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112TH CONGRESS } HOUSE OF REPRESENTATIVES { REPT. 112–78
1st Session } { Part 2

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2012

MAY 23, 2011.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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

SUPPLEMENTAL REPORT

[To accompany H.R. 1540]

This supplemental report shows the cost estimate of the Congressional Budget Office with respect to the bill (H.R. 1540), as reported, which was not included in part 1 of the report submitted by the Committee on Armed Services on May 17, 2011 (H. Rept. 112–78, pt. 1).

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 20, 2011.

Hon. HOWARD P. "BUCK" MCKEON,
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. 1540, the National Defense Authorization Act for Fiscal Year 2012.

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

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

H.R. 1540—National Defense Authorization Act for Fiscal Year 2012

Summary: H.R. 1540 would authorize appropriations totaling $690 billion for fiscal year 2012 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 $119 billion for the cost of overseas contingency operations, pri-

marily in Iraq and Afghanistan. In addition, H.R. 1540 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 $679 billion over the 2012–2016 period.

The bill also contains provisions that would increase and decrease costs of discretionary defense programs in 2013 and future years. Those implicit authorizations would affect force structure, DoD compensation and benefits, DoD's use of multiyear procurement authority, and other programs and activities. CBO has estimated the costs of a select number of those authorizations and estimate they would raise costs by about $24 billion over the 2013–2016 period, assuming appropriation of the necessary amounts. Those amounts are not included in the totals in the previous paragraph because funding for these activities would be covered by specific authorizations in future years.

H.R. 1540 contains provisions that would increase and decrease components of direct spending. CBO estimates that, on net, those changes would decrease direct spending by $1 million over the 2012–2016 period and by $3 million over the 2012–2021 period. Enacting the bill would not affect revenues. Because enacting the legislation would affect direct spending, pay-as-you-go procedures apply.

H.R. 1540 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate costs of the intergovernmental mandates would fall well below the threshold established in UMRA ($71 million in 2011, adjusted annually for inflation). The bill contains no new private-sector mandates as defined in UMRA.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1540 is summarized in Table 1. Almost all of the $690 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: $129 million for the Maritime Administration (function 400 transportation); $68 million for the Armed Forces Retirement Home (function 600 income security); and $15 million for the Naval Petroleum Reserves (function 270—energy).

Basis of estimate: For this estimate, CBO assumes that H.R. 1540 will be enacted near the start of fiscal year 2012.

Spending subject to appropriation

The bill would specifically authorize appropriations for 2012 totaling $690 billion, or $15 billion less than the $705 billion appropriated for 2011. Of that amount, $571 billion would be for authorizations of regular appropriations—for "base budget" costs not directly related to overseas contingency operations—as follows: $553 billion for DoD and $18 billion for DOE and other programs (see Table 2).

Compared to the 2011 level of appropriations enacted for DoD's base budget, the $553 billion that would be authorized for 2012 represents an increase of $24 billion (5 percent). The categories of DoD funding that would receive increases are procurement at $12 billion (11 percent), operation and maintenance at $9 billion (5 percent), military personnel at $4 billion (3 percent), and research and

development at $1 billion (1 percent). Authorizations for military construction and family housing would be $2 billion (11 percent) less than the current-year appropriations for those activities.

For DOE and other programs, the $18 billion that would be authorized for 2012 represents a $2 billion (9 percent) increase over the level appropriated for 2011.

