CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

October 26, 2000

H.R. 4205

An act to authorize appropriations for fiscal year 2001 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes

As cleared by the Congress on October 12, 2000

SUMMARY

H.R. 4205 would authorize numerous provisions that would affect direct spending, including provisions affecting health care for certain retirees of the uniformed services, occupational illness compensation for some current and former Department of Energy (DOE) employees and uranium workers, compensation for certain disabled retirees, and education benefits for certain servicemembers. In total, CBO estimates that these and other provisions would increase direct spending by $62 billion over the 2001-2010 period. The act also would allow the Department of Defense (DoD) to increase sales from the strategic stockpile. These asset sales would raise offsetting receipts by $0.2 billion over the next 10 years. Furthermore, the act would make servicemembers eligible for the Thrift Savings Plan, which would reduce governmental receipts (i.e., revenues) by $1.1 billion over that same period.

CBO's estimate of H.R. 4205's pay-as-you-go effects is summarized in Table 1. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

TABLE 1. SUMMARY OF H.R. 4205's EFFECTS ON DIRECT SPENDING AND GOVERNMENTAL RECEIPTS

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	-22	313	6,089	6,512	6,933	7,377	7,822	8,339	8,886	9,507
Changes in receipts	0	-47	-76	-99	-120	-132	-142	-151	-159	-168

ESTIMATED COST TO THE FEDERAL GOVERNMENT

H.R. 4205, as cleared by the Congress, would enact H.R. 5408, the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001. In the following discussion, section numbers refer to sections of H.R. 5408.

Table 2 displays the budgetary effects of the provisions that would affect direct spending, asset sales, and revenues. The budgetary impact of the act falls under budget functions 050 (national defense), 270 (energy), 300 (natural resources and environment), 400 (transportation), 550 (health), 570 (medicare), 600 (income security), 700 (veterans benefits and services), and 800 (general government).

BASIS OF ESTIMATE

H.R. 4205's pay-as-you-go effects include both increases and decreases in outlays from direct spending, including asset sale receipts that would count for pay-as-you-go purposes. The act also contains one provision that would decrease federal revenues. On balance, CBO estimates that enacting H.R. 4205 would increase the surplus by $22 million in 2001, but reduce the surplus in every subsequent year, for a total pay-as-you-go cost of $20 billion over the 2001-2005 period, and a total cost of about $63 billion over the 2001-2010 period.

Direct Spending

CBO estimates that enacting H.R. 4205 would increase direct spending by $11 million in 2001, $20 billion over the 2001-2005 period, and $62 billion over the 2001-2010 period—excluding the asset sale receipts that would accrue under the act. (Asset sales are discussed in the following section.)

New Health Care Trust Fund. Sections 711, 712, and 713 would increase health care benefits for retired members of the uniformed services who have reached the age of 65, as well as their survivors and dependents. As shown in Table 3, CBO estimates that these provisions would increase direct spending by $23 million in 2001 and about $60 billion over the 2001-2010 period.

Under current law, beneficiaries age 65 and over are not eligible to use Tricare, DoD's insurance program, though they can receive health care at military treatment facilities (MTFs) on a space-available basis. The act would allow these older beneficiaries to use Tricare and would provide permanent funding to cover the costs of their care.

