



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 23, 2005

H.R. 1815

National Defense Authorization Act for Fiscal Year 2006

As reported by the House Committee on Armed Services on May 20, 2005

SUMMARY

H.R. 1815 would authorize appropriations totaling \$485 billion for fiscal year 2006 for the military functions of the Department of Defense (DoD), for activities of the Department of Energy (DOE), and for other purposes. That total includes \$49 billion for military operations in Iraq and Afghanistan. In addition, the bill 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 additional outlays of \$480 billion over the 2006-2010 period. Including outlays from funds previously appropriated, defense spending would total just under \$500 billion in 2006, CBO estimates.

The bill also contains provisions that would both increase and decrease costs of discretionary defense programs over the 2007-2010 period. CBO estimates that those provisions combined would increase the requirements for discretionary spending by about \$3 billion over those four years, assuming that net appropriations are increased by the estimated amounts.

The bill contains provisions that would both increase and decrease direct spending, primarily from modifying the phase-in of concurrent receipt of military retirement annuities and veterans disability compensation for certain retirees, and from the sale of materials held in the National Defense Stockpile. We estimate that those provisions combined would decrease direct spending by \$84 million over the 2006-2010 period but increase such spending by about \$38 million over the 2006-2015 period. Those totals include estimated net receipts from asset sales of \$230 million over the 2006-2015 period. (Asset sale receipts are a credit against direct spending.)

Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any legislative provisions that are necessary for national security. CBO has determined that section 825, which would provide rapid acquisition authority for the Department of Defense in the event of a demonstrable, imminent, and urgent threat to

national security, falls under that exclusion and has not reviewed it for intergovernmental or private-sector mandates.

The remaining provisions of the bill contain both intergovernmental and private-sector mandates as defined in UMRA but CBO estimates that the annual cost of those mandates would not exceed the thresholds established in UMRA (\$62 million for intergovernmental mandates in 2005 and \$123 million for private-sector mandates in 2005, adjusted annually for inflation).

In general, H.R. 1815 would benefit state, local, and tribal governments by authorizing aid for certain local schools with dependents of defense personnel, expanding the authority of State governors to order their state's National Guard to support counter-terrorism activities, and conveying certain parcels of land to state and local governments. Any costs to those governments would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1815 is summarized in Table 1. Most of the costs of this legislation fall within budget function 050 (national defense).

BASIS OF ESTIMATE

Spending Subject to Appropriation

The bill would specifically authorize appropriations totaling \$485 billion in 2006 (see Table 2). Most of those authorizations fall within budget function 050 (national defense). Other funds would be authorized for activities within other budget functions; they include: \$58 million for the Armed Forces Retirement Home (function 600—income security); \$19 million for the Naval Petroleum Reserves (function 270—energy); and \$125 million for the Maritime Administration (function 400—transportation).¹

Although most of the \$485 billion in funding authorized by the bill would be for full-year costs of defense programs, \$49 billion of that amount would be for DoD costs associated with continuing operations in Iraq and Afghanistan.

1. The \$125 million in authorizations for the Maritime Administration in this estimate does not include amounts cited in the bill for the administration of loan guarantees or for reimbursements to ship operators for repair and maintenance of certain vessels because those amounts—\$3.5 million and \$10 million, respectively—are already authorized under existing law.

TABLE 1. BUDGETARY IMPACT OF H.R. 1815, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2006

	By Fiscal Year, in Millions of Dollars					
	2005	2006	2007	2008	2009	2010
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Programs Authorized by H.R. 1815						
Budget Authority ^a	494,319	0	0	0	0	0
Estimated Outlays	492,578	173,704	54,575	18,212	7,521	3,552
Proposed Changes						
Authorization of Regular Appropriations						
Estimated Authorization Level	0	436,047	0	0	0	0
Estimated Outlays	0	294,210	96,622	27,872	8,667	3,687
Authorization of Appropriations for Military Operations in Iraq and Afghanistan						
Authorization Level ^b	0	49,069	0	0	0	0
Estimated Outlays	0	30,538	14,041	3,519	578	186
Spending Under H.R. 1815						
Estimated Authorization Level ^a	494,319	485,116	0	0	0	0
Estimated Outlays	492,578	498,452	165,238	49,603	16,766	7,425
CHANGES IN DIRECT SPENDING (EXCLUDING ASSET SALES) ^c						
Estimated Budget Authority	0	10	9	9	10	83
Estimated Outlays	0	10	9	6	9	82
ASSET SALES ^d						
Estimated Budget Authority	0	-12	-30	-32	-79	-47
Estimated Outlays	0	-12	-30	-32	-79	-47

NOTE: For 2006, the authorization levels under "Proposed Change" include amounts specifically authorized by the bill plus an inferred authorization of \$119 million in 2006 for the Coast Guard Reserve based on authorized endstrength levels. The bill also implicitly authorizes programs in 2007 through 2010; those authorizations are not included above (but are shown in Table 3) because funding for those programs would be covered by specific authorizations in future years.

- a. The 2005 level is the amount appropriated for programs authorized by the bill (including \$76,198 million in appropriations in Public Law 109-13, the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005).
- b. These authorizations are for costs associated with operations in Iraq and in Afghanistan and increases in Army and Marine Corps endstrength.
- c. Five-year totals stated in the text differ slightly from the sum of the annual costs shown here because of rounding.
- d. Asset sale receipts are a credit against direct spending.

TABLE 2. SPECIFIED AUTHORIZATIONS IN H.R. 1815

Category	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
Authorization of Regular Appropriations					
Department of Defense (DoD)					
Military Personnel ^a					
Authorization Level	108,824	0	0	0	0
Estimated Outlays	106,509	1,554	218	109	0
Operation and Maintenance					
Authorization Level	145,169	0	0	0	0
Estimated Outlays	106,769	30,341	4,732	1,738	727
Procurement					
Authorization Level	80,515	0	0	0	0
Estimated Outlays	26,081	29,619	14,689	5,030	2,333
Research and Development					
Authorization Level	69,469	0	0	0	0
Estimated Outlays	37,973	25,645	4,388	841	236
Military Construction and Family Housing					
Authorization Level	12,147	0	0	0	0
Estimated Outlays	2,556	4,461	3,184	1,087	426
Revolving and Management					
Authorization Level	3,168	0	0	0	0
Estimated Outlays	1,986	881	192	73	33
General Transfer Authority					
Authorization Level	0	0	0	0	0
Estimated Outlays	804	-212	-420	-212	-68
Subtotal, Department of Defense					
Authorization Level	419,292	0	0	0	0
Estimated Outlays	282,678	92,289	26,983	8,666	3,687
Atomic Energy Defense Activities ^b					
Authorization Level	16,434	0	0	0	0
Estimated Outlays	11,274	4,283	876	1	0
Other Programs					
Authorization Level	202	0	0	0	0
Estimated Outlays	157	33	12	0	0
Subtotal, Authorization of Regular Appropriations					
Authorization Level	435,928	0	0	0	0
Estimated Outlays	294,109	96,605	27,871	8,667	3,687

(Continued)

TABLE 2. CONTINUED

Category	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
Authorization of Appropriations for Military Operations in Iraq and Afghanistan					
Military Personnel					
Authorization Level	9,390	0	0	0	0
Estimated Outlays	9,352	0	0	0	0
Operation and Maintenance					
Authorization Level	32,032	0	0	0	0
Estimated Outlays	16,900	11,477	2,778	530	190
Procurement					
Authorization Level	3,372	0	0	0	0
Estimated Outlays	1,191	1,446	608	88	25
Working Capital Fund					
Authorization Level	1,700	0	0	0	0
Estimated Outlays	1,530	170	0	0	0
Classified and Other					
Authorization Level	2,575	0	0	0	0
Estimated Outlays	1,460	865	201	28	9
Transfer Authority					
Authorization Level	0	0	0	0	0
Estimated Outlays	105	83	-68	-68	-38
Subtotal, Iraq and Afghanistan					
Authorization Level	49,069	0	0	0	0
Estimated Outlays	30,538	14,041	3,519	578	186
Total Specified Authorizations					
Authorization Level ^c	484,997	0	0	0	0
Estimated Outlays	324,647	110,646	31,390	9,245	3,873

- a. For purposes of this estimate, CBO assumes that the authorization of appropriations in section 421 for military personnel includes \$10,708 million for accrual payments for the Tricare For Life program.
- b. These authorizations are primarily for atomic energy activities within the Department of Energy.
- c. This amount encompasses nearly all of the proposed changes for authorizations of appropriations for 2006 shown in Table 1; it does not include the estimated authorization of \$119 million for the Coast Guard Reserve, which is shown in Table 3.