TABLE 1.—BUDGETARY IMPACT OF H.R. 1540, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2012

	By fiscal year, in millions of dollars—					
	2012	2013	2014	2015	2016	2012-2016
SPENDING SUBJECT TO APPROPRIATION						
Authorization of Regular Appropriations for 2012, Primarily for the Departments of Defense and Energy:						
Authorization Level	571,328	0	0	0	0	571,328
Estimated Outlays	362,274	129,681	45,993	17,066	6,790	561,804
Authorization of Appropriations for Overseas Contingency Operations:						
Authorization Level	118,940	0	0	0	0	118,940
Estimated Outlays	60,684	40,808	11,571	3,459	990	117,512
Total:						
Authorization Level	690,268	0	0	0	0	690,268
Estimated Outlays	422,958	170,489	57,564	20,525	7,780	679,316
CHANGES IN DIRECT SPENDING [a]						
Estimated Budget Authority	*	24	−25	*	−1	*
Estimated Outlays	*	20	−24	2	−1	−1

[a] In addition to the changes in direct spending shown above, H.R. 1540 would have effects beyond 2016. CBO estimates that over the 2012–2021 period, H.R. 1540 would decrease direct spending by $3 million (see Table 4).

Notes: The authorization levels in this table reflect amounts specifically authorized by the bill. The bill also implicitly authorizes some activities in 2013 and future years; those authorizations are not included above (but estimates for a select number of them 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 $500,000.

The $119 billion that would be authorized for 2012 overseas contingency operations—primarily for military operations in Iraq and Afghanistan—represents a decrease of about $40 billion (25 percent) compared to the $159 billion appropriated for 2011. That authorized level would be consistent with the Administration's budget request, which assumes a drawdown of all U.S. troops in Iraq by December 31, 2011, and a reduction of force levels in Afghanistan. Authorizations for all categories of contingency funding would be decreased—operation and maintenance by $20 billion (18 percent), procurement by $13 billion (46 percent), military personnel by $5 billion (31 percent), and the remaining categories by a total of $2 billion.

TABLE 2.—SPECIFIED AUTHORIZATIONS IN H.R. 1540

	By fiscal year, in millions of dollars—					
	2012	2013	2014	2015	2016	2012-2016
Authorization of Regular Appropriations:						
Department of Defense:						
Military Personnel: [a]						
Authorization Level	142,164	0	0	0	0	142,164
Estimated Outlays	134,767	6,950	171	37	0	141,925
Operation and Maintenance:						
Authorization Level	204,878	0	0	0	0	204,878
Estimated Outlays	147,097	43,808	8,366	2,148	738	202,157

TABLE 2.—SPECIFIED AUTHORIZATIONS IN H.R. 1540—Continued

	By fiscal year, in millions of dollars—					
	2012	2013	2014	2015	2016	2012-2016
Procurement:						
Authorization Level	112,940	0	0	0	0	112,940
Estimated Outlays	25,600	40,725	26,462	11,088	4,354	108,229
Research and Development:						
Authorization Level	75,580	0	0	0	0	75,580
Estimated Outlays	38,124	27,486	5,637	2,117	982	74,346
Military Construction and Family Housing:						
Authorization Level	14,766	0	0	0	0	14,766
Estimated Outlays	2,010	5,261	4,362	1,744	733	14,111
Revolving Funds:						
Authorization Level	2,703	0	0	0	0	2,703
Estimated Outlays	2,136	401	89	51	23	2,700
General Transfer Authority:						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	560	−120	−240	−120	−40	40
Subtotal, Department of Defense:						
Authorization Level	553,032	0	0	0	0	553,032
Estimated Outlays	350,294	124,511	44,847	17,066	6,790	543,508
Atomic Energy Defense Activities:						
Authorization Level [b]	18,085	0	0	0	0	18,085
Estimated Outlays	11,813	5,137	1,135	0	0	18,085
Other Programs:						
Authorization Level [c]	211	0	0	0	0	211
Estimated Outlays	167	33	11	0	0	211
Subtotal, Authorization of Regular Appropriations:						
Authorization Level	571,328	0	0	0	0	571,328
Estimated Outlays	362,274	129,681	45,993	17,076	6,790	561,804
Authorization of Appropriations for Overseas Contingency Operations:						
Military Personnel:						
Authorization Level [a]	11,229	0	0	0	0	11,229
Estimated Outlays	10,506	681	6	2	0	11,195
Operation and Maintenance:						
Authorization Level	91,861	0	0	0	0	91,861
Estimated Outlays	46,020	33,811	7,987	2,361	595	90,774
Procurement:						
Authorization Level	15,019	0	0	0	0	15,019
Estimated Outlays	3,656	6,060	3,512	1,087	396	14,711
Research and Development:						
Authorization Level	397	0	0	0	0	397
Estimated Outlays	199	147	31	9	4	390
Working Capital Funds:						
Authorization Level	435	0	0	0	0	435
Estimated Outlays	163	141	95	32	3	434
Special Transfer Authority:						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	140	−32	−60	−32	−8	8
Subtotal, Overseas Contingency Operations:						
Authorization Level	118,940	0	0	0	0	118,940
Estimated Outlays	60,684	40,808	11,571	3,459	990	117,512
Total Specified Authorizations:						
Authorization Level	690,268	0	0	0	0	690,268
Estimated Outlays	422,958	170,489	57,564	20,525	7,780	679,316