TABLE 2. BUDGETARY IMPACT OF H.R. 4205 ON DIRECT SPENDING, ASSET SALES, AND REVENUES

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CHANGES IN DIRECT SPENDING (OUTLAYS)										
New Health Care Trust Fund	23	150	5,703	6,183	6,679	7,159	7,662	8,182	8,753	9,383
Energy Employees Compensation										
DOE Workers' Benefits	0	152	262	218	162	141	84	89	78	85
Uranium Workers' Benefits	0	102	135	82	52	41	81	40	40	32
Medicare Payments	0	-11	-16	-21	-25	-26	-29	-31	-34	-35
Disability Retirees	0	25	25	25	25	25	25	25	25	25
MGIB Enrollment	-20	-30	6	31	44	38	35	27	14	5
Lease Payments	1	2	4	5	6	6	6	6	7	7
Retirement of Reserve Technicians	-2	-3	-5	-5	-5	-4	-4	-3	-2	-1
Property Transactions	3	3	3	3	3	3	3	3	3	3
Entitlement to Separation Pay	0	0	0	1	2	3	4	5	6	7
Supplemental Allowance	-2	-5	-5	-5	-5	-4	0	0	0	0
Utility Reimbursements	a	1	1	1	1	1	1	1	1	1
Funding for WWII Memorial	3	3	0	0	0	0	0	0	0	0
VSI/Early Retirement	4	8	a	-1	-1	-1	-1	-1	-1	-1
Federal Judges	1	a	a	a	a	a	a	a	a	a
Subtotal	11	397	6,113	6,517	6,938	7,382	7,827	8,343	8,890	9,511
NONROUTINE ASSET SALES [b] (OUTLAYS)										
National Defense Stockpile	-30	-80	-20	0	0	0	0	0	0	0
Titanium Sales	-3	-4	-4	-5	-5	-5	-5	-4	-4	-4
Subtotal	-33	-84	-24	-5	-5	-5	-5	-4	-4	-4
CHANGES IN REVENUES										
Thrift Savings Plan	0	-47	-76	-99	-120	-132	-142	-151	-159	-168
TOTAL CHANGES [c]										
Net Increase or Decrease (-) in the Surplus	22	-360	-6,165	-6,611	-7,053	-7,509	-7,964	-8,490	-9,045	-9,675

NOTE: MGIB = Montgomery GI Bill
VSI = Voluntary Separation Incentives

a. Costs or savings of less than $500,000.

b. Under the Balanced Budget Act of 1997, proceeds from a nonroutine asset sale may be counted for purposes of pay-as-you-go scoring only if the sale would entail no net financial cost to the government. CBO estimates that the nonroutine asset sales that result from H.R. 4205 would generate a net savings to the government and therefore that the proceeds count for pay-as-you-go purposes.

c. For purposes of enforcing pay-as-you-go scoring, only the effects in the budget year and succeeding four years are counted.

TABLE 3. ESTIMATED COST OF HEALTH BENEFITS FOR MILITARY RETIREES AGE 65 AND OLDER[a]

	By Fiscal Year, Outlays in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CHANGES IN DIRECT SPENDING										
Tricare Costs	0	0	3,160	3,428	3,700	3,971	4,248	4,535	4,848	5,194
MTF Costs	0	0	2,039	2,209	2,386	2,561	2,744	2,932	3,142	3,373
Increased MTF Costs	0	0	204	221	239	256	274	293	314	337
Retirees of Other Uniformed Services	3	26	48	52	56	60	64	68	72	77
Increased Medicare Use	0	116	252	273	298	311	332	354	377	402
Medicare Subvention	20	8	0	0	0	0	0	0	0	0
Total	23	150	5,703	6,183	6,679	7,159	7,662	8,182	8,753	9,383

a. Benefits also would be provided to certain retirees from the Coast Guard, the Public Health Service, and the National Oceanic and Atmospheric Administration.

Section 711 would allow beneficiaries to use the Tricare prescription drug benefit beginning on April 1, 2001. Section 712 would allow beneficiaries to use Tricare insurance as a supplement to Medicare after they turn 65. It would also extend the Medicare subvention program for one year. A new trust fund, established in section 713, would pay for these new benefits as well as all current benefits provided at MTFs. Payments from the trust fund would be direct spending. The costs associated with these provisions are discussed below.

Tricare for beneficiaries age 65 and over. CBO estimates that providing Tricare insurance would increase direct spending by $3.2 billion in 2003 and by $33 billion over the 2003-2010 period. Since the trust fund would not begin operation until 2003, Tricare costs prior to that year would be subject to appropriation.

According to data from DoD, more than 1.5 million beneficiaries, including retirees and dependents, are age 65 or older. While many beneficiaries currently receive some or all of their care from MTFs, DoD estimates that this is equivalent to about 350,000 full-time users. The remaining 1.2 million are thus considered non-users for estimation purposes. The act would allow beneficiaries to use Tricare as a Medicare supplement with no enrollment cost or fee. Because this insurance would not cost beneficiaries any out-of-pocket premiums, CBO estimates that about 90 percent of non-users would use Tricare. In 2003 when the trust fund begins operation, CBO estimates that providing this insurance coverage would cost about $3,000 per person.