The estimate assumes that the amounts authorized for 2006 will be appropriated near the start of fiscal year 2006. The estimated outlays from authorizations of regular appropriations are based on historical spending patterns. Estimated outlays from the \$49 billion that the bill would authorize for operations in Iraq and Afghanistan would likely cover costs incurred during the first part of the year.

The bill also contains provisions that would both increase and decrease various costs, mostly for increases in endstrength, military compensation, and health benefits, that would be covered by the fiscal year 2006 authorization and by authorizations in future years. Table 3 contains estimates of those amounts. In addition to the costs covered by the authorizations in the bill for 2006, CBO estimates that these provisions would raise estimated costs by about \$3 billion over the 2007-2010 period, assuming that future appropriations to the Department of Defense are increased by the estimated amounts.

Multiyear Procurement. In most cases, purchases of weapon systems are authorized annually, and as a result, DoD negotiates a separate contract for each annual purchase. In a small number of cases, the law permits multiyear procurement; that is, it allows DoD to enter into a contract to buy specified annual quantities of a system for up to five years. In those cases, DoD can negotiate lower prices because its commitment to purchase the weapons gives the contractor an incentive to find more economical ways to manufacture the weapon, including cost-saving investments. Annual funding is provided for these multiyear contracts, but potential termination costs are covered by an initial appropriation.

Section 111 would authorize the Secretary of the Army to enter into a multiyear contract to purchase up to 461 H-60 helicopters for the Army and the Navy, beginning in 2007. Based on information provided by the Army, CBO assumes that the Army would buy 275 UH-60M helicopters over the 2007-2010 period and that the Navy would purchase 95 MH-60S helicopters over that same period. CBO estimates that savings from buying these helicopters under a multiyear contract would total \$914 million (or almost \$230 million a year) over those four years. Funding requirements to purchase these aircraft would total \$4.2 billion over the 2007-2010 period (instead of the \$5.1 billion that would be needed under annual contracts). CBO also estimates that additional savings of \$83 million would accrue in 2011 if the Army completes its planned purchase of 76 more helicopters and the Navy completes its planned purchases of 15 helicopters under this multiyear procurement authority.

Section 112 would authorize the Secretary of the Army to enter into a multiyear contract to purchase 612 Modernized Target Acquisition Designation Sights/Pilot Night Vision Sensors for the Apache helicopter over the 2006-2009 period. CBO estimates that savings from buying these systems under a multiyear contract would total \$104 million (or about \$25 million a year) over the 2006-2009 period. Funding requirements for the purchase would total \$530 million over that period (instead of the \$634 million that would be needed under annual contracts).

TABLE 3. ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS IN H.R. 1815

Category	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
MULTIYEAR PROCUREMENT					
UH-60M and MH-60S Helicopters	0	-322	-391	-99	-102
Modernized Target Sight/Night Vision Sensor for Apache Helicopters	-35	-28	-17	-24	0
Apache Block II Conversion	0	-26	-27	-10	0
FORCE STRUCTURE					
Aircraft Carrier Force Structure	300	195	280	285	290
Navy and Air Force Active-Duty Endstrength	-957	-1,967	-2,023	-2,082	-2,142
Army and Marine Corps Active-Duty Endstrength	581	1,989	2,901	2,988	2,172
Reserve Component Endstrengths	-249	-284	-291	-298	-306
Coast Guard Reserve Endstrengths	119	0	0	0	0
COMPENSATION AND BENEFITS (DoD)					
Expiring Bonuses and Allowances	1,157	663	264	189	152
Increase in Affiliation and Accession Bonuses for Reserves	112	73	31	30	29
Increase in Active-Duty Enlistment Bonus	30	28	6	0	0
Increase in Active-Duty Reenlistment Bonus	8	3	1	1	1
Critical Skills Retention Bonus for Reservists	16	6	2	0	0
Increase in Hardship Duty Pay	15	12	9	6	4
Bonus for Nuclear-Qualified Officers Extending Duty	6	8	8	5	2
Additional Special Pay for Dental Officers	4	4	4	4	4
Housing Allowance to Reservists	26	26	27	28	28
Income Replacement for Certain Reservists	7	8	6	4	2
Weight Allowance for Senior Enlisted Personnel Moves	4	5	6	6	6
Supplemental Subsistence Allowance	0	4	4	4	5
Extension of Military Housing Benefits to Dependents of Deceased Servicemembers	7	7	6	5	5
Increase in Death Gratuity	100	80	65	50	35
Premium Allowance for Servicemembers Group Life Insurance Coverage	39	31	23	16	10
Special Pay for Wounded Servicemembers	3	2	2	1	1
Other Provisions	8	7	5	4	3
CIVILIAN PROGRAMS					
Extension of Federal Employee Health Benefits for Involuntary Separations	0	3	10	7	4
Permanent Extension of Defense Scholarship Program	0	0	16	21	41

(Continued)

TABLE 3. CONTINUED

Category	By Fiscal Year, in Millions of Dollars				2010
	2006	2007	2008	2009	
DEFENSE HEALTH PROGRAM					
TRICARE Reserve Select	33	63	68	62	49
OTHER PROVISIONS					
Payment for Professional Credentials	7	7	7	7	8
Information Technology Services for Fisher Houses	6	6	6	2	0
BILL TOTAL					
Estimated Authorization Level ^a	1,347	603	1,008	1,212	301

NOTES: For every item in this table except the authorization for the Coast Guard Reserve, the 2006 levels are included in Table 2 as amounts specifically authorized to be appropriated in the bill. Amounts shown in this table for 2007 through 2010 are not included in Table 1.

Section 113 would authorize the Secretary of the Army to enter into a multiyear contract to convert 96 Apache helicopters to the Block II configuration over the 2006-2009 period. CBO estimates that savings from buying these conversions under a multiyear contract would total \$63 million (or \$21 million a year) over the 2007-2009 period. (The Army estimates that funding requirements for 2006 would be the same under either an annual or multiyear contract strategy.) Funding requirements for the purchase would total \$776 million over the 2007-2009 period (instead of the \$839 million that would be needed under annual contracts).

Aircraft Carrier Force Structure. Section 128 would direct the Navy to maintain a fleet of 12 operational aircraft carriers. The provision also would direct the Navy to take all necessary actions to maintain the U.S.S. John F. Kennedy (CV-67) in a fully mission capable status. Built in the 1960s, the U.S.S. John F. Kennedy was significantly overhauled in the 1990s to extend its life until 2013. Recently, the Administration decided to retire the carrier as part of its overall plan to maintain only 11 operational aircraft carriers. The Navy indicated that the CV-67 would be decommissioned in 2006. As a result of that retirement, the Navy planned to reduce its endstrength starting in 2006, eventually achieving an endstrength reduction of about 2,800 personnel by 2007. Although a provision in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005, could delay the retirement of the CV-67, CBO believes that the Navy could still retire this carrier in 2006.