[a] The authorizations of appropriations in sections 421 and 1505 for military personnel include $10,733 million and $117 million, respectively, for accrual payments to the Medicare-Eligible Retiree Health Care Fund.

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

[c] This authorization is for the Maritime Administration ($128.7 million), the Armed Forces Retirement Home ($67.7 million), and the Naval Petroleum Reserves ($14.9 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 2012 by existing statues.

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 2013 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.

H.R. 1540 also contains provisions that would increase and decrease the cost of various defense discretionary programs in future years. Most of those provisions would affect end strength, military compensation and benefits, and acquisition programs using multiyear procurement authorities. The estimated costs of some select number 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 2012 and modifying the minimum end-strength levels authorized in permanent law.

Under title IV, the authorized end strengths in 2012 for active-duty personnel and personnel in the selected reserves would total 1,422,600 and 847,100, respectively. Of those selected reservists, about 78,500 would serve on active duty in support of the reserves. In total, active-duty end strength would decrease by 9,800 and selected-reserve end strength would increase by 900 when compared with levels authorized under current law for 2012.

Active-Duty End Strength. Section 401 would authorize 7,400 fewer active-duty personnel for the Army, 3,000 fewer active-duty personnel for the Navy, 600 additional active-duty personnel for the Air Force, and the same number of active-duty personnel for the Marine Corps, compared with end-strength levels for 2012 authorized under current law. CBO estimates that the net reduction in active-duty personnel of 9,800 servicemembers would decrease costs to DoD by $5.8 billion over the 2012–2016 period, assuming appropriations are reduced by the same amount. Those decreases reflect reductions in pay and benefits from fewer personnel, as well as reductions in costs for operation and maintenance.

TABLE 3.—ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS IN H.R. 1540

	By fiscal year, in millions of dollars—					
	2012	2013	2014	2015	2016	2012–2016
FORCE STRUCTURE						
Active-Duty End Strengths	−541	−1,152	−1,306	−1,401	−1,446	−5,846
Selected-Reserve End Strengths	−4	−9	−12	−15	−15	−55
Reserve Technicians End Strengths	7	15	15	16	16	69
Increase Strengths in Certain Grades	6	12	19	19	20	76
COMPENSATION AND BENEFITS (DOD)						
Expiring Bonuses and Allowances	1,569	747	308	309	146	3,079
TRICARE Prime Enrollment Fee	0	14	36	57	79	186
OTHER PROVISIONS						
Arleigh Burke Multiyear Procurement	2,230	3,687	3,588	3,487	2,910	15,902
H–60 Helicopter Multiyear Procurement	3,081	2,786	2,921	2,733	2,711	14,232
Incremental Funding for AEHF Satellites	475	636	623	568	534	2,836
Sexual Assault Response Personnel	26	49	75	78	81	309
Sexual Assault Prevention Training	20	17	15	15	15	82
Reimburse Red Cross	25	25	26	26	27	129
Access to Behavioral Health Services for Reserves	6	26	27	29	30	118