MTF costs. Under current law, funding to cover the cost of care provided at MTFs is subject to annual appropriation. Under the act, care for beneficiaries age 65 and over would become an entitlement beginning in 2003. CBO estimates that this would increase direct spending by $21.4 billion over the 2003-2010 period.

Increased MTF costs. The act would increase MTF spending on beneficiaries age 65 and over above the amounts DoD currently spends. This increase in spending would occur because DoD would no longer face any budgetary pressure on providing benefits and would thus provide a richer benefit to beneficiaries age 65 and over when treating them at MTFs. CBO estimates that this would increase direct spending by about $200 million in 2003 and by $2.1 billion over the 2003-2010 period.

Retirees of the other uniformed services. Opening Tricare to beneficiaries age 65 and over also would affect retired members of the Coast Guard and retired uniformed members of the Public Health Service and the National Oceanic and Atmospheric Administration (NOAA). Health care spending for these retirees is currently considered direct spending. CBO estimates that providing these benefits to retirees of the Coast Guard, Public Health Service, and NOAA would raise direct spending by $3 million in 2001 and by $526 million over the 2001-2010 period.

Increased Medicare use. Allowing beneficiaries the opportunity to use Tricare insurance also would increase costs to the Medicare program. This increase would stem from increased use of health care by those individuals for whom Tricare provides better insurance than they currently receive. CBO estimates that this act would increase Medicare costs by $116 million in 2002 and by $2.7 billion over the 2002-2010 period. Medicare costs would first occur in 2002 when beneficiaries would become eligible to use Tricare as a Medicare supplement.

Retirees enrolled in Medicare who do not have a medigap plan or employer-sponsored insurance would likely increase their use of health care, once they receive supplemental insurance. CBO estimates that this group makes up roughly 13 percent of beneficiaries who are over the age of 64 and who do not currently use MTFs for their medical care. The estimate is based on the *1997 Health Care Survey of DoD Beneficiaries*, which provides self-reported data on private insurance coverage. Although Medicare is currently the primary payer for these people, it would have to pay more because better insurance encourages more use of health care services. Using data from published research, CBO estimates that Medicare costs for these individuals would rise by about 25 percent as they gain better coverage.

Medicare subvention. Extending the Medicare subvention demonstration project in any form would increase costs to the Medicare program. Section 712 would extend Medicare subvention by one year and CBO estimates that would cost a total of $28 million.

In the current subvention demonstration project, enrolled retirees use substantially more care than civilian retirees enrolled in Medicare managed care plans. Because those enrollees have a high priority for care in MTFs, Medicare-eligible beneficiaries who now receive space-available care at MTFs and choose not to enroll in the subvention program would not be able to use the MTFs as frequently as they otherwise would. Instead, they would obtain more of their care in the private sector, thus raising costs for the Medicare program because Medicare would be paying for some services that would otherwise be provided at MTFs.

Accrual payments. The Congress would recognize the new trust fund's accruing liabilities by providing annual appropriations that would be paid into the fund. But because the act would provide benefits for which no accrual payments have been made, it would create an unfunded liability. Although the true amount is not yet known, CBO estimates that the unfunded liability would be in excess of $100 billion. Under the act, the Treasury would make annual payments to cover the unfunded liability, but those intragovernmental transactions, which would be classified as mandatory spending, would have no net budgetary impact.

Energy Employees Compensation. Title XXXVI, the Energy Employees Occupational Illness Compensation Program Act of 2000, would provide benefits to federal employees and contractors who worked or continue to work for the Department of Energy and its predecessor agencies, including the Atomic Energy Commission and the Manhattan Engineering District. The act would allow workers to collect a lump-sum payment of $150,000 in addition to medical benefits if they develop chronic beryllium disease, cancer, or chronic silicosis because of exposure on the job to beryllium, radiation, or silica. Workers who develop beryllium sensitivity would receive medical benefits, but would not be eligible for a lump-sum payment. Uranium workers who already received compensation under the Radiation Exposure Compensation Act (RECA) would be eligible to receive additional compensation that would bring them to parity with DOE workers who would receive compensation under this act.

CBO estimates that enacting this title would increase direct spending by about $240 million in 2002 and $1.6 billion over the 2002-2010 period. Total lump-sum awards for DOE and uranium workers covered by this title would cost $230 million in 2002 and $1.3 billion over the 2002-2010 period. The additional medical costs for these workers, including savings to Medicare, would total $10 million in 2002 and $300 million over the 2002-2010 period. CBO does not estimate any costs in 2001 because the act would not take effect until July 31, 2001, and time would be needed to set up the new trust fund.

Lump-sum compensation. CBO estimates that about 6,400 DOE workers and their survivors would collect $150,000 each in lump-sum awards—or about $960 million total—over the 2002-2010 period. An estimated 525 beneficiaries would qualify under the provisions relating to chronic beryllium disease, 460 under the provisions relating to radiogenic cancer, 4,640 under the special exposure cohort provisions, and 800 because of the development of silicosis. CBO based its caseload estimates on information from DOE.

Additionally, about 7,000 uranium workers or their surviving relatives, who are receiving (or have received) $100,000 under RECA, would receive an additional $50,000 lump-sum award from the new trust fund at an additional cost of about $350 million over the 2002-2010 period. Although CBO estimates no costs for these claimants in 2001 because of lags in implementation, costs in 2002 and 2003 would be relatively large because the RECA trust fund has been approving claims since 1991, and these claimants will immediately be entitled to the additional benefits provided in this act. CBO based its caseload estimate of uranium workers on information from the Department of Justice (DOJ).

Medical costs. After analyzing data on treatment costs for the various illnesses workers are likely to suffer as a result of radiation exposure, CBO expects that annual medical costs would range from $1,500 for low-cost cancer patients up to $125,000 for aggressive treatments of cancer (in 2000 dollars). In addition, CBO estimates that the annual costs to cancer patients in their last year of life averages $63,000. Medical costs for chronic beryllium disease, beryllium sensitivity, and silicosis would range from $3,000 to $10,000 annually. CBO estimates the gross costs of providing medical care to DOE workers to be about $14 million in 2002 and $310 million over the 2002-2010 period. However, CBO also estimates that there will be about $110 million in savings to Medicare because a portion of the medical costs previously paid by Medicare will now be paid by the new trust fund. Thus, the net costs to the federal government would be $200 million over the 2002-2010 period.

Additionally, about 3,000 former uranium miners who qualify for benefits under RECA would receive medical benefits from the new trust fund. CBO estimates the total cost of medical benefits for this group to be about $10 million in 2002 and $210 million over the 2002-2010 period. However, after including $110 million in estimated Medicare savings, the net change in spending would be $100 million over that period. The estimated savings to Medicare is greater as a percentage for uranium workers than for DOE workers because the expected caseload includes a higher percentage of diseases that are Medicare-eligible. Including both DOE and uranium workers, CBO estimates the total cost of medical benefits to be about $24 million in 2002 and $520 million over the 2002-2010 period. After subtracting the $220 million in savings to Medicare, direct spending would increase by $10 million in 2002 and $300 million over the same period.

Compensation for Disability Retirees. Under current law, disabled veterans who are retired from the military, the Coast Guard, the Public Health Service (PHS), or NOAA cannot receive both full retirement annuities and disability compensation from the Department of Veterans Affairs. Such veterans usually forgo a portion of their retirement annuity equal to the nontaxable veterans' benefit. The National Defense Authorization Act for Fiscal Year 2000[1] allows retirees to receive additional payments if they receive nondisability annuities, completed at least 20 years of service, and have service-connected disabilities rated as 70 percent or greater within four years of their retirement. Section 657 would allow similarly qualified veterans who receive a disability annuity to receive these additional payments.

The potential costs depend on the number of beneficiaries, their disability levels, and the benefit amounts. CBO estimates that about 8,000 retirees currently meet the criteria under the act, assuming that 80 percent of the estimated 10,000 retirees who meet the other criteria had their disability rated as at least 70 percent within four years of retirement. Nearly all beneficiaries would be military retirees, but about 100 retired members of the Coast Guard, NOAA, and PHS also would be eligible for payments.

CBO projects the potential caseload for future years using expected mortality rates and expected rates of growth in the population of new beneficiaries. On this basis, we expect that the number of beneficiaries would change only slightly over the next several years.

CBO estimated the distribution of those beneficiaries among disability levels using data from the Defense Financing and Accounting Service. According to information from the Department of Veterans Affairs, veterans with disabilities rated 70 percent or greater generally receive that rating soon after leaving military service. Veterans with service-connected disabilities may have their ratings reevaluated over time, but those veterans whose ratings are increased usually have low-rated disabilities. Also, veterans with psychiatric disabilities may have highly rated disabilities, but most reevaluations of their disabilities lead to reductions rather than increases.

1. See section 658 of Public Law 106-65.

The act would define the additional benefit as follows:

- $300 per month for a retiree whose disability is rated as total,
- $200 per month for a retiree whose disability is rated as 90 percent, and
- $100 per month for a retiree whose disability is rated as 70 percent or 80 percent.

Section 657 would take effect October 1, 2001. CBO estimates that the provision would cost about $230 million over the 2002-2010 period.

Montgomery GI Bill (MGIB) Enrollment. Section 1601 would give certain individuals the opportunity to enroll in MGIB. That opportunity would be extended over an 18-month period to individuals on active duty who are either enrolled in or disenrolled from the Post-Vietnam Era Veterans' Education Assistance Program (VEAP).

According to DoD, approximately 26,000 servicemembers are enrolled in VEAP and 90,000 are disenrolled. In an open season in fiscal year 1997 that was limited to VEAP enrollees, about 55 percent of eligible members chose to pay $1,200 each to convert from VEAP to MGIB. CBO estimates that 10 percent of the current enrollees, about 2,600 servicemembers, would pay contributions of $2,700 (less the amount of their contributions to VEAP) to convert to MGIB during this second open season. Of the 90,000 disenrollees who were not eligible for the previous open season, CBO estimates that 30 percent would convert. The estimated percentage converting is lower than before both because the price of conversion is higher, $2,700 versus $1,200, and because disenrollees do not have contributions in a VEAP account that can be applied toward their contribution to the MGIB program. Contributions from enrollees and disenrollees would result in about $78 million of offsetting receipts over the 2001-2003 period.

Because the contributions would have to be made before benefits would be paid out, this section would not result in significant costs until 2003. On balance, CBO estimates this provision would increase net direct spending by $150 million over the 2001-2010 period.

Lease Payments. Section 2812 would expand DoD's ability to substitute in-kind payments for cash from the lease of its property. The provision would raise direct spending because it would result in a loss of offsetting receipts to the Treasury.

Under current law, DoD can receive in-kind payment for a lease only when the in-kind payment (such as maintenance or protective services) is provided at the installation where the property is leased. As a result, in-kind leasing opportunities are limited, and most leases are cash-based arrangements that result in deposits to the Treasury totaling about $12 million annually.

Under the act, in-kind payment would not be limited to the installation where the property is leased; it could occur at any installation under the control of the Secretary. Consequently, DoD’s use of in-kind arrangements would increase at the expense of cash-based arrangements. This would result in a loss of offsetting receipts, which would have an immediate impact on direct spending. Because some payments from existing contracts will continue for several years, the loss of receipts in the near term is smaller than in later years. CBO estimates that under section 2812 forgone receipts would total $1 million in 2001 and $50 million over the 2001-2010 period.

Section 2847 would allow the Navy to receive in-kind consideration for the lease of property at Port Hueneme, California. Under current law, the Navy will receive cash for that lease. CBO estimates that this provision would lower receipts by less than $500,000 annually.

Retirement of Reserve Technicians. The military reserves employ a number of civilian federal workers who perform administrative and maintenance tasks. These employees, known as military technicians, are usually required to be members of the reserve units for which they work. Under current law, employees who lose their membership in the reserves and were hired before February 10, 1996, have to retire as soon as they become eligible for an unreduced annuity under one of the civilian retirement programs. Section 525 of the act would allow these employees to remain in their positions until they become eligible for an unreduced annuity or reach age 60, whichever is later. Technicians who have already been forced to retire and are under age 60 would be able to apply for reinstatement.

Based on information from DoD, CBO estimates that about 500 technicians would be affected by this provision. This includes 100 technicians who have already retired but would be reinstated to their old positions. By allowing these technicians to delay their retirement, CBO estimates this act would reduce spending on federal retirement benefits by $26 million over the 2001-2010 period. Since many technicians would be covered by the Federal Employees Health Benefits (FEHB) program after their retirement, this provision also would reduce direct spending in that program by $8 million over the same period. In total, CBO estimates section 525 would reduce direct spending by $2 million in 2001 and $34 million over the 2001-2010 period.

Property Transactions. The act contains numerous provisions that would affect the disposal or lease of real property.

GSA conveyances. Section 2814 would make permanent the General Services Administration's (GSA's) authority to transfer surplus real and related property at no cost to state governments for law enforcement or emergency response services. Public Law 105-119 originally authorized such transfers through December 31, 1999, and Public Law 106-113 extended GSA's and the Department of Justice's authority to accept applications, but not to convey properties, through July 31, 2000.

CBO expects that permanently adding law enforcement and fire and rescue to the list of eligible activities would result in the transfer of additional federal properties to state and local governments. In some instances, properties transferred under section 2814 probably would have been conveyed anyway under one of the existing public purpose uses authorized by the Federal Property and Administrative Services Act (such as for public health, education, and correctional facilities). In fiscal year 1999, for instance, GSA transferred 90 properties with an estimated value of $81 million to state and local governments and eligible nonprofit organizations. In other instances, properties that would have been sold under existing law would instead be conveyed at no cost, resulting in forgone offsetting receipts, a form of direct spending.

Based on the number and value of federal properties transferred to state and local governments under other public purpose authorities, as well as the number and type of properties for which applications currently are pending before DOJ, CBO estimates that the amount of forgone receipts from enacting section 2814 would total $3 million a year over the 2001-2010 period. If the federal government's inventory of excess and surplus properties increases significantly over that of recent years, the amount of forgone receipts could be higher than $30 million over the next 10 years.

Other conveyances. Other provisions of the act would authorize DoD to convey both large and small parcels of land. Some of that property has been—or soon will be—declared excess by DoD and transferred to GSA for disposal. In many instances, GSA is likely to give the property to state or local governments, and in those cases conveyances would not affect offsetting receipts. In other instances, such as the conveyance of about 5 acres containing an Army Reserve Center in Galesburg, Illinois, the property would likely be sold under current law. Based on information from DoD, forgone receipts from that conveyance would total less than $500,000.

CBO has not received any information from the Administration on certain other parcels specified in the act, some of which are large and potentially worth $1 million or more. Because CBO has no basis for knowing whether these parcels have been or will be declared excess and sold under current law, CBO cannot estimate the extent of any forgone receipts.

Armament facilities. Section 341 would codify and expand a program to encourage private firms to use armament facilities owned by the government. To the extent that the provision would prevent excess property from being sold, it would result in forgone receipts. CBO estimates, however, that section 341 would have an insignificant budgetary impact.

Entitlement to Separation Pay. Section 508 would reclassify as voluntary the discharges of military officers who, after being twice passed over for promotion, refuse an offer of selective continuation that would allow them to remain in the service until they qualify for retirement. Under current law, such individuals receive involuntary separation pay. Given the choice to stay until retirement or separate without pay, CBO assumes that some officers who would have separated will remain until retirement and collect retirement benefits. Based on data from DoD, CBO estimates that fewer than 50 additional officers a year would collect retirement benefits as a result of this provision. Increased payments out of the retirement trust fund would begin in 2004, assuming selective continuation periods would average three years. CBO estimates that section 508 would increase direct spending by $1 million starting in 2004 and $28 million over the 2004-2010 period.

Supplemental Allowance. Section 604 would require that DoD pay a new allowance, through fiscal year 2006, to servicemembers who meet certain eligibility criteria of the Food Stamp program. CBO estimates that this allowance would decrease spending in the Food Stamp program by $2 million in fiscal year 2001 and by a total of $26 million over the 2001-2006 period.

To receive the allowance, a servicemember would apply to DoD, providing proof that his or her household income meets the gross income test for the Food Stamp program. The value of the allowance would be the amount needed to make the household ineligible for food stamps, up to a maximum of $500 per month. In determining eligibility and the size of the allowance, DoD would count the value of all housing assistance as income, even if that assistance is delivered in-kind.

Under current law, CBO estimates that about 5,500 servicemembers will participate in the Food Stamp program in 2001. This estimate is based on a recent DoD study of servicemembers receiving food stamps, adjusted for projected pay raises. Not all of these Food Stamp participants would be eligible for the new allowance once the value of in-kind housing is counted as income. Using data on the distribution of servicemembers by pay grade and family size, CBO expects that about 3,300 current Food Stamp recipients would be eligible for the allowance and that another 800 servicemembers would apply, at an average household cost of $315 per month. CBO assumes that the allowance would be available beginning May 1, 2001, and participation would phase in over the remainder of the fiscal year. Once the allowance is fully phased in, the number of eligible members would decline because pay rates are projected to rise faster than the poverty threshold used to determine Food Stamp eligibility.

Enactment of section 604 would reduce costs in the Food Stamp program by making some households ineligible for food stamps, and decreasing the value of monthly Food Stamp benefits for other households. CBO estimates that 1,300 Food Stamp households would lose eligibility under the new allowance. In addition, CBO assumes that about 200 nonparticipating households would apply for food stamps in addition to the special subsistence allowance, leading to a net decline in Food Stamp participation of 1,100 households. The remaining households that are expected to receive food stamps under current law, and under this provision, would receive lower monthly benefits. Household benefits would decrease by an average of $150 per month, at a savings of $2 million in 2001 and a total savings of $26 million over the 2001-2006 period.

Utility Reimbursements. Section 2805 would allow DoD to spend reimbursements for providing utilities and other services at privatized housing units on military installations. Under current law, those reimbursements are deposited as offsetting receipts (a credit against direct spending) in the Treasury. CBO estimates that forgone offsetting receipts would total about $1 million annually.

Funding for WWII Memorial. Section 3303 would transfer $6 million of funds received from the sale of titanium contained in the strategic stockpile to the American Battle Monuments Commission. CBO estimates that $3 million would be transferred to the commission in each of 2001 and 2002, and that the commission would spend the full amount transferred.

VSI/Early Retirement. Sections 1151 through 1153 would provide DoD with authority to offer its employees early retirement annuities as well as voluntary separation incentive (VSI) payments of up to $25,000 for employees who voluntarily retire or resign. For each employee who takes a buyout, DoD would be required to make a payment to the Civil Service Retirement and Disability Fund (CSRDF) equal to 15 percent of the worker's final basic pay. The authority would extend through September 30, 2001, and be limited to 1,000 employees. CBO estimates sections 1151 through 1153 would increase direct spending by $4 million in 2001 and by $5 million during the 2001-2010 period.

CBO assumes that 1,000 DoD employees would participate in the buyout program in 2001. CBO further assumes most workers who take a buyout would begin collecting federal retirement benefits an average of two years earlier than they would have without the buyouts. Inducing some employees to retire earlier would initially result in additional retirement benefits being paid from the CSRDF. In later years, annual federal retirement outlays would be lower than under current law because the employees who retire early would receive smaller annuity payments than they would have received if they had retired later. Under the act, CBO estimates retirement benefits would increase by $9 million in 2001 and that same amount over the 2001-2010 period.

Because DoD already has its appropriation for 2001, the payments it would be required to make to the CSRDF for every employee who takes a buyout in 2001would be counted as offsetting receipts. CBO estimates these payments would amount to $7 million in 2001.

Finally, sections 1151 through 1153 would increase direct spending on federal retiree health benefits because many employees who accept the buyouts would continue to be eligible for coverage under the FEHB program. The government's share of the premium for retirees—unlike current employees—is mandatory spending. Because many of those accepting the buyouts would have retired later under current law, mandatory spending on FEHB premiums would increase. CBO estimates these additional benefits would increase direct spending by $2 million in 2001 and by $3 million over the 2001-2010 period.

Federal Judges. Under current law, military retirees are prohibited from receiving retirement annuities while employed as a judge or justice of the United States. Section 654 would eliminate this prohibition and authorize retirement pay retroactive to October 1, 1999. Based on information from DOJ, CBO believes this provision would apply to eight individuals and would cost $1 million in 2001. Annual costs would be less than $500,000 in subsequent years.

Other Provisions. The following provisions would have an insignificant budgetary impact:

- Sections 383 and 387 would authorize DoD to charge and spend fees for the use of military airfields by civilian aircraft.

- Section 388 would extend DoD's authority to sell surplus aircraft to state and local governments for wildfire suppression. This authority has existed since 1996 and to date no aircraft have been sold under this law. CBO estimates that DoD would collect few, if any, receipts from the extended authority.

- Section 544 would mandate that additional information be put on the markers of the graves containing the remains of certain unknowns who died on the *U.S.S. Arizona* in the Japanese attack on Pearl Harbor. Based on the number of graves affected and the cost of markers, CBO estimates that the cost of this provision would not be significant.

- Section 572 would allow retirees receiving VSI payments concurrently with retired or retainer pay to give up the VSI payment. Currently, retirement pay is reduced by the amount of VSI payments. The formula for the offset causes retirement pay to be reduced by future VSI payments. Terminating participation in the program would accelerate outlays for military retirement. Based on information from DoD, CBO expects few people would be affected by this provision.

- Section 652 would increase reserve retirement pay by giving more credit toward annuities for time spent in training. While CBO estimates this provision would have a substantial effect when today's reservists reach 60 years of age and begin to collect retirement benefits under this new rule, it would affect few people during the next 10 years.

- Section 653 would allow individuals who serve in the reserves after retiring from active duty to have their annuity recomputed when they reach age 60 to reflect current pay tables, any increase in grade or rank, and additional years of service. Based on information from DoD, CBO expects that this provision would affect fewer than 30 current retirees at an annual cost of less than $500,000 a year.

- Section 655 would increase participation in the Reserve Component Survivor Benefit Plan by requiring certain reservists to obtain spousal consent to waive participation. Spousal consent is already required for reservists over 60 years of age. This provision would make that requirement effective when the reservist is first notified that he or she has completed the years of service required for retirement eligibility. CBO estimates the provision would create a negligible increase in payments to annuitants.

- Section 667 would authorize back pay for members of the Navy and Marine Corps selected for promotion while interned as prisoners of war during World War II.

- Section 1134 would permit emergency essential employees to enroll in the Federal Employees' Group Life Insurance (FEGLI) plan, or purchase more coverage through the plan, even if they initially turned down coverage when they first became federal employees. Information provided by DoD indicates there are about 1,000 emergency essential employees and that most are already covered by FEGLI. Therefore, CBO estimates this provision would increase direct spending by less than $500,000 annually.

- Title XXXIV would convey most of Naval Oil Shale Reserve Numbered 2 to the Ute Indian Tribe, with certain conditions. The United States would retain a 9 percent royalty interest in any future receipts generated from minerals produced from the land. The Secretary of Energy could then spend such royalties on remediation at the Moab uranium mill tailings site, without further appropriation. Based on information from the Department of Energy, CBO expects that under current law the conveyed land would not have been developed within the next 10 years. In the event that the Ute tribe does develop the site and receive financial value from the sale of minerals, the act would increase both offsetting receipts and outlays, and would net to zero over a few years.

Asset Sales

Enacting H.R. 4205 would result in receipts from new (nonroutine) asset sales. Such sale proceeds are recorded as a credit against direct spending. CBO estimates that the sales would entail no net financial cost to the government and, as a result, the proceeds would be counted for pay-as-you-go purposes.

Stockpile Sales. Section 3302 would increase by $130 million the targets contained in the National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261) for stockpile sales through 2005. CBO estimates that there will be sufficient quantities of materials in the stockpile to achieve that objective.

Titanium Sales. Section 3303 would require the sale of all remaining titanium in the National Defense Stockpile by September 2010. Although previous laws already authorized the sale of all titanium, this act would increase receipts over the next 10 years because it would require that the material be completely sold by 2010. CBO estimates that this would triple the amount of titanium sold in any given year. This large, additional supply would lower current prices by about 25 percent, to an average of about $1.30 a pound. CBO estimates that sales would average over $4 million more each year and total an additional $43 million in receipts over the 2001-2010 period.

Revenues

Section 661 would allow members of the uniformed services on active duty and members of the Ready Reserve in any pay status to participate in the Thrift Savings Plan. Contributions would be capped at 5 percent of basic pay. In addition, servicemembers would be able to contribute income they receive in the form of special or incentive pay to the extent allowable under the Internal Revenue Code. This benefit could become effective 180 days after the enactment of the provision, but the act would allow an additional 180-day postponement. Based on information provided by the Federal Retirement Thrift Board, the estimate assumes implementation of the Thrift Savings Plan in fiscal year 2002. The Joint Committee on Taxation estimates that the revenue loss caused by deferred income tax payments would total $47 million starting in 2002 and $1.1 billion over the 2002-2010 period.

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