CBO estimates that the additional costs to continue operating the aircraft carrier would total about \$1.1 billion over the 2007-2010 period. The Navy indicates that the CV-67 would need to undergo some additional maintenance to remain fully mission capable. Although the Congress appropriated about \$345 million for those activities in 2005, the Navy indicated that those funds have either been spent on the U.S.S. John F. Kennedy or, following the decision to retire it, have been committed to other ship maintenance activities. Based on information from the Navy, CBO estimates that the additional costs to complete needed repairs on the carrier would be about \$300 million in 2006.

Military Endstrength. Title IV would authorize active and reserve endstrength levels for 2006 and would set the minimum endstrength authorization in permanent law. In addition, sections 1521 and 1522 of title XV would increase the active-duty endstrength for the Army and the Marine Corps above those levels provided in title IV for 2006, 2007, 2008, and 2009 to support operations in Iraq and Afghanistan.

The bill would specifically authorize regular appropriations of \$108.8 billion and additional appropriations for operations in Iraq and Afghanistan of \$9.4 billion for costs of military pay and allowances in 2006.

Under title IV, the authorized endstrengths in 2006 for active-duty personnel and personnel in the selected reserves would total about 1,370,000 and 860,000, respectively. Of those selected reservists, about 74,000 would serve on active duty in support of the reserves.

Section 401 would decrease the Navy's active-duty endstrength by 13,200 and decrease the Air Force's active-duty endstrength by 2,300. CBO estimates that the decrease in endstrength for the Navy and the Air Force combined would cut costs for salaries and other expenses by \$957 million in the first year and about \$2 billion annually in subsequent years. Section 401 also would decrease the active-duty endstrength of the Army and Marine Corps relative to current law amounts by 20,000 and 3,000, respectively. However, these reductions would be offset by the higher authorization levels contained in the supplemental authorities provided in title XV (see discussion below).

Sections 411 and 412 would authorize the endstrengths for the reserve components, including those who serve on active duty in support of the reserves. Under this bill, the Selected Reserve would experience a drop in endstrength numbers of 12,400, mostly in the Naval Reserve, while the endstrength for reservists who serve on active duty in support of the reserves would increase by about 1,500. CBO estimates that the net result of implementing these provisions would result in a decrease in costs for salaries and other expenses for reservists of \$249 million in 2006 and about \$300 million annually in subsequent years, compared to the authorized endstrength levels for 2005.

As mentioned above, sections 1521 and 1522 would increase the active-duty endstrength for the Army and the Marine Corps above those levels provided in title IV over the 2006-2009 period to support operations in Iraq and Afghanistan. Specifically, these sections would increase the Army's active-duty endstrength above the level authorized for 2006 in title IV by 30,000 personnel in 2006 and up to 50,000 each year over the 2007-2009 period. (Under these provisions, active-duty endstrength for the Army would total 532,400 over the 2007-2009 period.) Similarly, sections 1521 and 1522 would increase the Marine Corps' active-duty endstrength above the level authorized for 2006 in title IV by 4,000 personnel in 2006 and 9,000 each year over the 2007-2009 period to achieve a total endstrength of 184,000. Based on information provided by the Army, CBO assumes that Army troop levels would increase steadily but reach levels no higher than 525,000 over the 2007-2009 period. Similarly, CBO assumes that the Marine Corps would achieve the 184,000 endstrength limit by the end of 2007. CBO estimates that implementing these sections would cost, on net, just over \$580 million in 2006 and up to \$3 billion annually in subsequent years, when compared to the endstrength levels authorized for 2005. (Relative to the endstrength levels set by title IV—482,400 for the Army and 175,000 for the Marine Corps, CBO estimates the additional endstrength levels provided by title XV would cost \$2.8 billion in 2006 and \$22.6 billion over the 2006-2010 period.)

The bill would also authorize an endstrength of 10,000 servicemembers in 2006 for the Coast Guard Reserve. This authorization would cost \$119 million and would fall under budget function 400 (transportation).

Compensation and Benefits. H.R. 1815 contains several provisions that would affect military compensation and benefits for uniformed personnel.

Military Pay Raises. Section 601 would raise basic pay for all individuals in the uniformed services by 3.1 percent. CBO estimates that implementing this provision would cost about \$1.9 billion in 2006. Because this pay raise percentage is the amount authorized under current law, there is no incremental cost for this section.

Expiring Bonuses and Allowances. Sections 611 through 614 would extend DoD's authority to pay certain bonuses and allowances to military personnel. Under current law, most of these authorities are scheduled to expire in December 2005, or three months into fiscal year 2006. The bill would extend these authorities for another year. Based on data provided by DoD, CBO estimates that the costs of these extensions would be as follows:

- Authorities to make special payments and give bonuses to certain health care professionals would cost \$21 million in 2006 and \$23 million in 2007;

- Special payments for aviators and personnel qualified to supervise, operate and maintain naval nuclear propulsion plants would cost \$128 million in 2006 and \$100 million in 2007;
- Retention and accession bonuses for officers and enlisted members with critical skills would cost \$69 million in 2006 and \$29 million in 2007;
- An extension of authorities for assignment incentive pay (which currently expires at the end of calendar year 2006) would cost \$39 million in 2007;
- Payment of reenlistment bonuses for active-duty and reserve personnel would cost \$790 million in 2006 and \$350 million in 2007; and
- Enlistment bonuses for active-duty and reserve personnel would cost \$149 million in 2006 and \$122 million in 2007.

Most of these changes would result in additional, smaller costs in subsequent years because most payments are made in installments. In total, extending authority for the expiring bonus and allowances would cost about \$1.2 billion in 2006 and \$2.4 billion over five years.

Increase Reserve Affiliation and Accession Bonus Amounts. Under current law, personnel with no prior military service are eligible to receive a bonus of up to \$10,000 for enlisting in the reserves. Active-duty personnel who agree to serve in the reserves after finishing active military service are, on the other hand, eligible to receive a bonus of \$50 a month for each month they commit to reserve duty. The authority to award both of these bonuses expires on December 31, 2005. Section 620 would eliminate the disparity in the bonus amounts by combining the existing authorities for reserve affiliation and accession bonuses and would increase the maximum award for each of these bonuses to \$15,000. The authority to award these bonuses would expire on December 31, 2006.

Based on information provided by DoD, CBO expects that about 39,000 enlistees with no prior military service would receive reserve accession bonuses in 2006. To estimate the cost of implementing this section, CBO assumed that the amount of the average annual bonus would increase by 50 percent—the same percentage that the maximum amount would increase. Thus, CBO estimates the average enlistment bonus awarded under this authority would total about \$7,200.

CBO also expects about 3,400 servicemembers would receive reserve affiliation bonuses in 2006, and estimates that they would each receive a bonus of about \$9,300—an increase of approximately \$6,400 over the current average level. This estimated bonus level would equal

the average bonus amount currently given to reservists who reenlist. (The maximum award amount for reserve reenlistment bonuses is \$15,000.)

The section would limit obligations related to increasing the maximum bonus to \$15,000 to \$30 million in fiscal year 2006. CBO estimates costs could be as high as \$121 million in 2006. However, CBO does not expect that this restriction would have an impact on the overall cost of implementing this section since the costs associated with the bonus increase could be transferred to anniversary bonus payments in later years. (About a third of the cost of these bonuses are normally paid up front and the remainder is paid in installments over the member's enlistment period.) Thus, CBO estimates that the cost implementing the bonus authorities provided in section 620 would total \$112 million in 2006 (\$82 million for the authorization of the underlying bonuses and \$30 million for the increase in bonus levels) and \$275 million over the 2006-2010 period.