TABLE 3.—ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS IN H.R. 1540—Continued

	By fiscal year, in millions of dollars—					
	2012	2013	2014	2015	2016	2012–2016
Wounded Warrior Careers Program	10	12	12	13	13	60

Notes: Amounts shown in this table for 2012 are included in amounts specifically authorized to be appropriated by the bill, and therefore are reflected in Tables 1 and 2. Amounts shown in this table for 2013 through 2016 are not included in amounts specifically authorized in the bill but would be covered by specific authorizations in future years; those amounts therefore are not reflected in Tables 1 and 2.
Figures shown here may not add up to numbers in the text because of rounding; AEHF = Advanced Extremely High Frequency.

Selected-Reserve End Strength. 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, the Navy Reserve and the Air Force Reserve would experience increases in end strength of 700 and 200, respectively, while the other reserve components would maintain the levels already authorized for 2012. On net, the number of full-time reservists who serve on active duty in support of the reserves would decline by almost 400 compared with authorized end-strength levels for 2012. CBO estimates that the net result of implementing those provisions would be a decrease in costs for salaries and expenses for selected reservists of $55 million over the 2012–2016 period, assuming appropriations are reduced by the same amount.

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 about 170 relative to the levels currently authorized. CBO estimates the costs for civilian salaries and expenses that would result from those additional military technicians would total $69 million over the 2012–2016 period.

Coast Guard Reserve End Strengths. The bill also would authorize an end-strength level of 10,000 servicemembers in 2012 for the Coast Guard Reserve. Because this authorization is the same as under current law, CBO does not estimate any increase or decrease in costs for this provision.

Increase Strengths in Certain Grades. Section 501 would increase the authorized strengths for active-duty officers in the Marine Corps who are in the grades of major, lieutenant colonel, and colonel. By increasing the ceiling on the number of officers in those grades, this provision would allow DoD to redistribute officers among certain grades, and thus increase the average grade of officers in the Marine Corps. Based on information from DoD, CBO estimates that, under section 501, about 250 additional officers would be assigned to those grades in 2012 and that the number would grow to about 750 a year starting in 2014. Because those officers would receive higher pay and benefits (about $25,000 a year on average) than they otherwise would have, CBO estimates that implementing section 501 would cost $76 million over the 2012–2016 period.

Compensation and Benefits. H.R. 1540 contains several provisions that would affect compensation and benefits for uniformed personnel. The bill would specifically authorize regular appropriations of $142.2 billion for the costs of military pay and allowances

in 2012. For related costs resulting from overseas contingency operations (primarily in Iraq and Afghanistan), the bill would authorize the appropriation of an additional $11.2 billion for 2012.

Pay Raises. Section 601 would raise basic pay for all individuals in the uniformed services by 1.6 percent, effective January 1, 2012. CBO estimates that the total cost of a 1.6 percent military pay raise would be $1.2 billion in 2012. Because this 1.6 percent pay raise is the same as authorized under current law, CBO does not estimate any additional costs for this provision.

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. The authority to enter into such agreements is currently scheduled to expire on December 31, 2011. Some bonuses are paid in 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 2012, CBO estimates that extending that authority for one year would cost $3.1 billion over the 2012–2016 period.

TRICARE Prime Enrollment Fee. Section 701 would limit future increases in TRICARE Prime enrollment fees for military retirees and their dependents to the annual cost-of-living adjustment (COLA) for military retirement annuities.[1] The change would take effect beginning in 2013. DoD currently plans to index future increases in those enrollment fees to the per capita growth rate in national health expenditures as published by the Centers for Medicare and Medicaid Services; that growth rate is currently projected to be about 5 percent to 6 percent per year over the next decade. In contrast, CBO estimates that annual increases in the military retirement COLA (which are based on the consumer price index for urban wage earners and clerical workers) will average about 2 percent over that same period. Therefore, indexing the enrollment fees to the military retirement COLA would require DoD to subsidize a larger portion of health spending for military retirees than they would under current law.

Currently, about 700,000 military retiree households are enrolled in TRICARE Prime, covering about 1.6 million beneficiaries. CBO expects that the TRICARE Prime enrollment fees in 2012 will be $260 for those who enroll as individuals and $520 for those who enroll their families. CBO estimates that limiting future growth in the enrollment fees to the military retirement COLA would cost $186 million over the 2013–2016 period. In addition, this change would increase mandatory health spending for certain retirees of the Coast Guard and other uniformed services. (Our estimate of those costs is discussed in the "Direct Spending" section of the estimate.)

Other Provisions. Various other provisions would affect the cost of discretionary programs over the 2012–2016 period, CBO estimates.

Multiyear Procurement. This bill would authorize multiyear procurement contracts for Arleigh Burke-class destroyers for the Navy, and H–60 helicopters for the Army and the Navy.

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[1] The military's health care program, TRICARE, comprises nine health plans that cover uniformed servicemembers, retirees, and their dependents in the United States and abroad. One of the most commonly used plans is TRICARE Prime—a managed care option.

Multiyear procurement is a special contracting method authorized in current law (title 10, United States Code, section 2306b), which 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. Additional legislative authorization is required for multiyear contracts costing more than $500 million.

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.

Section 122 would authorize the Navy to enter a multiyear contract for Arleigh Burke-class destroyers beginning in fiscal year 2012. Based on information from the Navy, CBO estimates that the Navy would use that multiyear contract authority to purchase eight ships over the 2012–2016 period at a cost of $15.9 billion.

Section 113 would authorize the Army and the Navy to enter a multiyear procurement contract for H–60 helicopters over the 2012–2016 period. Section 123 would further authorize the Navy to enter a separate multiyear contract for specialized electronics and equipment for its two versions of that aircraft. Planned purchases under those contracts would total 356 aircraft for the Army and 202 aircraft and associated equipment for the Navy, at a cost of $14.2 billion.

Multiyear contracts frequently include provisions that require DoD to pay for unrecovered fixed costs in the event that the contract is canceled before completion. In practice, DoD does not budget for, obtain, or obligate funds sufficient to pay for those contractual commitments at the time they are incurred. Thus, should the contracts be cancelled at the end of the first year, DoD could owe the contractors for unrecovered fixed costs; however, the department has not requested budget authority for that amount. The amount of cancellation liability would decline in subsequent years, as increasing portions of the fixed costs were covered by annual contract payments, falling to zero in the final year of the contract.

CBO believes that the full cost of such liabilities should be recorded in the budget at the time they are incurred. The failure to request funding for cancellation liabilities may distort the resource allocation process by understating the cost of decisions made today and possibly requiring a future Congress to pay for those decisions.

Incremental Funding for AEHF Satellites. H.R. 1540 would authorize incremental funding for Advanced Extremely High Frequency (AEHF) satellites for the Air Force. Incremental funding allows the services to request budget authority for expensive programs, such as ships and complex satellites, over several years. Under current policy the services must request all the funding needed to build weapon systems in the year those systems are authorized. Although the use of incremental funding allows the services to allocate resources to more programs in a given year, it can mask the full cost of expensive programs.

Section 132 would authorize the Secretary of the Air Force to enter into a fixed-price contract using incremental funding to buy two AEHF satellites. That authority would allow the Secretary to request budget authority for those satellites on an annual basis over a five-year period. Any contract entered into by the Air Force would have to provide that any obligation by the U.S. government to make payments under the terms of the contract is subject to the availability of appropriations for that purpose. CBO estimates that buying two AEHF satellites would require discretionary appropriations of $2.8 billion over the 2012–2016 period.

Sexual Assault Response Personnel. Section 582 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. 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 assuming that the provision would only apply to the active components of DoD, CBO estimates that implementing this provision would require approximately 650 additional civilian personnel. About 550 of those new personnel would be trained SARCs or victim advocates, while about 100 would be support personnel. Assuming that the additional personnel would be hired over the 2012–2013 period and the provision is fully implemented by the beginning of 2014, CBO estimates that the provision would require appropriations of $309 million over the 2012–2016 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.

Sexual Assault Prevention Training. Section 587 would require that the secretaries of the military departments develop curricula to provide training on preventing and responding to sexual assault to members of the armed forces. Based on DoD's experience with previous curricula, CBO estimates that developing new training materials would cost approximately $10 million over the 2012–2013 period. In addition, the section would require that the existing education system for military professionals have an increased emphasis on training to prevent sexual assault. CBO expects that DoD would use training modules similar to the "Bystander Intervention" modules currently used by the Navy and the Air Force to provide the additional training. Development and military-wide presentation of those training modules would cost roughly $72 million over the 2012–2016 period. Therefore, CBO estimates that implementing this provision would require appropriations of $82 million over the 2012–2016 period.

Reimburse Red Cross. Section 661 would authorize DoD to reimburse the American National Red Cross for humanitarian support and other services provided to servicemembers and their families. Based on information from DoD, CBO estimates that reimbursing the Red Cross for those services would cost $129 million over the 2012–2016 period.

Access to Behavioral Health Services for Reserves. Section 703 would require DoD to provide reserve members with access to behavioral health professionals during training exercises and other

unit assemblies. CBO based its estimate of this provision's costs on pilot programs providing such care to the California and Montana National Guards. For those programs, guard units contracted with behavioral health professionals to be available during drill weekends. Based on information from DoD, CBO estimates that the Montana and California programs combined cost about $1 million per year and covered about 25,000 reserve members. After scaling those costs upward to cover the roughly 700,000 drilling members of the selected reserve and adjusting for inflation, CBO estimates this provision would require appropriations of almost $30 million per year when fully implemented. Costs would be lower in the first year because of the time needed to establish regulations and set up the required programs. In total, CBO estimates that implementing section 703 would cost $118 million over the 2012–2016 period.

Wounded Warrior Careers Program. Section 594 would direct the Secretary of Defense to implement a program to provide career-development services to both current and former members of the military who were wounded in the line of duty. The program would provide a range of services including testing and assistance in developing career plans, preparing resumes, and improving skills. Those services would be provided at as many as 20 locations in geographic areas with the largest concentrations of wounded former and current servicemembers.

Based on information from DoD's Office of Wounded Warrior Care and Transition Policy and the National Organization on Disability, CBO estimates that implementing this provision would cost $60 million over the 2012–2016 period, assuming that the program opens and maintains 20 locations in the United States for most of that period.

Direct spending

Several provisions in H.R. 1540 would affect direct spending. CBO estimates that, on net, those provisions would decrease direct spending outlays by $3 million over the 2012–2021 period (see Table 4).

Special Survivor Allowance. Recipients of Survivor Benefit Plan (SBP) payments who have their annuities reduced by the amount of Dependency and Indemnity Compensation they receive from the Department of Veterans Affairs are entitled to a monthly payment from DoD. The amount of that monthly allowance is $70 in 2011, and will increase each year until it reaches $310 per month in 2017, at which point the allowance is scheduled to terminate. Section 651 would increase the allowance to $163 per month beginning in 2013 and then increase it further until it reaches $314 in 2017. This section would authorize payment of the allowance over the 2018–2021 period, although the monthly payments in those years would be less than the amounts payable in 2017. Based on data from DoD's Office of the Actuary, CBO estimates that more than 55,000 survivors would receive the enhanced allowance under this section, which would increase direct spending for military retirement benefits by $149 million over the 2013–2021 period.

TABLE 4.—ESTIMATED IMPACT OF H.R. 1540 ON DIRECT SPENDING

	By fiscal year, in millions of dollars—											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Special Survivor Allowance:												
Estimated Budget Authority	0	49	34	10	5	3	6	11	14	20	98	152
Estimated Outlays	0	45	35	12	5	3	6	10	14	19	97	149
Stockpile Sales:												
Estimated Budget Authority	0	−25	−60	−10	−5	0	0	0	0	0	−100	−100
Estimated Outlays	0	−25	−60	−10	−5	0	0	0	0	0	−100	−100
Uniformed Services Family Health Plan:												
Estimated Budget Authority	0	*	*	−1	−3	−5	−9	−14	−19	−25	−4	−76
Estimated Outlays	0	*	*	−1	−3	−5	−9	−14	−19	−25	−4	−76
TRICARE Prime Enrollment Fee:												
Estimated Budget Authority	0	*	1	1	2	2	3	3	4	5	4	21
Estimated Outlays	0	*	1	1	2	2	3	3	4	5	4	21
Retirement of Military Technicians												
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	1	2
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	1	2
Waive Repayment of VSIP:												
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	1	1
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	1	1
Total Changes in Direct Spending:												
Estimated Budget Authority	*	24	−25	*	−1	*	*	*	−1	*	*	*
Estimated Outlays	*	20	−24	2	−1	*	*	−1	−1	−1	−1	−3

Notes: Numbers may not add up to totals because of rounding.
VSIP = Voluntary Separation Incentive Payments; * = between −$500,000 and $500,000.

Stockpile Sales. Enacting the bill would lead to increased receipts from additional sales of material in the National Defense Stockpile. Section 1412 would increase by $100 million the target contained in the Ike Skelton National Defense Authorization Act for Fiscal Year 2000 (Public Law 106–65, as most recently amended by Public Law 111–383, the National Defense Authorization Act for Fiscal Year 2011); it also would extend the sales of chromium from the National Defense Stockpile through 2016. Those changes would increase receipts by $100 million over the 2013–2016 period. Such receipts are a credit against direct spending.

Uniformed Services Family Health Plan. Section 704 would close enrollment in the Uniformed Services Family Health Plan (USFHP) to Medicare-eligible beneficiaries of the military health system. Those currently enrolled in USFHP would be allowed to remain in the program for as long as they wish. However, anyone who enrolled after the end of fiscal year 2012 would be forced to leave USFHP once they reach the age of 65. At that point, such individuals would move to the regular Medicare/TRICARE-for-Life benefit.[2] Based on information from DoD regarding the process used to determine the payment rates for the USFHP programs, CBO believes that USFHP costs the government more than it would cost to provide that care through the regular Medicare/TRICARE-for-Life programs. Therefore, limiting enrollment in USFHP would result in a net savings to the federal government, which CBO estimates would total about $76 million over the 2013–2021 period.[3]

TRICARE Prime Enrollment Fee. Section 701 would index future increases in the TRICARE Prime enrollment fees for military retirees and their dependents to the annual cost-of-living adjustment for military retirement annuities. The change would take effect beginning in 2013. Of the roughly 700,000 military retiree households enrolled in TRICARE Prime, CBO estimates that about 2.5 percent are former uniformed members of the Coast Guard, the National Oceanic and Atmospheric Administration (NOAA), and the Public Health Service (PHS). Health spending for those individuals is funded by mandatory appropriations. As explained above in the section on "Spending Subject to Appropriation," CBO estimates that indexing the Prime enrollment fees to the military retirement COLA would cause those fees to grow at rates slower than they would have under current law. As a result, the Uniformed Services would need to provide a larger subsidy for the TRICARE Prime health benefit. CBO estimates that indexing the Prime enrollment fees to the military retirement COLA would require an increase in

[2] When a beneficiary of the military health system becomes eligible for Medicare, they usually move to the TRICARE-for-Life program. Under TRICARE-for-Life, Medicare acts as the first payer and TRICARE provides secondary wrap-around coverage for almost all remaining out-of-pocket costs. There are no fees to enroll in TRICARE-for-Life, but beneficiaries are required to enroll in and pay premiums for Medicare Part B. The military health system also includes the Uniformed Services Family Health Plan, which is an association of six nonprofit health maintenance organizations that have agreements with DoD to provide health care to beneficiaries in certain areas. Beneficiaries who live in one of those areas can forgo participation in one of the regular TRICARE plans and instead enroll in USFHP.

