CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 13, 2004

S. 2165
A bill to specify the end strength for active duty personnel of the Army as of September 30, 2005

As introduced on March 4, 2004

SUMMARY

S. 2165 would increase the authorized active-duty endstrength of the Army to 512,400 military personnel by September 30, 2005. Under current law, the Army is authorized to maintain an endstrength of 482,400 active-duty personnel but may exceed that level in times of national emergency. Generally, the cost of excess personnel is not paid for from regular funding but from supplemental appropriations. Measured relative to the endstrength level authorized under current law, CBO estimates that implementing S. 2165 would cost about $2.5 billion in 2005 and grow to about $3 billion annually thereafter, assuming appropriation of the necessary amounts. Enacting this bill would not affect direct spending or receipts.

This proposal would increase the costs of complying with existing intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of the mandates would not exceed the thresholds established in UMRA ($60 million in 2004 for intergovernmental mandates and $120 million in 2004 for private-sector mandates, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2165 is shown in the following table. For this cost estimate, CBO assumes this legislation will be enacted by October 1, 2004. The costs of this legislation fall within budget function 050 (national defense).

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
SPENDING SUBJECT TO APPROPRIATION					
Spending Under Current Law for Military Personnel, Army					
Budget Authority[a]	29,192	29,926	30,823	31,812	32,880
Estimated Outlays	29,893	28,908	30,656	31,636	32,695
Proposed Changes					
Estimated Authorization Level	2,405	2,971	3,055	3,146	3,245
Estimated Outlays	2,086	2,842	3,004	3,109	3,537
Spending Under S. 2165 for Military Personnel					
Estimated Authorization Level	31,597	32,897	33,878	34,958	36,125
Estimated Outlays	31,979	31,750	33,660	34,745	36,232

a. Total spending amounts exclude the supplemental spending bill (Public Law 108-106) for Operation Iraqi Freedom.

S. 2165 would increase the authorized active-duty endstrength of the Army by 30,000 military personnel by September 30, 2005. Under current law, the Army is authorized to maintain an endstrength of 482,400 for 2004, but the President may suspend the endstrength limitations in times of war or national emergency. On January 29, 2004, the Department of Defense announced that it would temporarily allow the Army to grow to 510,000 people. As of January 31, 2004, the Army had about 492,200 soldiers on active duty.

Because the Army has announced its intentions to grow to almost the size that would be authorized by S. 2165, CBO assumes that it would be capable of reaching an endstrength of 512,400 by September 30, 2005. Using a combination of retention and additional recruiting, CBO assumes that the Army's active-duty endstrength could reach just over 500,000 military personnel by the end of fiscal year 2004 with the rest added over the course of the next year. Taking into account pay and allowances, bonuses, special pay, training, education, health care, commissary subsidies, retirement accrual payments, and other minor costs, CBO estimates that employing a soldier in the U.S. Army will cost about $98,000 in 2004. Allowing this cost to grow over time to reflect pay raises and other inflationary increases but assuming the proposed endstrength would stay constant after 2005, CBO estimates that authorizing an additional 30,000 military personnel for the Army would cost about $2.5 billion in 2005 and $15 billion over the 2005-2009 period.

ESTIMATED INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This proposal would increase the costs of complying with existing intergovernmental and private-sector mandates as defined in UMRA. The 30,000 additional active-duty servicemembers would be eligible for protection under the Soldiers and Sailors Civil Relief Act (SSCRA). These protections include the right to maintain a single state of residence for purposes of state and local personal and income taxes and the right to request a deferral in the payment of certain state and local taxes and fees. It also requires creditors to reduce the interest rate on servicemembers' obligations to 6 percent when such obligations predate active-duty service and allows the courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions. These existing protections could result in lost revenues to government and private-sector entities and constitute intergovernmental and private-sector mandates.

This proposal would increase the number of active-duty servicemembers covered by SSCRA by less than 5 percent. Based on information from the Federation of Tax Administrators, we expect that relatively few of these servicemembers would take advantage of the deferrals in certain state and local tax payments and the lost revenues to those governments would be insignificant and would not exceed the threshold for intergovernmental mandates ($60 million in 2004, adjusted annually for inflation).

CBO cannot determine precisely the increase in costs of the existing private-sector mandates because utilization of the provisions of the SSCRA would depend on how often these soldiers are deployed and how long they are deployed, which rests on uncertain policy decisions. However, we expect that costs would be unlikely to exceed UMRA's threshold for private-sector mandates ($120 million in 2004, adjusted annually for inflation).

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