Increase Active-Duty Enlistment Bonus Amounts. Section 622 would raise the maximum amount of the active-duty enlistment bonus from \$20,000 to \$30,000. This section also would limit obligations for the increased cost of these bonuses to \$30 million in fiscal year 2006. Based on information from DoD, CBO expects about 20,000 people would receive enlistment bonuses in 2006. Based on an analysis of data provided by DoD, CBO estimates that raising the maximum amount of the bonus to \$30,000 would increase the average award to about \$17,000, roughly a \$3,000 increase over the current average level. While the section would limit obligations for the increased cost for providing this bonus to \$30 million in fiscal year 2006, CBO does not expect that this restriction would have an impact on the overall cost of implementing this section since costs could be transferred to anniversary bonus payments in later years. Thus, CBO estimates that the net cost of implementing this provision would total \$30 million in 2006 and \$64 million over the 2006-2010 period. (The costs associated with extending the underlying \$20,000 bonus to December 31, 2006, are included in the above section titled *Expiring Bonuses and Allowances*.)

Increase in Amount for Active-Duty Reenlistment Bonus. Section 618 would raise the maximum amount of the active-duty reenlistment bonus from \$60,000 to \$90,000. Based on information from DoD, CBO estimates the average reenlistment bonus given in 2005 will total about \$25,000. Thus, CBO expects that DoD would use this increase in authority selectively. Based on information from the Department of the Navy regarding its plans to use the enhanced authority to compensate nuclear-qualified officers and an assumption that the other military services would use this authority to help retain personnel in special forces and other critical skill positions, CBO estimates about 1,000 servicemembers would receive a \$15,000 increase in their bonus payment and that the cost of implementing this provision

would total \$8 million in 2006 and \$14 million over the 2006-2010 period. (The costs associated with extending the underlying \$20,000 bonus to December 31, 2006, are included above under *Expiring Bonuses and Allowances*.)

Critical Skills Retention Bonus for Reservists. Section 627 would authorize DoD to pay a retention bonus to reservists who possess certain critical skills. DoD has had the authority to pay such a bonus to active-duty servicemembers for a number of years, but has only recently begun using the authority to any significant extent. Absent information from DoD regarding the expected implementation of this new authority, CBO assumes that DoD would offer this bonus to the same percentage of servicemembers reenlisting in the reserves as it is expected to offer to active-duty servicemembers in 2005 (about 3 percent). Thus, CBO estimates that DoD would offer this new retention bonus to about 820 reservists. CBO also estimates the DoD would pay a bonus of approximately \$30,000, on average, or about half the average amount currently given to active-duty personnel. CBO estimates that implementing this section would cost \$16 million in 2006 and \$24 million over the 2006-2010 period.

Increase in Hardship Duty Pay. Section 616 would increase the maximum monthly amount of hardship duty pay from \$300 to \$750. Currently, few servicemembers receive the maximum amount. DoD has not indicated how it would implement this additional authority. However, DoD has indicated that it may consider paying hardship duty pay to personnel experiencing frequent overseas deployments. For this estimate, CBO examined the number of personnel assigned to headquarters, civil affairs, special forces, and other units that have high overseas deployment cycles. CBO estimates about 44,000 personnel currently meet this criteria. Assuming that about half of that number would receive hardship duty pay each year over the 2006-2010 period and that each qualifying servicemember would receive an additional \$225 a month for about three months each year, CBO estimates that implementing the provision would cost \$15 million in 2006 and \$46 million over the 2006-2010 period.

Bonus for Nuclear-Qualified Officers Extending Duty. Section 624 would increase the maximum bonus given to Navy nuclear-qualified officers who extend their period of active duty. Currently, the bonus is capped at \$25,000 a year for every year that such officers extend their active-duty service. This section would increase the maximum annual amount to \$30,000. Based on information from DoD, CBO estimates that just over 1,700 nuclear-qualified officers would extend their enlistments by three to five years in 2006. To estimate the cost of implementing this section, CBO assumes that the amount of the average annual bonus would increase by 20 percent—the same percentage that the maximum amount would increase. Thus, CBO estimates these personnel would each receive a bonus of about \$26,400 a year, an increase of approximately \$4,400 over the current average level. Thus, CBO estimates that implementing this section would cost \$6 million in 2006 and \$29 million over

the 2006-2010 period, after considering annual payments. (The costs associated with extending the underlying \$25,000 annual bonus to December 31, 2006, are included above under *Expiring Bonuses and Allowances*.)

Additional Special Pay for Dental Officers. Section 615 would eliminate the restriction placed on dental officers who are currently not allowed to receive additional special pay because they are in an intern or residency status. Based on data from DoD, CBO expects that implementing this section would allow about an additional 360 dental officers each year to receive additional special pay, which currently averages about \$11,000 a year. Thus, CBO estimates the cost of implementing this section would total \$4 million in 2006 and \$20 million over the 2006-2010 period.

Housing Allowance for Reservists. Section 606 would allow all reservists on active duty for over 30 days to receive the same basic allowance for housing as regular active-duty personnel. Currently, reservists called to active duty for over 140 days or those who are called to active duty in response to a contingency operation are allowed to receive a housing allowance equal to the full active-duty rate. Reservists called to active duty on orders lasting less than 140 days that are not associated with a contingency operation receive a lower housing allowance, which does not include locality adjustments. This section would allow all reservists on active duty for over 30 days to receive the full rate. Based on data from DoD, CBO estimates about 30,000 reservists a year are in an active-duty status between 30 and 140 days (not including those members associated with a contingency operation), and that their active-duty call-up lasts about two months, on average. The difference between the full active-duty housing allowance and the reduced housing allowance varies depending on rank, location, and whether the member has dependents or not. Based on an analysis of DoD's housing allowance tables and the number of reservists with dependents, CBO estimates this difference to be about \$425 per month on average in 2005. (Housing allowances are adjusted each year for inflation in housing costs.) After accounting for such adjustments, CBO estimates implementing this section would cost \$26 million in 2006 and \$135 million over the 2006-2010 period.

Income Replacement for Certain Reservists. Section 608 would require DoD to pay some of the difference between military and civilian pay for certain reservists while they are on active duty under an involuntary mobilization order. Reservists would qualify for this pay supplement only after being called to active duty for 18 continuous months, or a total of 24 months during the previous 60-month period, or for any time within six months of serving on full-time active duty. Under the provision, the difference in average monthly civilian pay and total monthly active-duty military compensation (considering all special bonuses and allowances) must be greater than \$50 a month for a reservist to qualify for this pay differential, but the monthly payment cannot exceed \$3,000. DoD would be required to

begin making such payments in January 2006 but limit the total amount of such payments to \$60 million in the fiscal year 2006.

The cost of implementing this provision would depend on the size and duration of overseas conflicts and the number of reservists mobilized to maintain appropriate troop levels. Based on an analysis of the number and types of reservists currently deployed overseas, CBO estimates about 13,000 reservists are currently in high-deployment-rotation cycles and thus would potentially qualify for this additional pay. For this estimate, CBO assumes that force levels and operations in Iraq and Afghanistan for 2006 will remain at levels expected for 2005 and then will decline gradually over several years. If the number of reservists called to active duty were to remain at current levels over the 2006-2010 period, the cost of implementing this provision would be significantly higher.

CBO estimates about 13 percent of this eligible population receives monthly active-duty military compensation that is less than their average monthly civilian pay, and that the average amount of these lost wages is about \$11,000 a year. Thus, CBO assumes that in fiscal year 2006 about 1,700 mobilized reservists would be eligible and qualify for the pay differential and that this number would eventually decrease to approximately 430 by 2010. Based on the projected number of reservists eligible for income replacement payments and the size of the average income lost, CBO estimates that the cost of implementing this provision would total \$7 million in 2006 and \$27 million over the 2006-2010 period, assuming the appropriation of the necessary amounts.

