0	0	0	336
Estimated Outlays	147	133	29	12	7	328
Military Construction:						
Authorization Level	134	0	0	0	0	134
Estimated Outlays	4	42	46	21	8	121
Working Capital Funds:						
Authorization Level	85	0	0	0	0	85
Estimated Outlays	60	17	7	1	0	85
Special Transfer Authority:						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	113	−45	−34	−23	−11	0
Subtotal (war related)						
Authorization Level	35,741	0	0	0	0	35,741
Estimated Outlays	19,989	9,115	3,659	1,561	526	34,850
Total Specified Authorizations						
Authorization Level	602,459	22	22	22	0	602,524
Estimated Outlays	365,901	134,370	51,507	23,730	10,412	585,920

Notes: This table reflects 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 affect costs in 2018 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 some of those provisions.

Numbers may not add up to totals because of rounding; BCA = Budget Control Act; OCO = Overseas Contingency Operations; SBA = Small Business Administration.

[a] The authorizations of appropriations for military personnel in sections 421 and 1505 include $6,417 million for accrual payments to the Medicare-Eligible Retiree Health Care Fund. CBO estimates, however, that amount understates—by $536 million—the amount required for those payments; thus $536 million has been added to the estimated cost of the bill, as reflected in Table 1.

[b] This authorization is primarily for atomic energy defense activities of the Department of Energy.

[c] This reflects 2017 authorizations for the Maritime Administration ($208 million), the Department of Veterans Affairs ($122 million), the Armed Forces Retirement Home ($64 million), and the Naval Petroleum Reserves ($15 million), plus authorizations of $87 million over the 2017–2020 period for the SBA's Women's Business Center Program. The authorized amount for the Maritime Administration does not include the $300 million specified in the bill for payments to shipping companies under the maritime security program because that amount is already authorized under current law for 2017.

Active-Duty End Strengths. Compared with end strengths authorized under current law for 2017, section 401 would authorize increases in active-duty personnel for three of the four services: 5,000 more for the Army, 1,000 more for the Marine Corps, and 285 more for the Air Force. The end strength authorized for the Navy would decline by 4,585. CBO estimates that the net growth in active-duty personnel of 1,700 service members would increase costs to DoD by $1.2 billion over the 2017–2021 period. The pattern in the yearly costs in Table 3 reflects the phase-in of those personnel changes and the fact that some costs, including retention bonuses, would be paid mostly in the earlier years.

Selected-Reserve End Strengths. Sections 411 and 412 would authorize the end strengths for reserve components, including those who serve on active duty in support of the reserves. Under this bill, four of the six reserve components would experience increases in end strength: 8,000 more for the Army National Guard, 7,000 more for the Army Reserve, 600 more for the Navy Reserve, and 200 more for the Air National Guard. End strength would decrease for the remaining two components: 400 fewer for the Marine Corps Reserve and 200 fewer for the Air Force Reserve. As part of those changes, the number of full-time reservists who serve on active duty in support of the reserves would decline by 654 compared with current authorized end-strength levels for 2017. CBO estimates that, on net, implementing those provisions would increase costs for salaries and expenses for selected reservists by almost $2.0 billion over the 2017–2021 period.

Reserve Technicians End Strengths. Sections 413 and 414 would authorize the end-strength levels for military technicians. Section 413 sets the minimum end-strength for dual-status military technicians, who are federal civilian personnel that are required to maintain membership in a selected-reserve component as a condition of their employment. (The cost to DoD of the reserve pay for dual-status technicians is included in the section above.) Section 414 sets the maximum end-strength levels for nondual status technicians. The combined effect of those sections would be a net reduction in reserve technicians of 346. CBO estimates that the combined effect of implementing those two sections would decrease costs for civilian salaries and expenses by $154 million over the 2017–2021 period.

Compensation and Benefits. H.R. 4909 contains several provisions that would affect compensation and benefits for uniformed personnel and civilian employees of DoD. The bill would specifically authorize regular appropriations of $137.5 billion for the costs of military pay and allowances in 2017. For related costs resulting from overseas contingency operations (primarily in Afghanistan), the bill would authorize appropriations of an additional $2.2 billion for 2017.

Expiring Bonuses and Allowances. Sections 611 through 615 would extend for another year DoD's authority to enter into agreements to pay certain bonuses and allowances to military personnel. The authority to enter into such agreements is currently scheduled to expire on December 31, 2016. Some bonuses are paid in lump sum, while others are paid in annual or monthly installments over a period of obligated service. Based on DoD's budget submission for fiscal year 2017, CBO estimates that extending that authority for one year would cost $2.0 billion over the 2017–2021 period.

Temporary Duty Per Diem Allowance. Section 603 would prohibit DoD from reducing per diem rates based on the duration of temporary duty assignments for service members and DoD civilian employees. The per diem allowance compensates travelers for the daily cost of lodging, meals, and incidental expenses. This section would repeal the policy that the Secretary of Defense implemented on November 1, 2014, to pay a lower per diem rate for long-term temporary-duty assignments in one location. Under that policy, the per diem allowance for trips lasting between 31 and 180 days equals 75 percent of the locality rate; for trips lasting more than 181 days the per diem rate equals 55 percent of the locality rate. This section also would reverse similar policies established by the Services, which are specific to travel for contingency operations. According to DoD, those two policies have reduced annual payments for per diem compensation by about $60 million and $20 million, respectively. On the basis of that information, CBO estimates that implementing section 603 would increase costs to DoD by $400 million over the 2017–2021 period.

TABLE 3.—ESTIMATED COSTS FOR SELECTED PROVISIONS IN H.R. 4909

	By fiscal year, in millions of dollars—					
	2017[a]	2018	2019	2020	2021	2017–2021
FORCE STRUCTURE						
Active-Duty End Strengths	80	327	274	268	274	1,223
Selected-Reserve End Strengths	219	430	435	442	454	1,980
Reserve Technicians End Strengths	−16	−33	−34	−35	−36	−154
COMPENSATION AND BENEFITS						
Expiring Bonuses and Allowances	826	480	292	247	147	1,992
Temporary Duty Per Diem Allowance	80	80	80	80	80	400
Civilian Benefits in a Combat Zone Department of Defense[b]	0	45	0	0	0	45
Continuation Payments	0	1,245	580	285	140	2,250
TRICARE Reform	50	−5	−15	−35	−110	−115
OTHER PROVISIONS						
Nuclear Refueling and Overhauls of the U.S.S. Nimitz Class Carriers	249	450	600	1,741	2,560	5,600
Construction of LHA–8 Ship	1,623	1,679	0	0	0	3,302
Construction of Lead LX(R) Ship	856	644	0	0	0	1,500
Construction of Ship to Shore Connector Craft	293	333	501	626	654	2,407
Construction of Maritime Training Vessel	300	0	0	0	0	300
Multiyear Procurement:						
AH–64E Apache Helicopters	881	885	981	945	834	4,526
H–60M Black Hawk Helicopters	755	985	1,141	868	1,094	4,843
Athletic Shoes	21	7	7	7	8	50

Notes: Amounts shown in this table for 2018–2021 are not included in amounts that would be specifically authorized by the bill (and therefore are not reflected in Tables 1 and 2). Rather, those amounts would be covered by specific authorizations for defense programs in future years.

Numbers may not add up to totals because of rounding.

[a] With one exception, the amounts shown in this table for 2017 are included in the amounts that would be specifically authorized to be appropriated by the bill (as reflected in Table 2 and summarized in Table 1). The exception is for the Maritime Training Vessel, where $85 million (of the estimated $300 million) would be specifically authorized to be appropriated by the bill. As a result, only $85 million is included in Table 2, with the remaining $215 million added to Table 1.

[b] This provision also would increase costs in 2017 for departments and agencies other than DoD by an estimated $9 million. Those costs are included in Table 1 under "Estimated Authorizations for Various Departments and Agencies."

Civilian Benefits in a Combat Zone. Section 1103 would extend for one year the authority to grant certain benefits to federal civilian employees who perform official duties in a combat zone. Those benefits, which expire under current law on September 30, 2017, include death gratuities, paid leave and travel for one trip home, and up to three leave periods per year for rest and recuperation. Based on information from DoD and the Office of Personnel Management, CBO estimates that about 2,400 civilian employees of DoD and 500 employees of other federal agencies will work in a designated combat zone in 2018 and would receive an average benefit that would cost about $18,600 a year under this provision. Thus, CBO estimates that in 2018, implementing section 1103 would increase the cost to DoD of providing benefits to civilian employees by $45 million and to other federal agencies by $9 million. (The $9 million for other federal agencies is included in the amount shown in Table 1 for nondefense estimated authorizations under the heading Estimated Authorizations for Various Departments and Agencies.)

Continuation Payments. Section 622 would change several features of the continuation payments that are authorized as part of the new retirement system—scheduled to go into effect during fiscal year 2018—that was established in the National Defense Authorization Act for Fiscal Year 2016. Continuation payments are lump-sum amounts that are offered to service members in exchange for an agreement to remain in the service for a specific number of additional years. Most notably, section 622 would permit DoD to make continuation payments up to four years earlier than under current law.

Based on information from DoD, CBO expects that the department would use this authority to make continuation payments two years earlier than under current law, on average—thereby accelerating into the 2017–2021 period payments that will otherwise be made after 2021 under current law. The salary on which the average continuation payment is calculated would be based on two fewer years of service, and would include two fewer military pay increases, reducing the average continuation payment by around 10 percent.

In addition, section 622 would raise the minimum amount of continuation pay for reservists from 0.5 to 2.5 months' of salary, which would increase the continuation pay offered to most enlisted members of the reserves by 400 percent, CBO estimates. Under current law, CBO expects that DoD will pay the minimum amount to almost all reservists.

In total, CBO estimates that implementing the changes in section 622 would cost $2.2 billion over the 2017–2021 period. Of that amount, about $1.2 billion would be for payments to active duty members and $1 billion would be for payments for reservists.

TRICARE Reform. Section 701 would make a number of changes to TRICARE, the health benefits program for members and retirees of the uniformed services and their families. In total, CBO estimates that implementing the various changes in section 701 would reduce discretionary costs by about $115 million over the 2017–2021 period.

TRICARE benefits are provided in the form of several different plans, of which the most popular are TRICARE Prime—an HMO option—and TRICARE Standard/Extra—a fee-for-service option where beneficiaries can manage their own care, but pay less out of pocket if they use providers that are in the TRICARE network.[2] There are also separate benefit plans for members and former members of the selected reserves and for retirees, survivors, and their family members who are eligible for Medicare; section 701 would not directly modify those programs and they are not considered in this estimate.

Under current law, active duty members are not charged for medical care. Their dependents also face no charges if they enroll in Prime, but they do have to pay deductibles and coinsurance to use Standard/Extra. Retirees, survivors, and their family members are charged enrollment fees and copayments to enroll in and use Prime, and they must pay deductibles and coinsurance to use Standard/Extra. Section 701 would change how TRICARE benefits are provided to some of those groups. In addition, the families of service members who begin active duty after the end of 2017 would face a different payment structure. Two groups would see no

[2] Beneficiaries in the fee-for-service option can use both network and non-network providers. When beneficiaries use a network provider in the fee-for-service option they are using the TRICARE Extra benefit; when they use a non-network provider they are using TRICARE Standard.

changes under this provision: active duty service members regardless of when they join the service, and the families of service members who joined the service prior to the beginning of calendar year 2018. Some of the more notable changes are summarized below:

- The TRICARE Standard/Extra option would be renamed TRICARE Preferred. All beneficiaries who currently use Standard/Extra would be required to enroll in either TRICARE Preferred or Prime to maintain their health benefits.
- There would be new TRICARE Prime and TRICARE Preferred enrollment fees for the family members of those active duty members who first join the uniformed services on or after January 1, 2018. Those members and their families also would face higher fees and cost shares if they eventually become eligible for a military retirement annuity and choose to continue to use TRICARE.
- Current retirees, survivors, and their families would face an enrollment fee for those who wish to use TRICARE Preferred. There is no enrollment fee for TRICARE Standard/Extra, the current version of TRICARE Preferred. Otherwise, enrollment fees and cost shares would generally be unchanged for this group.

Because many of the new fees and higher cost shares would only apply to those who join the uniformed services during or after calendar year 2018, it would take several decades to fully realize the savings from those changes. Most of the savings in the first five years would come from the new annual enrollment fees for the families of members who first join the uniformed services after the start of 2018. In that year, the fees for enrollment in TRICARE Prime, which covers about 85 percent of active duty families, would be $180 for service members with only one dependent and $360 for service members with multiple dependents. Those new enrollment fees would increase over time at the rate of the cost-of-living adjustment for military retired pay. In 2018, CBO estimates the new enrollment fees would apply to about 20,000 households. That figure would increase to about 175,000 households in 2021, as more members join the services under the new rules. Those figures reflect the fact that while most new service members are single, within just a few years of joining a substantial number have started families.

Beginning in 2021, there also would be a new annual fee for retiree households who enroll in the new TRICARE Preferred option. The new fee would be $100 for those retirees and survivors who enroll only themselves and $200 for those who also enroll their families. The new fees would increase over time at the rate of the cost-of-living adjustment for military retired pay. CBO estimates the new enrollment fees would apply to about 450,000 households. (There are also currently about 600,000 retiree households enrolled in TRICARE Prime. Those households already pay annual enrollment fees and would be unaffected by this proposal.)

Because DoD is allowed to collect and spend the enrollment fees without further appropriation, CBO estimates that the higher fees would reduce the amount needed for annual appropriations to the Defense Health Program by about $165 million over the 2018–2021 period. There would be costs in 2017 for administrative tasks related to the changes, including rulemaking, changes to claim processing systems, and the need to notify and educate beneficiaries. CBO estimates those tasks would cost about $50 million in 2017, which is based on DoD estimates of similar proposals to reform TRICARE.

Section 701 also would affect mandatory spending. Details of those effects are discussed below, under the heading "Direct Spending."

After-Hours Health Care. Sections 704 and 705 would increase the availability of after-hours care at military treatment facilities, including extended hours for primary care providers and urgent care clinics. Also, those enrolled in TRICARE Prime would no longer be required to seek authorization before using an urgent care clinic. Keeping military treatment facilities open longer and allowing TRICARE Prime beneficiaries unrestricted access to urgent care facilities would increase costs to DoD. However, those costs would be offset by savings from less use of more costly after-hours options, including emergency rooms. From the available information, CBO cannot determine whether the combination of those effects would result in a net cost or a net savings to DoD. The Department is about to start a pilot program that will hopefully allow more insight into how people's behavior patterns change when granted improved access to after-hours care, although it may be several years before any conclusions can be drawn.

Other provisions

Nuclear Refueling and Overhauls of U.S.S. Nimitz Class Carriers. Section 121 would authorize the Navy to conduct nuclear refueling and overhauls on the remaining Nimitz class carriers. The bill also would allow the Navy to use incremental funding for those overhauls, which would allow them to fund those activities over two or more years. The Navy deploys 10 Nimitz class carriers; those carriers are designated CVN–68 through CVN–77. The lead ship of the class was commissioned in 1975 and the last ship was commissioned in 2009. The carriers have a service life of about 50 years and are capable of operating for nearly 25 years without refueling the nuclear reactor cores.

The first four Nimitz class carriers have already undergone nuclear refueling and are back in the fleet. The Congress authorized nuclear refueling of the CVN–72 and the CVN–73 in the 2012 and 2016 defense authorization bills, respectively. On the basis of information provided by the Navy, CBO expects that the nuclear refueling and overhauls of the CVN–74 and CVN–75 carriers would begin during the 2017–2021 period. (Refueling and overhauls for the CVN–76 and CVN–77 would begin after 2021.) Based on that information and accounting for projected inflation in the costs of ship construction, CBO estimates that implementing section 121 would cost $5.6 billion over the 2017–2021 period; an additional $5.2 billion would be needed to complete the nuclear refueling of the CVN–75 beyond 2021.

Construction of LHA–8 Ship. Section 123 would allow the Navy to enter into a contract, beginning in fiscal year 2017, to construct the third Freedom class amphibious assault ship (designated LHA–8). The bill also would allow the Navy to use incremental funding for construction of the LHA–8. Currently, the lead ship of the class, the LHA–6, is in service and construction of the second ship (LHA–

7) is nearing completion and scheduled for delivery in 2019. On the basis of information provided by the Navy, CBO estimates that the LHA–8 ship would cost about $3.8 billion. The Congress already appropriated about $500 million for items that need a long-lead time. Thus, CBO estimates that implementing section 123 would cost an additional $3.3 billion over the 2017–2018 period.

Construction of Lead LX(R) Ship. Section 124 would allow the Navy to enter into a contract, beginning in fiscal year 2017, to construct a class of dock landing ships (designated LX(R)) that would replace the existing LSD class of dock landing ships. The bill also would allow the Navy to use incremental funding for that ship. Currently, the Navy plans to buy the first ship in 2020. Congress provided $250 million in the 2016 defense appropriations bill to accelerate the start of construction. The Navy has indicated that the start date for construction of the LX(R) cannot be accelerated to 2017, but an LPD–17 derivative ship could be built on that schedule; CBO expects that the Navy would do that. On the basis of information provided by the Navy, and accounting for projected inflation in the costs of ship construction, CBO estimates that the cost to build an LPD–17 derivative ship would total about $1.75 billion. After accounting for appropriations already provided for that purpose, CBO estimates that implementing section 124 would cost an additional $1.5 billion over the 2017–2018 period.

Construction of Ship to Shore Connector Craft. Section 125 would allow the Navy to enter into a contract, beginning in fiscal year 2017, to construct up to 45 Ship to Shore Connector craft in addition to the seven craft previously authorized. Although the Navy planned to buy only 42 craft over the 2017–2021 period, CBO expects the Navy would increase that to 45 craft because the bill would authorize additional funds in 2017 for that purpose. Based on information from the Navy and accounting for projected inflation in the costs of ship construction, CBO estimates that implementing section 125 would cost $2.4 billion over the 2017–2021 period.

Construction of Maritime Training Vessel. Section 3506 would authorize the Maritime Administration (MARAD) to acquire a new multipurpose vessel that would be used primarily to train midshipmen at state maritime academies. The Navy would oversee the contract using funds appropriated to the National Defense Sealift Fund. Based on information from MARAD and from the Navy, CBO estimates that design and construction of the ship would cost $300 million over the 2017–2021 period. The bill specifically would authorize appropriations for $85 million of that cost (that amount is included in the $543 billion specifically authorized for the base budget in Table 1). The remaining $215 million is included in the estimated authorizations for Defense in Table 1.

Multiyear Procurement Contracts. The bill would authorize the Army to enter multiyear procurement contracts for two major acquisition programs. 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 all years are not appropriated at the time the contracts are awarded.

- Section 111 would authorize the Army to use that authority to enter a multiyear contract beginning in fiscal year 2017 to purchase new and remanufactured AH–64E Apache helicopters. The AH–64E is heavy attack helicopter capable of firing missiles and other munitions. On the basis of information from the Army, CBO estimates that under such a contract, the service would buy 275 of those helicopters over the 2017–2021 period at a cost of $4.5 billion. (The service estimates that a single multiyear contract would cost $426 million less than five annual contracts.)
- Section 112 would authorize the Army to pursue a multiyear contract beginning in fiscal year 2017 to acquire H–60M helicopters. The H–60M is a medium-lift helicopter that is used to transport military personnel and supplies. On the basis of information from the Army, CBO estimates that the service would buy 268 helicopters over the 2017–2021 period at a cost of $4.8 billion. (The Army estimates that a single multiyear contract would cost $455 million less than five annual contracts.)

Athletic Shoes. Section 808 would require DoD to issue American-made athletic shoes to enlisted personnel arriving for initial training. The military services do not currently provide such shoes to recruits; new enlistees furnish their own running shoes and some of the military services offer a cash allowance to defray the expense at a cost of $17 million annually. Under section 808, the military would have to stock such footwear for issue to recruits.

DoD brings in approximately 200,000 recruits for initial training each year. In the first year the department would need to buy a pair for each recruit, back-up inventory to prevent shortages, and some additional quantities to ensure it had enough shoes in the proper size and model to outfit each recruit. On the basis of information from the department, CBO expects that DoD would acquire 500,000 pairs of shoes in 2017. Thereafter, the department would need to buy about 250,000 pairs annually to outfit new recruits, to replace shortages in particular sizes and models, and to replace inventory that has been damaged, degraded, or lost.

CBO further estimates that the department would spend $95 a pair to satisfy the domestic-sourcing requirement. Thus, after accounting for the savings from discontinuing the cash allowance, requiring DoD to issue American-made shoes at boot camp would cost $50 million over the 2017–2021 period.

Female Registration for Selective Service. Under current law, male citizens and certain other men who are residing in the United States and who are between the ages of 18 and 26, must register with the Selective Service System (SSS). Section 528 would require women who meet the age and other registration requirements to register for the SSS, and thus be eligible for a military draft also. Men who fail to register lose eligibility for some federal benefits, including student financial aid. Under section 528, those limits on eligibility for certain federal benefits also would apply to women in the same manner as for men.

Because individuals who have not met their obligation to register with the selective service are prohibited from receiving federal student aid, CBO projects that enacting the bill would reduce eligibility for Pell grants. Based on information from the SSS, CBO expects that the requirements for registration would be phased in by age group over multiple years and that no students would lose eligibility before July 1, 2018, the start of the academic year. CBO also expects that compliance with this new requirement would increase over time. However, the number of aid applicants over the age of 25 who were required to register but failed to do so would increase over time as well. (Those applicants would be unable to register after turning 26 and thus could be permanently prohibited from accessing federal student aid). Thus, based on information about male aid applicants registering with the SSS, the number of women applying for federal student aid, and accounting for both the phase-in of the requirement to register and of knowledge and acceptance of that responsibility, CBO projects that the number of students who would no longer receive Pell grants under this provision would grow over time, from fewer than 3,000 in award year 2018–2019 to more than 11,000 by 2026–2027.

Federal funding for Pell grants is provided through both annual discretionary appropriations and direct spending authority. CBO estimates that enacting H.R. 4909 would reduce discretionary spending for Pell grants by $7 million over the 2018–2021 period. Because the Pell grant program is only authorized through fiscal year 2018, that estimate includes only the effect on discretionary spending for that year. Section 528 also would affect eligibility for the mandatory portion of the Pell grant program and student loans, both of which are treated as direct spending in the budget. More details about the effect of this provision on direct spending are provided below under the heading, Direct Spending and Revenues. (The $7 million reduction in discretionary spending for the Department of Education is included in the amounts shown in Table 1 for nondefense estimated authorizations under the heading nondefense estimated authorizations.)

Those reduced discretionary costs would be offset by higher costs for the SSS. To meet the new requirement of registering women, the SSS would need to hire additional personnel, increase office space and equipment, and publicize additional materials to make women aware of the new requirement. Based on information from the SSS, CBO estimates that although the agency could process some initial electronic registrations received by females starting in 2017, the bulk of new female registrations would begin in 2018 and would ramp up over the following four years. The agency would begin to hire and train new personnel, and inform women of the new requirement to register in 2017. Costs would be higher in the earlier years if the SSS shortened the phase-in period. CBO estimates that implementing section 528 would increase discretionary costs to the SSS by $33 million over the 2017–2021 period. (Those discretionary costs are shown in Table 1 under defense estimated authorizations.)

Direct spending and revenues

Several provisions in H.R. 4909 would affect direct spending. CBO estimates that enacting the bill would decrease outlays by $206 million over the 2017–2026 period (see Table 4). H.R. 4909 also would affect revenues by insignificant amounts over the 10-year period.

TABLE 4.—ESTIMATED EFFECTS OF H.R. 4909 ON DIRECT SPENDING

	By fiscal year, in millions of dollars—											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
Acquisition Workforce Fund												
Budget Authority	−475	0	0	0	0	0	0	0	0	0	−475	−475
Estimated Outlays	−113	−120	14	36	20	5	0	0	0	0	−163	−158
Special Survivor Indemnity Allowance												
Estimated Budget Authority	0	240	0	0	0	0	0	0	0	0	240	240
Estimated Outlays	0	220	20	0	0	0	0	0	0	0	240	240
National Defense Stockpile												
Estimated Budget Authority	−14	−14	−14	−14	−14	−14	−14	−14	−14	−14	−70	−140
Estimated Outlays	−14	−14	−14	−14	−14	−14	−14	−14	−14	−14	−70	−140
Combat-Related Special Compensation												
Estimated Budget Authority	0	−1	−3	−6	−8	−11	−14	−17	−20	−23	−18	−103
Estimated Outlays	0	−1	−3	−5	−8	−12	−14	−16	−20	−23	−17	−102
Female Registration for Selective Service												
Estimated Budget Authority	0	−2	−3	−4	−5	−7	−7	−9	−9	−10	−15	−56
Estimated Outlays	0	−1	−2	−3	−4	−5	−7	−8	−9	−9	−11	−50
Survivor Benefits												
Estimated Budget Authority	1	1	1	1	1	1	1	2	2	2	5	13
Estimated Outlays	1	1	1	1	1	1	1	2	2	2	5	13
TRICARE Reform												
Estimated Budget Authority	0	*	*	*	−2	−2	−2	−2	−2	−2	−2	−12
Estimated Outlays	0	*	*	*	−2	−2	−2	−2	−2	−2	−2	−12
Medals of Honor												
Estimated Budget Authority	1	1	*	*	1	*	*	*	*	*	3	3
Estimated Outlays	1	1	*	*	1	*	*	*	*	*	3	3
Total Changes in Direct Spending												
Estimated Budget Authority	−487	225	−19	−23	−27	−33	−36	−40	−43	−47	−332	−530
Estimated Outlays	−125	86	16	15	−6	−27	−36	−38	−43	−46	−15	−206

Notes: Several other provisions of H.R. 4909 would affect direct spending by an insignificant amount. Provisions to modify the military justice system would increase revenues by an insignificant amount.
Details may not sum to totals because of rounding; * = between −$500,000 and $500,000.

Acquisition Workforce Fund. Section 1002 would require DoD to transfer $475 million in available unobligated balances from the Department of Defense Acquisition Workforce Development Fund (fund) to the General Fund of the Treasury. Because those balances would no longer be available to DoD, outlays would decline by $428 million, CBO estimates. However, the department is authorized to transfer to the fund unobligated balances from appropriations for procurement, research and development, and operation and maintenance during the three-year period after those appropriations expire. CBO expects that DoD would largely offset the proposed transfer of unobligated balances out of the fund by transferring such expired balances into the fund, and would thereby make those amounts newly available for obligation.

DoD is required by law to deposit at least $400 million into the fund each year, and can increase that amount to a maximum of $500 million. The department currently plans to transfer the minimum amount each year. CBO expects that if the balances are reduced, the department would instead transfer the maximum amount allowed, an increase of $100 million per year. Over the 2017–2019 period, CBO expects that DoD would make such transfers from funds that already have been appropriated and that would not otherwise outlay under current law. Thus, the transfers would increase outlays from those existing appropriations by $270 million.

On net, the transfers into and out of the fund would decrease direct spending by $158 million over the 2017–2026 period.

Special Survivor Indemnity Allowance. Surviving spouses who receive both an annuity as a beneficiary of the Survivor Benefit Plan (SBP) as well as Dependency and Indemnity Compensation (DIC) from the Department of Veterans Affairs have their SBP payments reduced by the amount of DIC. The Special Survivor Indemnity Allowance (SSIA) is a payment made to such surviving spouses to offset, at least in part, that reduction. SSIA is limited to the lesser of $310 or the amount of the SBP reduction. The authority for SSIA is set to expire at the end of fiscal year 2017. Section 623 would extend it through fiscal year 2018.

Based on the Statistical Report of the Military Retirement System, CBO expects that nearly 65,000 surviving spouses would receive the SSIA in fiscal year 2018. CBO estimates that section 623 would increase direct spending for SSIA by $240 million over the 2017–2026 period.

National Defense Stockpile. Two provisions, sections 1411 and 1412, would modify the authorities under which the National Defense Stockpile disposes of and acquires materials. Together, enacting those provisions would decrease direct spending by a net of $140 million over the 2017–2026 period.

Section 1411 would provide new authority to sell most of the remaining materials in the National Defense Stockpile that have been determined to be excess to requirements and no longer needed for the stockpile. Those materials were among those that had been previously authorized for disposal. The National Defense Stockpile reports that all revenue goals required by current law will be met in 2016. Without this new authority, those materials will remain unsold.

The materials authorized for sale under this proposal include tungsten ores, chromium ferroalloys, chromium metal, and platinum. Under this provision, sales of those materials would continue until all amounts have been sold. On the basis of current market prices for those commodities, recent market trends, and the rate at which the National Defense Stockpile has historically disposed of such materials, CBO expects that this authority would increase sales from the stockpile by $205 million over the 2017–2026 period. Under this provision, those amounts would be deposited (as an offsetting receipt) in the National Defense Stockpile Transaction Fund (a mandatory account known as the T–Fund, that funds the operations of the stockpile).

Another provision in Section 1411 would modify the purchasing authority for the National Defense Stockpile by allowing the stockpile manager to spend up to $55 million from the T–Fund to purchase several materials over the 2017–2021 period. All of those materials have been identified as necessary to meet military and industrial needs. Based on information from DoD, CBO estimates that the T–Fund has sufficient balances to cover the costs of those purchases. CBO estimates that enacting both the new disposal and purchasing authority provisions of section 1411 would, on net, decrease direct spending by a total of $150 million over the 2017–2026 period.

Section 1412 would amend the Strategic and Critical Materials Stock Piling Act to provide greater flexibility to manage the stockpile by changing section 4 and section 15 of the Act. Under section 4, DoD has the authority to recover critical materials from other agencies only when the material is in short supply. The Department of Energy is exempt from this restriction and routinely allows DoD to recover critical materials from their inventory of excess equipment. The proposed change to section 4 would provide the same authority for the stockpile manager to review, acquire, and manage disposal of excess strategic and critical materials for other federal agencies as currently exists for materials managed by the Department of Energy.

Under section 15 of the Act, DoD is authorized to certify domestically produced materials for purchase at domestic facilities in times of national emergencies when existing sources are in short supply. Typically, when materials are in short supply, defense contractors can buy materials needed to build equipment for DoD from the stockpile. By certifying domestic facilities, defense contractors could purchase those materials directly from the supplier. Based on information from DoD, CBO expects that the certifying process would require testing of materials at DoD facilities and inspections of the defense contractor sites and that those costs would be paid from the T–Fund. CBO estimates that the costs for those activities would increase direct spending by $1 million in 2017 and total $10 million over the 2017–2026 period.

Combat-Related Special Compensation. Military retirees who also receive disability compensation from the Department of Veterans Affairs for a disability that is rated at less than 50 percent have their military pension reduced by the amount of that compensation. Combat-Related Special Compensation (CRSC) restores the military pension for the portion of the disability that DoD determines is combat related—but only up to the amount of the pension the retiree would have earned based on the number of years of service. The National Defense Authorization Act for Fiscal Year 2016 established a new retirement system that begins in 2018. The new system reduces by 20 percent the multiplier for calculating retirement pay based on years of service. Section 619 would amend the formula that caps CRSC pay to include the effect of that upcoming reduction in the retirement multiplier for those service members who qualify for a disability retirement under the new system.

Based on information from the Office of the Chief Actuary at the Department of Defense, CBO expects that each year about 1,500 to 2,000 new retirees would have their CRSC reduced under section 619. The amount by which monthly benefits would be reduced ranges from less than $100 for new retirees with few years of service to nearly $500 for new retirees with almost 20 years of service. (CBO does not expect retirees with 20 years of service or more to be affected by this provision.) On that basis, CBO estimates that section 619 would reduce direct spending for CRSC payments by $102 million over the 2017–2026 period.

Female Registration for Selective Service. As discussed above under the heading of Spending Subject to Appropriation, section 528 would require some women to register for the Selective Service System (SSS), and thus be eligible for a military draft. Men who fail to register lose eligibility for some federal benefits, primarily Pell grants and student loans. Under section 528, the registration requirements and corresponding limits on eligibility for certain federal benefits that currently apply to men also would apply to women.

CBO projects that the number of students who would no longer receive Pell grants and student loans under this provision would grow from 3,000 in award year 2018–2019 to more than 11,000 by 2026–2027 for each program. The bulk of the Pell grant program is classified as discretionary spending (funded through annual appropriations), but a significant portion is mandatory spending. Mandatory funding for both student loans and the mandatory portion of Pell grants is permanent. Over the 2018–2026 period, CBO estimates that enacting H.R. 4909 would reduce direct spending for Pell grants by about $45 million and for student loans by about $5 million.

Additionally, the eligibility of a female lawful permanent resident (LPR) to naturalize—that is, to become a U.S. citizen—could be delayed for up to five years if the Department of Homeland Security found she refused or knowingly and willfully failed to register for the draft. (Like citizens, LPRs are required to register for the draft.) Naturalization affects individuals' eligibility for certain federal benefits (such as Supplemental Security Income) and their ability to sponsor certain relatives to immigrate to the United States—both of which could affect direct spending. However, the Department of Homeland Security could not provide data about why the Department denies LPRs' naturalization applications—notably about how frequently it denies male LPRs' applications because of knowing and willful failure to register for the draft. Without such information, CBO cannot estimate the effect that section 528 would have on naturalization and any consequent decreases in direct spending for federal benefits.

Survivor Benefits. When service members die in the line of duty, their survivors' payment through the Survivor Benefit Plan is usually 55 percent of a base amount that reflects the retired pay that the member would have been eligible to receive, regardless of whether the member had enough years of service to retire. For those service members who die while on active duty, that base amount is calculated as if the member retired with a total disability: 75 percent of their salary. For reservists who die during inactive-duty training (the weekend duty performed by members of the reserves and National Guard), the base amount reflects their years of service, which causes the SBP payment to be less than if the member died on active duty. Section 624 would eliminate that difference.

Based on data from DoD regarding deaths during inactive-duty training and payments to affected survivors, CBO expects that nearly 50 current SBP annuitants and 10 new SBP annuitants each year would receive higher monthly annuities under section 624. The average increase in monthly annuities would be more than $900 in fiscal year 2017, growing to nearly $1,100 in fiscal year 2026. On that basis, CBO estimates that section 624 would increase direct spending for SBP annuities by $13 million over the 2017–2026 period.

TRICARE Reform. Section 701 would make several changes to the TRICARE health benefit, including a new annual fee for retirees and their families who enroll in the TRICARE Preferred option, as discussed above under the heading, "Spending Subject to Appropriation." Health benefits for retirees of the other uniformed services (the Coast Guard, the National Oceanic and Atmospheric Administration, and the Public Health Service) and their family members are paid from mandatory appropriations, so any change to their benefits would affect direct spending. CBO estimates about 10,000 retirees of the other uniformed services would be affected by the new enrollment fee (which would start in 2021) of $100 for retirees who enroll only themselves and $200 for those who also enroll their families. There would be some small changes to mandatory spending prior to 2021 because of changes related to cost sharing for certain disabled retirees. In total, CBO estimates section 701 would reduce mandatory spending by $12 million over the 2018–2026 period.

Medals of Honor. Four sections in the bill would involve awarding the Medal of Honor. In total, CBO estimates that those four provisions would increase direct spending by $3 million over the 2017–2026 period.

Sections 583 and 584 would authorize awarding the Medal of Honor to Gary M. Rose and Charles S. Kettles for acts of valor during the Vietnam War. Both recipients would receive a mandatory, monthly stipend starting upon the date of enactment of this bill. The initial payment would include a lump sum amount for payments retroactive to the date of the act of valor. CBO estimates that awarding those two Medals of Honor would increase direct spending by $1 million in 2017 and by an insignificant amount in the following years.

Section 582 would authorize the award of the Medal of Honor for any current or prior service members who are identified as warranting the Medal of Honor pursuant to the review of valor directed by the Secretary of Defense on January 7, 2016, for military service during Operation Enduring Freedom, Operation Iraqi Freedom, Operation New Dawn, Operation Freedom's Sentinel, and Operation Inherent Resolve. Based on information from DoD, CBO estimates that the review of valor would result in additional awards of the Medal of Honor—some of which would be non-posthumous—starting in 2018. Living Medal of Honor recipients are entitled to a lifetime stipend. CBO estimates that payments of monthly stipends for those awards, including the retroactive lump sums, would increase direct spending by $1 million in 2018 and by an insignificant amount in the following years.

Section 581 would require the Secretary of Defense to conduct a review of the service records of certain veterans who previously earned specified awards for service during the Korean or Vietnam Wars to determine if that service warrants an award of the Medal of Honor. Eligible veterans would be those of Asian American, Native American, or Pacific Island descent. In addition, veterans of the Korean or Vietnam Wars who did not receive a medal could apply within one year from the date of enactment of this bill for a similar review. If the Secretary determines that any of those veterans should receive the Medal of Honor, this section would authorize that award.

On the basis of information from DoD, CBO estimates that under section 581, DoD would recommend award of the Medal of Honor to additional war veterans in 2021, that some of those awards would be non-posthumous, and that payments of the associated stipend to those veterans would increase direct spending by $1 million in 2021 and by an insignificant amount in the following years.

Military Justice Reform. Division E would make a number of changes to the Uniform Code of Military Justice (UCMJ) affecting activities across the entire military justice system. Those changes would include: modifying the composition of courts-martial; amending pre-trial, trial, and post-trial procedures; codifying a number of offenses currently charged under Article 134 of the UCMJ (General Article); and introducing new specific offenses. Based on information from the Department of Defense, changes to certain punitive articles would provide a more effective and efficient means for DoD to prosecute certain crimes. Because most of the new and newly codified offenses are currently chargeable under existing articles of the UCMJ, CBO estimates that the increase in the number of prosecutions attributable to those provisions would be small and that any resulting fines and forfeitures would total less than $500,000 over the 2017–2026 period. Fines and forfeitures adjudged against enlisted service members, warrant officers, and limited duty officers are classified as revenues and deposited in the Armed Forces Retirement Home Trust Fund. Spending of those amounts would be subject to future appropriation.

Operating Authority of the Defense Commissary Agency (DeCA). Section 631 would amend chapter 147 of title 10, United States Code to allow DeCA to set prices for merchandise sold in commissaries based on market conditions and customer demand. Under current law, DeCA is required to set prices at levels necessary to recoup the actual cost of the merchandise plus any costs to replace inventory that has been damaged, degraded, or lost.

Based on information from DoD, CBO expects that DeCA will implement this provision by offering private label goods (i.e. retailer exclusive items) under a variable pricing program. Section 631 would allow DeCA to add a markup to those private label goods and use the proceeds to offset its operating costs. Proceeds from the markup in prices would decrease direct spending by less than $500,000 over the 2017–2026 period, CBO estimates.

Other Provisions. Other provisions in the bill would have insignificant effects on direct spending or revenues, generally because very few people would be affected or because the proposal would allow the spending of new receipts so that the net effect would be small.

- Section 321 would temporarily allow the Army to enter 25-year agreements at certain government-owned, contractor-operated industrial plants. The Army has permanent authority for such contracts at ammunition plants and depots. The authority to enter such agreements at industrial plants would expire in 2021. Similar long-term agreements have resulted in mandatory obligations to make payments in subsequent years, but CBO does not expect the Army would use this temporary authority in that manner.
- Section 502 would modify rules related to the selective early retirement or discharge of military personnel. In certain circumstances, those changes might affect by a small amount the number of former service members drawing retired pay in a given year.
- Section 545 would impose the same standard-of-proof threshold on military whistleblower cases as is currently used for federal civilians who claim to have been subjected to unlawful reprisals for whistleblower activities. CBO estimates that enacting that section would result in an increased number of substantiated claims and allow those victims of reprisals to receive retroactive payments, benefits, or awards that were improperly denied.
- Sections 704 and 705 would change the access to after-hours care for certain TRICARE beneficiaries. This could change the usage patterns of retirees of the other uniformed services and their family members, whose health benefits are paid for with mandatory appropriations.
- Section 721 would allow DoD to sell hearing aids to dependents of former members of the uniformed services at the government's cost of providing that service. Because DoD would not be authorized to retain and spend those receipts, CBO expects it would not implement this provision.
- Section 722 would authorize DoD to accept and spend reimbursements from state governments for providing TRICARE health benefits to certain full-time reservists during state disaster response duty.
- Section 731 would change the manner in which the Coast Guard reimburses DoD for medical care received by coast guard personnel in Military Treatment Facilities. This could affect the timing of certain payments from the Coast Guard to DoD, which could cause small variations federal outlays.
- Section 745 would authorize DoD to carry out a pilot program whereby DoD's lowest cost for prescription drugs would

be extended to retail pharmacies. Based on information from DoD, CBO expects there is a very low probability that DoD would exercise that authority.

- Section 837 would allow the Secretary of the Navy to close out old contracts upon receipt of about $500,000 from the contractor that would be deposited into the Treasury. In the absence of this authority, these matters would likely remain unresolved over the 2017–2026 period.
- The Federal Aviation Administration's authority to offer nonpremium insurance to air carriers that participate in the Civil Reserve Air Fleet (CRAF) expires on December 31, 2018. Section 1043 would extend that authority for one year. Providing insurance without charging an actuarially sound premium would be a mandatory obligation. Based on historical data on the cost of covered losses that have occurred, however, CBO estimates that a one-year extension would have no significant effect on the budget.
- Section 1221 would extend DoD's authority to accept and use contributions from foreign governments to provide assistance to certain Syrian opposition groups.
- Section 2804 would extend the period during which DoD could accept and spend contributions from Kuwait for certain military construction projects. Those contributions are classified as mandatory offsetting receipts.
- Sections 2831, 2832, and 2833 would authorize the exchange or conveyance of several parcels of federal property. DoD could be reimbursed for administrative costs and could also receive cash compensation for the value of the property. Those receipts would be available for expenditure.
- Section 2851 would allow DoD to accept and spend cash donations to establish and operate a cryptology museum at Fort Meade, Maryland. Those contributions are classified as offsetting receipts.
- Section 3508 would modify the Maritime Administration's authority to dispose of certain vessels, which could affect offsetting receipts from sales of such vessels to firms that dismantle and recycle them. Current law authorizes MARAD to spend all such receipts, without further appropriation, for certain maritime-related activities.

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 5.

TABLE 5.—PAY-AS-YOU-GO EFFECTS FOR H.R. 4909 AS REPORTED BY THE HOUSE COMMITTEE ON ARMED SERVICES ON MAY 4, 2016

	By fiscal year, in millions of dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016–2021	2016–2026
NET INCREASE OR DECREASE (−) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	−125	86	16	15	−6	−27	−36	−38	−43	−46	−15	−206

Source: Congressional Budget Office.

Intergovernmental and private-sector impact: H.R. 4909 contains intergovernmental and private-sector mandates as defined in UMRA. CBO estimates the costs of the intergovernmental mandates would not exceed the threshold established in UMRA ($77 million in 2016, adjusted annually for inflation). CBO estimates that the costs to the private sector of complying with the mandates in the bill would probably fall below the annual threshold established in UMRA for private-sector mandates ($154 million in 2016, adjusted annually for inflation).

Mandates that apply to both public and private entities

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 service members on active-duty by 1,900 relative to currently authorized levels. Those additional service members would be eligible for existing protections under the Service members Civil Relief Act (SCRA).

SCRA allows service members 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 charge no more than 6 percent interest rate on service members' loan obligations when the acquisition of such obligations predates active-duty service, and allows courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions. The act also precludes the use of a service member's personal assets to satisfy the member's trade or business liability while he or she is in military service.

The number of active-duty service members covered by SCRA would increase by less than 1 percent, CBO estimates. Service members' 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 many service members, the cost per person could be relatively small. On the other hand, other SCRA protections—such as precluding the use of a service member's personal assets to satisfy certain liabilities—could have large per-person costs in some instances. Because the increase in the number of active-duty service members covered by SCRA would be so small, on balance CBO expects that the increased costs for private-sector entities also would probably be small relative to the annual threshold for the private sector.

Notice of Construction Affecting National Security. Section 343 would impose a mandate on public and private entities seeking to build or modify structures, such as towers or landfills, near airports by requiring those entities to notify the FAA if construction would affect national security interests. Under current law, entities are required to provide such notices to protect public safety and preserve navigable airspace. Based on information about the current number of notices and the low cost of submitting the necessary form, CBO estimates that the costs of the mandate would be small.

Mandates and other effects on public entities only

Preemptions of State and Local Laws. The bill contains two preemptions of state and local authority. Because preemptions limit the authority of state and local governments, they are considered intergovernmental mandates under UMRA. However, CBO estimates that the preemptions would impose no duty that would result in additional spending or a loss of revenues by state, local, or tribal governments:

- Section 1642 would preempt state or local laws requiring disclosure of information to the public in cases where the Department of Defense has shared information concerning critical infrastructure with state or local governments and designated the information as sensitive; and
- Section 3609 would preempt state and local laws relating to ballast water and other discharges of vessels by establishing a national uniform standard and set of best management practices.

Other Effects on Public Entities. The bill would allow the Department of Defense to continue providing financial assistance to local educational agencies that benefit dependents of armed forces personnel and DOD civilian employees. It also would authorize senior military colleges to enter into partnerships with local educational agencies to develop cyber skills among local students. Any costs those agencies might incur would result from participation in a voluntary federal program.

The bill would benefit state, local, and tribal governments, as well as other public entities, in Alaska, California, Texas, Utah, and Washington by authorizing several land conveyances and exchanges between the federal government and those entities. Any costs to those entities resulting from such transactions would be incurred voluntarily.

Finally, Section 528 would expand the requirement to register for the Selective Service to include all female U.S. citizens between the ages of 18–26. Many states have enacted laws that support compliance with the federal registration requirement; for example, some states currently require male citizens to prove that they are registered for the Selective Service in order to be eligible for a driver's license. To the extent that states choose to support the expansion of the Selective Service to women by updating their own laws and regulations, they would incur additional administrative costs; however, those costs would be incurred voluntarily and would not stem from a mandate under UMRA.

Mandates that apply to private entities only

Selective Service Registration. Section 528 would require women between the ages of 18 and 26 to register with Selective Service. Enrollment, either online or by U.S. mail, is a quick process. Therefore, CBO estimates that the cost to the several million women that would be required to register annually would be small.

Eliminating a Right of Action Related to Activities on Federal Land. Section 3014 would impose a private-sector mandate by eliminating an individual's existing right to seek compensation from the federal government for damages occurring in the course of any authorized nondefense-related activity conducted on BLM land. Under current law private entities may seek compensation from the United States in a federal court for damages committed by persons acting on behalf of the United States. The cost of the mandate would be the forgone value of awards and settlements in such claims. Information from the Department of the Interior indicates that few, if any, of those types of claims related to activities on BLM land are brought against the United States. Because such claims would probably continue to be uncommon, CBO estimates that the cost of the mandate would be small.

Certification of Water Treatment Technology. Title XXXVI would prohibit manufacturers and importers of certain water treatment technology from selling such technology unless it has been certified by the U.S. Coast Guard or a foreign entity and deemed to meet equivalent levels of performance and safety. The cost of the mandate would be the cost of obtaining certification and any net loss of income from forgone sales. Under current law, manufacturers of water treatment technology already need to obtain Coast Guard certification. If the certification process under this bill is very similar to the certification process conducted under current law, the incremental cost of complying with the mandate would be small, but they could be higher. On balance, CBO expects the cost of the private-sector mandate would probably not be substantial relative to the annual threshold.

Increase in long-term direct spending and deficits: CBO estimates that enacting H.R. 4909 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

Estimate prepared by: Federal Costs: Defense Authorizations—Kent Christensen; Military and Civilian Personnel—Dawn Regan; Military Construction—David Newman; Military Health Care—Matthew Schmit; Military Retirement and Immigration—David Rafferty; Operation and Maintenance—William Ma; Procurement—Raymond J. Hall and David Newman; Selective Service—Justin Humphrey and Leah Koestner.

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Estimate approved by: H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

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