[3] For additional details see Congressional Budget Office, Letter to the Honorable Joe Wilson on the Proposal to Place Certain Limitations on Enrollment in the Uniformed Services Family Health Plan (April 29, 2011), *http://www.cbo.gov/ftpdocs/121xx/doc12170/USFHPletter.pdf*. CBO estimated an earlier version of this proposal would reduce direct spending by $104 million over the 2012–2021 period. That earlier version would apply to those who enroll in USFHP after 2011, whereas section 704 would apply to those who first enroll after 2012; as a result, the savings in the initial 10-year window would be less.

mandatory appropriations to the Coast Guard, NOAA, and PHS of $21 million over the 2013–2021 period.

In addition, this change would increase spending subject to appropriations for military retirees of the Department of Defense, which is discussed above in the section on "Spending Subject to Appropriation."

Retirement of Military Technicians. Section 513 would allow the Secretaries of the Army and the Air Force to decline a request by a dual-status technician to remain in the reserves beyond the maximum years-of-service limit for officers in their grade, usually at age 55. Dual-status military technicians are civilian employees of DoD who are required to hold concurrent positions in the reserves. Under current law, the Secretaries of the Army and Air Force must allow technicians to remain in the reserves so that they may continue in their civil service positions until they reach age 60. Under this section, some technicians would be forced to retire from their civilian position earlier than they otherwise would have, increasing direct spending for civil service retirement and health care. (Because military retirement benefits for reservists do not begin until they reach age 60, there would not be a similar reduction in spending for military retirements.) CBO estimates that this section would result in a net increase in direct spending for civil service retirement annuities and health care benefits of $2 million over the 2012–2021 period.

Waive Repayment of Voluntary Separation Incentive Payments. Section 1109 would authorize the Secretary of Defense to waive the requirement for repayment of voluntary separation incentive pay (VSIP) received by certain DoD civilian employees who, after separating from DoD under the VSIP program, were later rehired as DoD civilian employees. Based on information from DoD, CBO estimates that about 40 civilian employees who owe $25,000 each on average, would have their debt forgiven under this section. Because those repayments would go to the Treasury, waiving repayment would reduce offsetting receipts. CBO estimates that such reductions would increase direct spending by $1 million over the 2012–2021 period.

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 the following table.

CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 1540 AS REPORTED BY THE HOUSE COMMITTEE ON ARMED SERVICES ON MAY 17, 2011

	By fiscal year, in millions of dollars—												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011–2016	2011–2021
NET INCREASE OR DECREASE (−) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	20	−24	2	−1	0	0	−1	−1	−1	−1	−3

Note: Numbers do not sum to totals because of rounding.

Intergovernmental and private-sector impact: Section 573 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. That preemption would be an intergovernmental mandate as defined in UMRA. Because the preemption would simply limit the application of state laws, CBO estimates that it would not impose significant costs on intergovernmental entities.

The bill contains no new private-sector mandates as defined in UMRA.

Previous CBO estimates: On April 29, 2011, CBO transmitted a letter to the Honorable Joe Wilson on the Proposal to Place Certain Limitations on Enrollment in the Uniformed Services Family Health Plan. CBO estimated that proposal, which is similar to section 704 of H.R. 1540, would reduce direct spending by $104 million over the 2012–2021 period. The difference in the estimated costs between the two proposals reflects different effective dates.

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; Procurement of Ships and Satellites; Stockpile Sales—Raymond J. Hall; Impact on State, Local, and Tribal Governments: J'nell Blanco; Impact on the Private Sector: Elizabeth Bass.

Estimate approved by: Theresa Gullo, Deputy Assistant Director for Budget Analysis.

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