Weight Allowance for Shipment of Household Goods for Senior Enlisted Personnel. Section 644 would increase the allowable shipping weight of household goods for senior enlisted personnel (E-7s through E-9s) when they make a temporary or permanent change of station (PCS) move. Under the provision, these personnel would be allowed to ship an additional 500 to 1,000 pounds depending on rank and marital status. Data from DoD on PCS moves do not break down the weights shipped for PCS moves by category of military personnel (either by marital status or rank). However, using top-level historical budget data on the cost of PCS move and weight allowances for each military rank and marital status, CBO developed a statistical model that relates weight allowance to usage. Using this approach, CBO estimates the weight of the average household goods shipment for senior enlisted personnel would increase by about 275 pounds. Such a change in weight would increase total PCS costs by less than one-half of one percent a year—DoD estimates its PCS budget to be about \$1.4 billion a year over the 2006-2007 period. Thus, CBO estimates the cost of implementing this section would total \$4 million in 2006 and \$27 million over the 2006-2010 period.

Supplemental Subsistence Allowance. Section 605 would make permanent a program that provides a supplemental food allowance to servicemembers eligible for food stamps. Under current law, the authority to provide this allowance will expire at the end of fiscal year 2006. CBO estimates the cost of permanently extending the authority for this allowance would total \$17 million over the 2006-2010 period, based on recent funding for this program.

Extension of Military Housing Benefits to Dependents of Deceased Servicemembers. Section 1526 would permanently extend authority provided in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005, that allows dependents of deceased servicemembers to remain in military housing or continue to receive a housing allowance for up to one year after the member's death. This authority expires at the end of fiscal year 2005. Absent an extension of the current authority, dependents will be eligible for this benefit for only 180 days (or six months) after a servicemember's death.

For this estimate, CBO assumes that force levels and operations in Iraq and Afghanistan for 2006 will remain at levels expected for 2005 and then will decline gradually over several years. Based on casualty statistics from DoD, CBO estimates the number of fatalities experienced in the line of duty would total about 1,800 in 2006, and decline to about 1,200 in 2010. According to DoD, about 55 percent of these personnel would have dependents that would qualify to remain in military housing or to receive a housing allowance. CBO estimates that these dependents would receive about \$1,200 a month in housing allowances for an additional six months. Implementing this section would cost \$7 million in 2006 and \$30 million over the 2006-2010 period, CBO estimates.

Death Gratuity. The death gratuity is a payment that is meant to cover immediate expenses for survivors of those killed in the line of duty until additional benefits are received. Section 1523 would make permanent the authority to give a death gratuity payment of \$100,000 to the families of those servicemembers who die in a combat operation or in certain other combat-related circumstances, such as training that simulates war. This benefit increase was authorized in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005, but will expire after September 30, 2005. At that time, the benefit amount will drop back to that authorized for all other deaths—\$12,240 in 2005, indexed to the annual pay raise authorized each year and effective in January.

For this estimate, CBO assumes that force levels and operations in Iraq and Afghanistan for 2006 will remain at levels expected for 2005 and then will decline gradually over several years. Based on current death rates observed in those operations, and information provided by DoD regarding the fraction of deaths that might be categorized as occurring under

combat-related circumstances outside of a combat zone, CBO estimates that implementing this provision would cost about \$100 million in 2006 and \$330 million over the 2006-2010 period.

Premium Allowance for Servicemembers' Group Life Insurance (SGLI) Coverage. Section 1528 would provide an allowance to cover the cost of premiums to any member of the Armed Forces who is serving in the theater of operations for Operation Enduring Freedom (OEF) or Operation Iraqi Freedom (OIF) after October 1, 2005, and is insured under the SGLI program.

Under authorities provided in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005, the Secretary of Defense may pay the cost of premium payments for up to \$150,000 of coverage for servicemembers serving in an operation or area that the Secretary designates as a combat operation or a zone of combat. The act also increased the maximum coverage under SGLI from \$250,000 to \$400,000 for all servicemembers. Both authorities expire after September 30, 2005.

According to the Department of Veterans Affairs (VA)—the administrator of the SGLI program—98 percent of servicemembers participate in SGLI and take out the maximum coverage for a premium of 6½ cents per \$1,000 of coverage. In 2005, a servicemember will pay \$16.25 a month or \$195 a year for \$250,000 of coverage. For this estimate, CBO assumes that force levels in theater for OEF and OIF for 2006 will remain at levels expected for 2005 (about 200,000 servicemembers) and then decline gradually over several years to about 50,000 by 2010. Assuming that premium rates remain at the 2005 level over the 2006-2010 period, CBO estimates that implementing this provision would cost \$39 million in 2006 and \$119 million over the 2006-2010 period.

Special Pay for Wounded Servicemembers. Section 1527 would authorize the Secretary to pay a special monthly payment of \$430 to servicemembers who are wounded in a combat operation or zone and evacuated from the theater for medical treatment. The payments would continue until the servicemember is no longer hospitalized in a military treatment facility or receives the traumatic injury benefit authorized by the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005. Based on information from DoD on the length of hospital stays of servicemembers injured during recent combat operations and CBO's projections of future troop levels in combat zones, CBO estimates that implementing this provision would cost \$3 million in 2006 and \$9 million over the 2006-2010 period.

Other Provisions. In addition to the provisions discussed above, CBO estimates other provisions in the bill would increase compensation and benefits by \$8 million in 2006 and \$27 million over the 2006-2010 period:

- Section 534 would expand the National Call to Service Program to include officer candidates;
- Section 607 would allow military personnel to continue to receive an overseas cost of living allowance if their families remain overseas while the member is in training in the continental United States;
- Section 625 would increase the annual incentive bonus for nuclear-qualified officers trained while serving as an enlisted servicemember;
- Section 626 would allow reservists to receive foreign language proficiency pay at a rate comparable to active-duty members;
- Section 628 would allow DoD to pay a \$5,000 bonus to nursing candidates in the Senior Reserve Officer Training Corps (ROTC) program at the beginning of their junior year of college if they agree to serve on active duty as an officer in the Army Nurse Corps;
- Section 675 would allow the Army to establish a pilot program to pay a \$1,000 bonus to current servicemembers who refer a person to a recruiter when that person subsequently enlists in either the regular Army or Army Reserve;
- Section 1524 would prohibit wounded servicemembers from being charged for meals while receiving care at military medical facilities; and
- Section 1525 would make permanent the authority in current law that directs DoD to pay for travel costs of dependents visiting hospitalized servicemembers inside the continental United States, if the servicemember's illness or injury meets certain criteria.

Defense Health Program. Title VII contains a number of provisions that would affect DoD health care and benefits, with the most significant provision affecting the TRICARE Reserve Select (TRS) program.

Section 703 would modify the TRICARE Reserve Select program, which provides health care coverage to certain reservists. Under current law, reservists are eligible to enroll in TRS if they meet two conditions. First, a reservist must have served on active duty for at least 90 consecutive days in support of a contingency operation on or after September 11, 2001. Second, they must agree to serve continuously in the Selected Reserve for at least one year following their release from active duty. A reservist who meets these criteria is eligible for one year of health care coverage for each consecutive 90-day period spent on active duty in support of a contingency operation. Reservists who enroll must pay premiums which DoD

has determined to be equal to 28 percent of the cost of providing that health care coverage. Reservists must sign an agreement for additional service and enroll in TRS at the end of their deployment and before their release from active duty. Finally, if the reservist leaves the Selected Reserve for any reason, the enrollment is terminated and may not be reinstated. Enrollment in TRS began in April 2005.

Section 703 would modify the TRS program by allowing more reservists to participate and by allowing more time for eligible reservists to enroll in the program; thus raising expected participation. Reservists who are required to leave the Selected Reserve for reasons relating to involuntary retirement as well as certain members of the Individual Ready Reserve, under rules determined by the Secretary of Defense, would be allowed to continue in the TRS program under this provision. The section also would allow those reservists who are recalled to active duty while enrolled in TRS to resume that enrollment after being released from that recall to active duty. Furthermore, family members of reservists who are enrolled in TRS would be allowed continue to be eligible for health care benefits under TRS for six months after the death of the reservist. Finally, reservists would have up to 120 days after being released from active duty to sign the agreement for additional service and enroll in TRS.

CBO expects that expanding eligibility for TRS and providing additional time to enroll would increase the number of people participating in the program. For this estimate, CBO assumes that force levels and operations in Iraq and Afghanistan for 2006 will remain at levels expected for 2005 and then will decline gradually over several years. CBO estimates that about 90 percent of the estimated increase in enrollment in TRS would stem from extending the window when reservists can enroll. Assuming that the level of program participation would grow by about 25 percent if reservists are given more time to enroll, CBO estimates that about 7,000 additional reservists would enroll in TRS in 2006. The number of new enrollments would increase to about 12,000 in 2007 as reservists become more familiar with this new program, but would drop to about 6,000 in 2010, CBO estimates.

Based on information from DoD, CBO estimates that about 50 percent of reservists have dependents and that the annual cost of providing health care to reservists in 2006 would be about \$2,500 for single reservists and \$7,800 for reservists with dependents. Thus, CBO estimates that, under section 703, spending for the TRICARE Reserve Select program would increase by \$33 million in 2006 and \$275 million over the 2006-2010 period, assuming appropriation of the estimated amounts.

Federal Employee Health Benefits (FEHB) Program. Section 1101 would extend a provision of law through fiscal year 2010 that allows DoD and certain employees of the Department of Energy whose employment is terminated because of a reduction-in-force action to continue to participate in the FEHB health insurance program and only pay the regular employee's share of the insurance premium. The respective departments would be

responsible for paying the normal employer's share of the premium. Under current law, this authority expires at the end of fiscal year 2006. Neither DoD nor the Office of Personnel Management have information about the number of former employees who have used the extended benefit, even though this authority was originally granted in 1992.

According to information from DoD, about 10-to-15 percent of civilian personnel affected by base realignment and closure (BRAC) have been subject to involuntary separation by DoD. DoD recently estimated that about 85,000 civilians would be affected by its latest BRAC recommendations. CBO estimates about 13,000 civilian employees would be involuntarily separated during the upcoming BRAC, if Congress accepts DoD's recommendations. However, CBO expects that only a fraction of these personnel would use this authority, since many would likely find new jobs that offer health insurance benefits or have a spouse with such benefits. For purposes of this estimate, CBO assumes that about half of the 13,000 civilians would use the extended benefit and that they would use the benefit for an average of nine months. CBO estimates that the average monthly premium for FEHB coverage would be about \$730 per person in 2006 and the employer's share is about 70 percent of that amount. Assuming these premiums would grow by about 7 percent per year over the 2006-2010 period, CBO estimates that extending this provision through fiscal year 2010 would cost \$24 million over the 2007-2010 period, assuming appropriation of the estimated amounts.

Permanent Extension of Defense Scholarship Program. Section 1107 would permanently extend authority for the Science, Mathematics, and Research for Transformation Defense Scholarship Program created by section 1105 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375). The authority for this pilot program will expire at the end of fiscal year 2007. Under the program, individuals receive financial assistance to obtain college degrees in science and engineering in exchange for a commitment to work for the Department of Defense. According to the Army, which oversees the program, the budget requirements for this program are about \$10 million in 2006 and \$10 million in 2007. Based on information from the Army, CBO estimates the annual cost of implementing this program would increase to about \$40 million by 2010, if the authority were extended. In total, CBO estimates that implementing this provision would cost \$78 million over the 2008-2010 period.

Payment for Professional Credentials. Section 523 would allow DoD and the Coast Guard to pay for servicemembers' expenses to obtain professional credentials, licenses, and certifications from private-sector training and licensing sources. Based on information provided by DoD, CBO estimates that implementing this section would cost \$7 million in 2006 and \$36 million over the 2006-2010 period.

Information Technology Services for Fisher Houses. Section 663 would allow DoD to provide information technology services, including computer equipment and Internet access, to Fisher Houses, Fisher Suites, and other facilities that provide housing and health care to wounded members of the Armed Forces but do not rely on direct appropriations for the majority of their funding. Based upon information from DoD, CBO estimates that implementing this provision would cost \$6 million in 2006 and about \$20 million over the 2006-2009 period.

Direct Spending

The bill contains provisions that would both increase and decrease direct spending, primarily from modifying the phase-in of concurrent receipt of military retirement annuities and veterans disability compensation for certain retirees. H.R. 1815 also would increase receipts from asset sales; as discussed in the following section. We estimate that those provisions combined would increase direct spending (excluding asset sales) by about \$118 million over the 2006-2010 period and by \$268 million over the 2006-2015 period (see Table 4).

Supplemental Subsistence Allowance. Section 605 would make permanent a program that provides a supplemental food allowance to servicemembers with dependents who meet the gross income test for the Food Stamp program. Under current law, the authority for this allowance will expire on September 30, 2006. CBO estimates that making this allowance permanent would reduce direct spending for food stamps by \$4 million in fiscal year 2007, by \$16 million over the 2007-2010 period, and by \$36 million over the 2007-2015 period. Absent receipt of this allowance, CBO estimates that some low-income military families would apply for food stamps and a small number of military households that currently receive both food stamps and this allowance would receive an increase in their food stamp benefits. Based on data from DoD, CBO estimates that, if the allowance were made permanent, about 1,400 fewer households a year, on average, would receive food stamps than under current law. CBO estimates that these households would have received an average of \$220 in food stamp benefits a month.

TABLE 4. ESTIMATED DIRECT SPENDING FOR H.R. 1815 (By fiscal year, in millions of dollars) ^{a,b}

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING (EXCLUDING ASSET SALES)										
Supplemental Subsistence Allowance										
Estimated Budget Authority	0	-4	-4	-4	-4	-4	-4	-4	-4	-4
Estimated Outlays	0	-4	-4	-4	-4	-4	-4	-4	-4	-4
Modification of Phase-In for Concurrent Receipt										
Estimated Budget Authority	0	0	0	0	72	41	24	16	11	0
Estimated Outlays	0	0	0	0	72	41	24	16	11	0
Reserve Officer Training Corps Scholarships										
Estimated Budget Authority	*	1	1	1	1	1	1	1	1	1
Estimated Outlays	*	1	1	1	1	1	1	1	1	1
Tests for Licensing or Certification										
Estimated Budget Authority	*	*	*	*	1	1	1	1	1	1
Estimated Outlays	*	*	*	*	1	1	1	1	1	1
Expansion of Authority to Exchange Property at Military Installations										
Estimated Budget Authority	12	12	12	13	13	13	14	14	14	14
Estimated Outlays	12	12	12	13	13	13	14	14	14	14
Drydock Sales										
Estimated Budget Authority	-2	0	0	0	0	0	0	0	0	0
Estimated Outlays	-2	0	0	0	0	0	0	0	0	0
Time-in-Grade Requirements										
Estimated Budget Authority	*	*	*	1	1	1	1	1	1	1
Estimated Outlays	*	*	*	1	1	1	1	1	1	1
Dual-Status Technicians										
Estimated Budget Authority	0	0	*	-1	-1	-1	-1	-1	-1	-1
Estimated Outlays	0	0	*	-1	-1	-1	-1	-1	-1	-1
Logistics Support for Weapon Systems Contractors										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	-3	-1	-1	3	1	0	0	0
Subtotal										
Estimated Budget Authority	10	9	9	10	83	52	35	27	22	11
Estimated Outlays	10	9	6	9	82	55	36	28	22	11
ASSET SALES										
National Defense Stockpile										
Estimated Budget Authority	-12	-30	-32	-79	-47	-30	0	0	0	0
Estimated Outlays	-12	-30	-32	-79	-47	-30	0	0	0	0
TOTAL CHANGES IN DIRECT SPENDING										
Estimated Budget Authority	-2	-21	-23	-69	36	22	35	27	22	11
Estimated Outlays	-2	-21	-26	-70	35	25	36	28	22	11

NOTE: * = less than \$500,000.

a. These amounts do not include the cost of section 514 because CBO cannot estimate such spending at this time.

b. Five- and 10-year totals stated in the text differ slightly from the sum of the annual costs shown here because of rounding.

Modification of Phase-In for Concurrent Receipt. Section 655 would modify the phase-in period for concurrent receipt of military retirement annuities and veterans' disability compensation for certain retirees. Prior to January 1, 2004, military retirement annuities were reduced by the full amount of any veterans' disability compensation received. Under current law, retirees who have been rated by the VA as 50-to-90 percent disabled will see that offset gradually decrease until January 1, 2014, when they will receive both benefits in full. Retirees who are rated 100 percent disabled already receive full concurrent receipt, while those who are rated as less than 50 percent disabled continue to have their retirement annuities reduced by the full amount of their disability compensation.

Section 655 would allow retirees who are rated by VA as both 60-to-90 percent disabled and unemployable to receive full concurrent receipt as of October 1, 2009. Based on information from DoD and VA, CBO estimates that under current law about 30,000 retirees are rated as 60-to-90 percent disabled and unemployable, and that in 2010 their retirement annuities will, on average, be reduced by \$2,400. The reduction in their annuities will decrease each year thereafter until January 1, 2014, when they will receive both benefits in full. CBO estimates that moving forward the date for full concurrent receipt for this group of retirees would increase direct spending for military retirement annuities by \$72 million in 2010, and by \$164 million over the 2010-2015 period.

ROTC Scholarships. Section 527 would double the number of ROTC scholarships that could be provided to cadets intending to remain in the Selected Reserve from 208 to 416. Cadets using these scholarships are also entitled to Montgomery GI Bill-Selected Reserve (MGIB-SR) educational benefits. The current monthly stipend for MGIB-SR is \$288. CBO estimates that the monthly benefit would increase with an annual cost-of-living adjustment to about \$360 in 2015. Based on information from DoD, CBO also expects these cadets would receive a \$350 a month increase in their MGIB-SR stipend under a program of accession incentives currently offered by the Reserves. Assuming the first expanded class of cadets would begin in the 2006-2007 academic year and that the cadets would use nine months of benefits a year, CBO estimates that enacting this provision would increase direct spending for MGIB-SR benefits by less than \$500,000 in 2006, by about \$5 million over the 2006-2010 period, and by \$11 million over the 2006-2015 period.

Tests for Licensing or Certification. Section 511 would extend MGIB-SR benefits to cover the cost of tests required for occupational licensing and certification, a benefit already authorized under the Montgomery GI Bill. Based on usage rates and average payments in that program, CBO estimates that about 2,000 reservists would take advantage of this new benefit each year and receive an average benefit of about \$220 in 2006. Assuming the average amount of the benefit would increase with a cost-of-living adjustment to about \$270 in 2015, CBO estimates that enacting section 511 would increase direct sending for

MGIB-SR benefits by less than \$500,000 in 2006, by about \$2 million over the 2006-2010 period, and \$5 million over the 2006-2015 period.

Expansion of Authority to Exchange Property at Military Installations. Section 2803 would authorize the secretaries of the military departments to exchange surplus property for land, construction projects, or housing. Current law only permits such exchanges for property located at installations that are closed or realigned under base closure laws. Surplus property at installations that are not subject to a base closure action can be sold but the proceeds are deposited into the Treasury and recorded as an offsetting receipt—a credit against direct spending. If DoD were allowed to exchange that property for in-kind consideration—rather than selling it as is the practice under current law—it would forgo approximately \$12 million in offsetting receipts it receives annually, CBO estimates. Thus, CBO estimates that enacting this provision would increase direct spending by \$12 million in 2006, \$62 million over the 2006-2010 period, and \$131 million over the 2006-2015 period.

Drydock Sales. Title X contains provisions that would allow the Navy to convey certain floating drydocks. Section 1011 would allow the Navy to sell a floating drydock (known as YFD-70), located in Seattle, Washington, to Todd Pacific Shipyards Corporation and would require Todd Shipyards to pay the U.S. government an amount equal to the drydock's fair market value in return. According to the Navy, it recently sold a similar drydock for about \$1 million. Assuming the YFD-70 has a comparable fair-market value, CBO estimates that the sale of this drydock would generate about \$1 million in offsetting receipts in 2006.

Section 1012 would allow the Navy to sell a floating drydock (known as AFDM-7) to Atlantic Marine Property Holding Company and would require Atlantic Marine to pay the U.S. government an amount equal to the drydock's fair-market value in return. Based on information provided by the Navy, CBO estimates that the sale of this drydock would also produce \$1 million of offsetting receipts in 2006.

Time-in-Grade Requirements. Section 501 would temporarily double the number of officers in the ranks of O-5 and O-6 that could receive a waiver to retire at their current rank after serving two years in that rank instead of meeting the usual three-year requirement. Without such a waiver, officers who do not meet the time-in-grade requirements must retire at the next lowest grade in which they do meet the requirements, and receive a smaller retirement annuity. Under the provision, the increase in waiver authority would be effective from October 1, 2005, to December 31, 2007. Currently, the Secretary of Defense can allow time-in-grade waivers for up to 2 percent of the authorized endstrength by grade and service. DoD reports that only the Air Force plans to make significant use of the proposed waiver expansion.

Based on information from DoD, CBO expects that, given the authority, the Air Force would grant about 570 additional waivers over the 27-month period. CBO estimates that without the additional waiver authority, about 10 percent of these officers would retire at the lower rank. Based on pay and annuity information from DoD, CBO estimates the annual increase in retirement annuities for these officers would, on average, be about \$9,500 at the time of their retirement, increasing with cost-of-living adjustments to about \$11,400 in 2015. Thus, CBO estimates enacting this section would increase spending for retirement annuities by less than \$500,000 in 2006, by \$2 million over the 2006-2010 period, and by \$5 million over the 2006-2015 period.

Dual-Status Technicians. Dual-status military technicians are civilian employees of DoD who are required to hold concurrent positions in the Reserves or National Guard. Under current policy, some technicians who are officers in the Army Reserve will be forced to retire from their civil service positions when they reach the maximum years-of-service for officers in their grade and become eligible for an unreduced civil service annuity, usually at age 55 or 56. Until very recently, such officers were routinely granted a waiver to remain in the Reserves up to age 60.

Section 513 would direct the Secretary of the Army to allow these officers to remain in the reserves until they reach age 60. Under this section, some technicians who would have had to retire between the age 55 and 59 would defer their civil service retirements by one or more years, reducing retirement outlays. The resulting savings would be partially offset by the increased amount of their civil service and reserve retirement annuities that would result from having more years of service when such individuals finally retire. Because most of the technicians who are currently eligible for retirement have already received waivers under the earlier policy, the current Army policy would not result in any involuntary retirements below age 60 for several more years. Based on information from DoD, CBO estimates that implementing this proposal would eventually result in about 50 fewer retirements each year, starting with about 10 deferred retirements in 2008. Based on information from DoD and the Office of Personnel Management on retirement annuities, CBO estimates that implementing this section would result in a net reduction in direct spending for retirement annuities of less than \$500,000 in 2006, about \$2 million over the 2006-2010 period, and \$10 million over the 2006-2015 period.

National Guard Retirement. Section 514 would allow certain National Guard members who served on state active duty in support of a federal declaration of emergency in specified counties in the state of New York and in Arlington, Virginia, between September 11, 2001, and October 1, 2002, to apply that time served toward their federal military retirement.

The National Guard Bureau reports that all National Guard service in Virginia over that time period was designated as federal service, not state service. While enactment of this proposal would increase direct spending for retirement annuities, CBO cannot estimate the effects at this time, because the Bureau has not been able to determine the number of Guardsmen in New York who would be affected by this section; however, we believe the costs are unlikely to be significant.

Logistics Support for Weapons Systems Contractors. Section 321 would extend the authority for the Defense Logistics Agency (DLA) to provide contract support services to weapons systems contractors from 2007 to 2010. Under current law, DLA is allowed to receive payments from weapons system contractors for such services as parts distribution and storage. Since DLA is currently allowed to retain and spend the receipts generated from the provision of these services, CBO estimates that enacting this provision would not affect budget authority, but would affect the timing of outlays. Accounting for the lag when CBO expects DLA to receive payments from these contractors for these services and when DLA would spend those receipts, CBO estimates that enacting this provision would result in direct spending outlay savings of \$5 million over the 2008-2010 period, but have no net effect over the 2006-2015 period .

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

- Section 502 would temporarily authorize DoD to grant waivers to reduce the length of commissioned service required for retirement as an officer. Officers who do not meet commissioned service requirements must retire at the highest enlisted grade held, resulting in receipt of a significantly smaller retirement annuity. The waiver authority would be effective from October 1, 2005, to December 31, 2007, and would allow retirement as an officer with eight rather than ten years of commissioned service. Based on information from DoD, CBO expects that few such waivers would be offered or accepted. Thus, CBO estimates that enacting this section would increase direct spending for retirement annuities by less than \$500,000 a year.
- Section 512 would modify the educational assistance program for reservists called to active duty. It would clarify that the required active-duty service must have begun on or after September 11, 2001, would specify that the benefit be administered by the Secretary of Veterans Affairs, and would allow members with a brief break in service in the Selected Reserve to retain eligibility for the benefit. CBO estimates that enacting this provision would not significantly alter program usage or program outlays.

- Section 515 would allow state governors to order their state's National Guard to perform full-time National Guard duty, on a reimbursable basis, to support civilian law enforcement agencies performing domestic counter-terrorism activities under certain conditions. The provision also would direct the National Guard Bureau or its state designee to accept reimbursement for such support and allow them to spend the reimbursed amounts without further appropriation. Finally, the provision would allow the Secretary of Defense to waive reimbursement requirements. CBO cannot estimate the costs of enacting this section because we cannot predict how state governors might use this authority and when the Secretary might choose to waive reimbursement. However, CBO expects that the net effect of any such collections and expenditures would be insignificant.
- Section 628 would allow DoD to pay a \$5,000 bonus to nursing candidates in the senior ROTC program at the beginning of their junior year of college if they agree to serve on active duty as an officer in the Army Nurse Corps. Based on information from DoD, CBO estimates that enacting this provision would increase direct spending by less than \$500,000 in 2006 because the authority to provide this bonus would apply to agreements made on or after October 5, 2004.
- Section 654 would allow payments of court-ordered child support to be made from the military retirement fund to the dependent children of certain members or former members of the armed forces who have lost eligibility to their retirement benefits. Based on information from DoD about the number of individuals who would likely qualify under this provision, CBO estimates that enacting this section would increase direct spending for military retirement annuities by less than \$500,000 a year over the 2006-2015 period.
- Section 676 would provide special compensation for reserve component members whose mobilization to active duty caused their eligibility for tobacco quota buyout payments to be reduced or eliminated. Based on information from the Department of Agriculture regarding the likely number of eligible reservists and the average amount of their tobacco quota, CBO estimates that enacting this provision would increase direct spending by less than \$500,000 a year.
- The Survivor Benefit Plan (SBP) allows retiring members of the uniformed services who are unmarried and have no more than one child to choose an insurable interest as a beneficiary. Section 656 would allow retirees to choose a replacement beneficiary if the retiree outlives the initial beneficiary. Based on data from DoD on current usage of the insurable interest option, CBO estimates enacting this section would have an insignificant effect on direct spending for military retirement annuities.

- Section 701 would allow individuals under TRICARE to see mental health counselors outside of a doctor's supervision. This provision would affect those individuals covered under the TRICARE For Life program, which is considered direct spending, but CBO estimates that enacting this provision would have a negligible effect on such spending.
- Section 713 would make newly commissioned officers of a reserve component of a uniformed service eligible for health care coverage under TRICARE if they have received orders to active duty, but not yet begun such service. CBO estimates that enacting this provision would increase direct spending for TRICARE by less than \$500,000 in 2006, because the authority to provide this health care coverage would apply to servicemembers meeting the criteria on or after November 24, 2003.

Asset 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 and later revised by Public Laws 106-398, 107-107, and 108-375) for sales from the National Defense Stockpile through 2011. CBO estimates that there will be sufficient quantities of materials in the stockpile to achieve \$12 million in receipts in 2006 and \$130 million over the 2006-2010 period.

Section 3303 would increase by \$100 million the targets contained in the National Defense Authorization Act for Fiscal Year 2000 (Public Law 106-65 and later revised by Public Law 108-136) for sales from the National Defense Stockpile through 2011. CBO estimates that there will be sufficient quantities of materials in the stockpile to achieve \$70 million in receipts over the 2006-2010 period and \$100 million over the 2006-2011 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any legislative provisions that are necessary for national security. CBO has determined that section 825, which would provide rapid acquisition authority for the Department of Defense in the event of a demonstrable, imminent, and urgent threat to national security, falls under that exclusion and has not reviewed it for intergovernmental or private-sector mandates.

The remaining provisions of the bill contain both intergovernmental and private-sector mandates as defined in UMRA but CBO estimates that the annual cost of those mandates would not exceed the thresholds established in UMRA (\$62 million for intergovernmental

mandates in 2005 and \$123 million for private-sector mandates in 2005, adjusted annually for inflation).

Increasing the Endstrength of the Armed Services

Sections 412, 1521, and 1522 would increase the costs of complying with existing intergovernmental and private-sector mandates as defined in UMRA, by increasing the number of servicemembers and reservists on active duty. Those additional servicemembers would be eligible for protection under the Servicemembers Civil Relief Act (SCRA) including the right to maintain a single state of residence for purposes of state and local personal income taxes and the right to request a deferral in the payment of certain state and local taxes and fees. SCRA also requires creditors to reduce the interest rate on servicemembers' obligations to 6 percent when such obligations predate active-duty service and allows courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions. Extending these existing protections would constitute intergovernmental and private-sector mandates and could result in additional lost revenues to government and private-sector entities.

The number of active-duty servicemembers covered by SCRA would increase by less than 5 percent in fiscal years 2006 through 2009. Based on information from the Federation of Tax Administrators, CBO expects that relatively few of these servicemembers would take advantage of the deferrals in certain state and local tax payments; the lost revenues to those governments would be insignificant. CBO cannot determine the increase in costs of the existing private-sector mandates because utilization of the provisions of the SCRA would depend on how often these soldiers are deployed and how long they are deployed, which rests on uncertain policy decisions.

Preemptions of State Authority

Section 551 would preempt the application of state-licensing requirements for lawyers practicing within a certain state. It would allow any judge advocate or civilian attorney that is authorized to provide military legal assistance to provide that assistance in any jurisdiction, notwithstanding any law regarding the licensure of attorneys. CBO estimates that the annual costs, if any, for states to comply with that preemption would be insignificant.

Other Intergovernmental Impacts

In general, H.R. 1815 would benefit state, local, and tribal governments by authorizing aid for certain local schools with dependents of defense personnel, expanding the authority of State governors to order their state's National Guard to support counter-terrorism activities, and conveying certain parcels of land to state and local governments. Any costs to those governments would be incurred voluntarily.

ESTIMATE PREPARED BY:

Federal Costs:

Defense Outlays: Kent Christensen
Military Construction: David Newman
Military and Civilian Personnel: Matthew Schmit and Michelle Patterson
Military Retirement and Education Benefits: Sarah T. Jennings
Operation and Maintenance: Jason Wheelock
Health Programs: Sam Papenfuss and Michelle Patterson
Multiyear Procurement: David Newman
Stockpile Sales and Drydock Conveyances: Raymond J. Hall
Tobacco Quota Buyout Program: James Langley
Food Stamp Program: Kathleen FitzGerald

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Josh J. Lee

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis