CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 19, 2011

S. 1253
National Defense Authorization Act for Fiscal Year 2012

As reported by the Senate Committee on Armed Services on June 22, 2011

SUMMARY

S. 1253 would authorize appropriations totaling $683 billion for fiscal year 2012 for the military functions of the Department of Defense (DoD), for certain activities of the Department of Energy (DOE), and for other purposes. That total includes $117 billion for the cost of overseas contingency operations, primarily in Iraq and Afghanistan. In addition, the bill would authorize a new foreign assistance program that CBO estimates would increase costs to the Department of State by about $100 million annually from 2012 to 2014. S. 1253 also would prescribe personnel strengths for each active-duty and selected-reserve component of the U.S. armed forces. CBO estimates that appropriation of the authorized amounts would result in outlays of $672 billion over the 2012-2016 period.

The bill also contains provisions that would increase and decrease costs of discretionary defense programs beyond 2012. Those implicit authorizations would affect force structure, DoD compensation and benefits, DoD's use of multiyear procurement authority, and other programs and activities. CBO estimated that a select number of those authorizations would raise costs by about $12 billion over the 2013-2016 period, assuming appropriation of the necessary amounts. Those amounts are not included in the totals in the previous paragraph because funding for those activities would be covered by specific authorizations in future years.

S. 1253 also contains provisions that would decrease and increase components of direct spending. CBO estimates that, on net, those changes would decrease direct spending by $121 million over the 2012-2016 period and by $119 million over the 2012-2021 period. Enacting the bill would not affect revenues. Because enacting the legislation would affect direct spending, pay-as-you-go procedures apply.

S. 1253 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by preempting state licensing laws governing health care

professionals in some circumstances. CBO estimates that the costs of that intergovernmental mandate would be small and would not exceed the threshold established in UMRA ($71 million in 2011, adjusted annually for inflation). This bill contains no new private-sector mandates as defined in UMRA.

CBO has not reviewed section 585 of the bill for intergovernmental or private-sector mandates. Section 4 of UMRA excludes from the application of that Act any legislative provisions that enforce the constitutional rights of individuals. CBO has determined that section 585 of the bill would fall within that exclusion because it addresses the rights of overseas voters to submit early ballots.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1253 is summarized in Table 1. Almost all of the $683 billion that would be authorized by the bill for 2012 is for activities within budget function 050 (national defense). Some authorizations, however, fall within other budget functions, including: about $100 million annually through 2014 for the Department of State (function 150—international affairs); and $68 million for 2012 for the Armed Forces Retirement Home (function 600—income security).

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1253 will be enacted near the start of fiscal year 2012.

Spending Subject to Appropriation

The bill would specifically authorize appropriations for 2012 totaling $683 billion, or $22 billion less than the $705 billion appropriated for 2011. Of that amount, $565 billion would be for authorizations of regular appropriations—for the "base budget" costs of defense programs not directly related to overseas contingency operations—as follows: $547 billion for DoD and $18 billion for DOE and other programs (see Table 2).

Compared to the 2011 level of appropriations enacted for DoD's base budget, the $547 billion that would be authorized for 2012 represents an increase of $18 billion (3 percent). The categories of DoD funding that would receive increases are procurement at $10 billion (10 percent), operation and maintenance at $6 billion (3 percent), and military personnel at $5 billion (3 percent). Authorizations for research and development would remain near the 2011 level, while authorizations for military construction and family housing would be $3 billion (17 percent) less than the current-year appropriations for those activities.

TABLE 1. BUDGETARY IMPACT OF S. 1253, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2012

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
SPENDING SUBJECT TO APPROPRIATION						
Authorization of Regular Appropriations for 2012, Primarily for the Departments of Defense and Energy						
Authorization Level	565,295	0	0	0	0	565,295
Estimated Outlays	359,953	127,706	44,972	16,646	6,626	555,903
Authorization of Appropriations for Overseas Contingency Operations						
Authorization Level	117,306	0	0	0	0	117,306
Estimated Outlays	60,010	40,276	11,296	3,353	963	115,898
Authorization of Appropriations for the Department of State and other Federal Agencies						
Estimated Authorization Level	108	108	100	0	0	316
Estimated Outlays	108	108	100	0	0	316
Total						
Estimated Authorization Level	682,710	108	100	0	0	682,918
Estimated Outlays	420,071	168,090	56,368	19,999	7,589	672,117
CHANGES IN DIRECT SPENDING[a]						
Estimated Budget Authority	-388	-14	-37	14	18	-406
Estimated Outlays	-30	-45	-63	4	12	-121

Notes: The authorization levels in this table reflect amounts specifically authorized for 2012 by the bill (primarily for the Department of Defense and the Department of Energy) and amounts implicitly authorized by the bill from 2012 through 2014 (primarily for the Department of State). The bill also implicitly authorizes various defense activities beyond 2012; those authorizations are not included above (but estimates for a select number of them are shown in Table 3) because funding for those activities would be covered by specific authorizations in future years.

Numbers may not sum up to totals because of rounding.

a. In addition to the changes in direct spending shown above, S. 1253 would have effects beyond 2016. CBO estimates that over the 2012-2021 period, S. 1253 would decrease direct spending by $119 million (see Table 4).

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

The $117 billion that would be authorized for 2012 overseas contingency operations—primarily for military operations in Iraq and Afghanistan—represents a decrease of about $42 billion (26 percent) compared to the $159 billion appropriated for 2011. Authorizations for all categories of contingency funding would be decreased—operation and maintenance by $21 billion (19 percent), procurement by $13 billion (48 percent), military personnel by $5 billion (31 percent), and the remaining categories by a total of $2 billion. In total, those authorized levels would be slightly less ($0.5 billion) than the Administration's budget request, which assumes a drawdown of all U.S. troops in Iraq by December 31, 2011, and a reduction of force levels in Afghanistan.

TABLE 2. SPECIFIED AUTHORIZATIONS IN S. 1253

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
Authorization of Regular Appropriations						
Department of Defense						
Military Personnel[a]						
Authorization Level	142,448	0	0	0	0	142,448
Estimated Outlays	135,035	6,965	172	37	0	142,209
Operation and Maintenance						
Authorization Level	202,332	0	0	0	0	202,332
Estimated Outlays	145,215	43,224	8,348	2,122	727	199,636
Procurement						
Authorization Level	111,093	0	0	0	0	111,093
Estimated Outlays	25,283	40,032	25,938	10,885	4,287	106,425
Research and Development						
Authorization Level	74,859	0	0	0	0	74,859
Estimated Outlays	37,787	27,216	5,577	2,088	966	73,634
Military Construction and Family Housing						
Authorization Level	13,717	0	0	0	0	13,717
Estimated Outlays	1,932	4,873	4,015	1,613	671	13,104
Revolving Funds						
Authorization Level	2,688	0	0	0	0	2,688
Estimated Outlays	2,126	398	88	51	25	2,688
General Transfer Authority						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	700	-150	-300	-150	-50	50
Subtotal, Department of Defense						
Authorization Level	547,139	0	0	0	0	547,139
Estimated Outlays	348,078	122,558	43,838	16,646	6,626	537,746

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
Atomic Energy Defense Activities						
Authorization Level[b]	18,089	0	0	0	0	18,089
Estimated Outlays	11,817	5,138	1,134	0	0	18,089
Other						
Authorization Level[c]	68	0	0	0	0	68
Estimated Outlays	58	10	0	0	0	68
Subtotal, Authorization of Regular Appropriations						
Authorization Level	565,295	0	0	0	0	565,295
Estimated Outlays	359,953	127,706	44,972	16,646	6,626	555,903
Authorization of Appropriations for Overseas Contingency Operations						
Military Personnel						
Authorization Level[a]	11,229	0	0	0	0	11,229
Estimated Outlays	10,506	681	6	2	0	11,195
Operation and Maintenance						
Authorization Level	90,677	0	0	0	0	90,677
Estimated Outlays	45,384	33,448	7,864	2,313	588	89,597
Procurement						
Authorization Level	14,608	0	0	0	0	14,608
Estimated Outlays	3,633	5,903	3,369	1,032	376	14,313
Research and Development						
Authorization Level	397	0	0	0	0	397
Estimated Outlays	198	147	31	9	4	389
Working Capital Funds						
Authorization Level	397	0	0	0	0	397
Estimated Outlays	149	129	86	29	3	396
Special Transfer Authority						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	140	-32	-60	-32	-8	8
Subtotal, Overseas Contingency Operations						
Authorization Level	117,306	0	0	0	0	117,306
Estimated Outlays	60,010	40,276	11,296	3,353	963	115,898
Total Specified Authorizations						
Authorization Level	682,602	0	0	0	0	682,602
Estimated Outlays	419,963	167,982	56,268	19,999	7,589	671,801

(Continued)

TABLE 2. CONTINUED

Notes: This table summarizes the authorizations of appropriations explicitly stated in the bill—in specified amounts. Various provisions of the bill also would authorize activities and provide authorities that would result in additional costs beyond 2012. Because the bill would not specifically authorize appropriations to cover those costs, they are not reflected in this table. Rather, Table 3 contains the estimated costs of a select number of those provisions.

Numbers may not sum to totals because of rounding.

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

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

c. This authorization is the Armed Forces Retirement Home ($68 million).

S. 1253 also contains provisions that would increase and decrease the cost of various defense discretionary programs in future years. Most of those provisions would affect end strength, military compensation and benefits, and acquisition programs using multiyear procurement authorities. The estimated costs of some select number of those provisions are shown in Table 3 and discussed below. The following discussion does not address the timing of outlays from those estimated authorizations. All such spending would be subject to appropriation of the estimated amounts.

Force Structure. The bill would affect the force structure of the various military services by setting end-strength levels for 2012.

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

Active-Duty End Strength. Section 401 would authorize 7,400 fewer active-duty personnel for the Army, 3,000 fewer active-duty personnel for the Navy, 600 additional active-duty personnel for the Air Force, and the same number of active-duty personnel for the Marine Corps, compared with end-strength levels for 2012 authorized under current law. CBO estimates that the net reduction in active-duty personnel of 9,800 servicemembers would decrease costs to DoD by $5.9 billion over the 2012-2016 period, assuming appropriations are reduced by the same amount. Our estimate reflects the lesser amounts of pay and benefits needed to support a smaller force, as well as lower costs for operation and maintenance.

TABLE 3. ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS IN S. 1253

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
FORCE STRUCTURE						
Active-Duty End Strength	-542	-1,156	-1,312	-1,408	-1,453	-5,871
Selected-Reserve End Strength	16	33	34	34	36	153
Increase Strengths in Certain Grades	6	12	19	19	20	76
Reservists Ordered to Active Duty for Preplanned Missions	0	0	344	705	727	1,776
COMPENSATION AND BENEFITS						
Expiring Bonuses and Allowances	1,550	741	308	309	146	3,054
Voluntary Separation Pay	0	145	101	325	87	658
Hostile Fire and Imminent Danger Pay	0	-56	-64	-57	-54	-231
TRICARE Prime Enrollment Fee	0	14	36	57	79	186
Civilian Benefits in a Combat Zone						
Department of Defense	68	70	0	0	0	138
Other Federal Entities	8	8	0	0	0	16
Voluntary Retirement Incentive	0	40	14	15	15	84
OTHER PROVISIONS						
Multiyear Procurement	3,081	2,786	2,921	2,733	2,711	14,232
Incremental Funding	475	470	454	396	358	2,153
Global Security Contingency Fund						
Department of Defense	200	200	200	0	0	600
Department of State	100	100	100	0	0	300
Sexual Assault Response Personnel	10	17	25	26	27	105
Cold War Service Medal	2	17	7	4	3	33

Notes: Amounts shown in this table for 2012 (with the exception of the State Department's share of the Global Security Contingency Fund (GSCF), and benefits for non-DoD civilian personnel who work in a combat zone) reflect costs of defense programs and are included in amounts specifically authorized to be appropriated by the bill (as reflected in Table 2 and summarized in the top portion of Table 1). Associated amounts for 2013 through 2016 are not included in amounts specifically authorized in the bill but would be covered by specific authorizations in future years; those amounts therefore are not reflected in Tables 1 and 2.

The estimated costs of the Department of States' share of the GSCF and of the benefits for non-DoD civilian personnel who work in combat zones are not specifically authorized by the bill (and thus are not reflected in Table 2). Those costs, however, are reflected in Table 1 because they are in addition to costs that would be covered by specified authorizations in this bill (and presumably in future National Defense Authorization Acts).

Figures shown here may not add up to numbers in the text because of rounding.

Selected-Reserve End Strength. Sections 411 and 412 would authorize the end strengths for the reserve components, including those who serve on active duty in support of the reserves. Under this bill, the Navy Reserve and the Air Force Reserve would experience an increase in end strength of 700 and 200, respectively, while the other reserve components would maintain the levels already authorized for 2012. The number of full-time reservists who serve on active-duty in support of the reserves would stay the same compared with current authorized end-strength levels for 2012. CBO estimates that the net result of implementing those provisions would be an increase in costs for salaries and expenses for selected reservists of $153 million over the 2012-2016 period.

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

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

Reservists Ordered to Active Duty for Preplanned Missions. Section 511 would provide a new authority to the secretaries of the military departments to order members of the Selected Reserve and Individual Ready Reserve to active duty for preplanned missions. Up to 60,000 reservists could be activated at any time under this authority, notwithstanding any limitation on end strength. Based on the proposed reduction of 9,800 active-duty servicemembers in section 401 of this bill and information from DoD on the growing demand on the reserve components to support and augment the active forces, CBO estimates that DoD would use this authority to activate about 5,000 reservists a year starting in 2014. CBO estimates that implementing section 511 would cost $1.8 billion over the 2014-2016 period.

Compensation and Benefits. S. 1253 contains several provisions that would affect compensation and benefits for uniformed and civilian personnel. The bill would specifically authorize regular appropriations of $142 billion for the costs of military pay and allowances in 2012. For related costs resulting from overseas contingency operations (primarily in Iraq and Afghanistan), the bill would authorize the appropriation of an additional $11 billion for 2012.

Expiring Bonuses and Allowances. Section 611 would extend for another year several authorities that allow DoD to enter into agreements to pay certain bonuses and allowances to military personnel. Those authorities are currently scheduled to expire on December 31, 2011. Some bonuses are paid in a lump sum, while others are paid in annual or monthly installments over the period of obligated service. Based on DoD's budget submission for fiscal year 2012, CBO estimates that extending those authorities for one year would cost $3.1 billion over the 2012-2016 period.

Voluntary Separation Pay. Section 524 would extend DoD's authority to provide voluntary separation pay through December 31, 2018—six years beyond the current expiration date of December 31, 2012. Based on information from DoD, CBO estimates that under this provision about 8,000 additional servicemembers (2,000 officers and 6,000 enlisted members) would receive voluntary separation pay over the 2013-2016 period. The average payment amount in 2013 would be about $110,000 per person, but individual payments would vary depending on rank and years of service. CBO estimates that implementing section 524 would cost $658 million over the 2013-2016 period.

Hostile Fire and Imminent Danger Pay. Section 612 would require DoD to prorate hostile fire and imminent danger pay based on the number of days that a member serves in a qualifying area. Under current law, DoD pays $225 per month to servicemembers who spend any part of a month in areas designated by DoD as qualifying for hostile file or imminent danger pay. DoD was given the authority to prorate those payments in the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84), but has no plan as yet to implement that authority. Under this provision, CBO estimates that about 210,000 servicemembers would earn less hostile fire and imminent danger pay. Based on information from DoD, CBO expects that it would take a year for DoD to implement this change. Thus, CBO estimates that implementing this section would decrease costs to DoD by $231 million over the 2013-2016 period, assuming appropriations are reduced by the same amount.

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

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

enrollment fees to that COLA would require DoD to subsidize a larger portion of the cost of health care for military retirees than it will under current law.

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

Civilian Benefits in a Combat Zone. Section 1106 would extend for two years the authority to grant certain benefits to federal civilian employees who perform official duty in a combat zone. Those benefits, which expire under current law on September 30, 2011, include death gratuities, paid leave and travel for one trip home, and up to three leave periods per year for rest and recuperation, depending on the length of deployment. Based on information from DoD and the Office of Personnel Management, CBO estimates that about 5,600 federal civilian employees (from DoD and other federal agencies) will work in a designated combat zone in 2012 and 2013 and, under this provision, would receive an average benefit of nearly $15,000 a year. Thus, CBO estimates that section 1106 would cost the federal government about $154 million over the 2012-2016 period.

Voluntary Retirement Incentive. Section 502 would authorize the Secretary of Defense to provide a payment to encourage members who are eligible to retire to leave military service. Based on information from DoD, CBO expects about 900 members would be offered those incentive payments over the 2013-2018 period, primarily in the grades of O-5 and O-6. The incentive payments would be limited to an amount equal to 12 months of basic pay, which CBO estimates would average about $100,000 for members in those grades. In total, CBO estimates that implementing section 502 would cost $84 million over the 2013-2016 period. CBO estimates that there would be no costs in 2012 because it would take time to establish regulations and procedures. In addition, this authority would accelerate mandatory outlays from the military retirement trust fund. (Our estimate of those costs is discussed in the "Direct Spending" section of the estimate.)

Other Provisions. Various other provisions would affect the cost of discretionary programs over the 2012-2016 period.

Multiyear Procurement. The bill would authorize multiyear procurement contracts for H-60 helicopters for the Army and the Navy.

Multiyear procurement is a special contracting method authorized in current law (title 10, United States Code, section 2306b), which permits the government to enter into contracts covering acquisitions for more than one year but not more than five years, even though the total funds required for every year are not appropriated at the time the contracts are awarded. Additional legislative authorization is required for multiyear contracts costing more than $500 million.

As part of such a contract, the government commits to purchase all items specified at the time the contract is signed, including those to be produced and paid for in subsequent years. Because multiyear procurement allows a contractor to plan for more efficient production, such a contract can reduce the cost of an acquisition compared with the cost of buying the items through a series of annual procurement contracts.

Section 154 would authorize the Army and the Navy to enter a multiyear procurement contract for H-60 helicopters over the 2012-2016 period. Section 121 would further authorize the Navy to enter a separate multiyear contract for specialized electronics and equipment for its two versions of that aircraft. Based on information from DoD, CBO estimates that planned purchases under those contracts would total 356 aircraft for the Army and 202 aircraft and associated equipment for the Navy, and would cost $14.2 billion over the 2012-2016 period.

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

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

Incremental Funding. Section 131 would authorize the Secretary of the Air Force to enter into a fixed-price contract using incremental funding to buy two Advanced Extremely High Frequency (AEHF) satellites. That authority would allow the Secretary to request budget authority for those satellites on an annual basis over a six-year period. Any contract entered into by the Air Force would have to provide that any obligation by the U.S. government to make payments under the terms of the contract is subject to the availability of appropriations for that purpose. Incremental funding allows the services to request budget authority for expensive programs, such as ships and complex satellites, over several years. Otherwise, the services request all the funding needed to build weapon systems in the year they expect those purchases will be authorized. Although the use of incremental funding allows the services to allocate resources to more programs in a given year, it can mask the full cost of expensive programs.

CBO estimates that buying two AEHF satellites would require discretionary appropriations of $2.2 billion over the 2012-2016 period. (An additional $700 million in discretionary appropriations would be needed in 2017.)

Global Security Contingency Fund. Section 1207 would establish a three-year pilot program that would be jointly operated by DoD and the Department of State to provide security assistance to foreign countries. Both departments would make contributions to the fund, up to a joint maximum of $300 million each year. Based on information from the Administration, CBO estimates that DoD and the Department of State would require annual appropriations of $200 million and $100 million, respectively, over the 2012-2014 period. Assuming appropriation of those amounts, CBO estimates that implementing this section would cost $900 million over the 2012-2014 period.

Sexual Assault Response Personnel. Section 562 would require DoD to employ at least one full-time Sexual Assault Response Coordinator (SARC) at each installation, or organizational equivalent. The bill also would require that such personnel must either be members of the armed forces or DoD civilian employees. The services currently use different combinations of military personnel, civilians, and contractors, employed both full- and part-time, to fill such positions.

The size and types of DoD installations vary significantly. Based on information from DoD, CBO expects that implementing this provision would require approximately one SARC for each brigade or brigade equivalent of the Armed Forces. Assuming a brigade size of 4,000 personnel and that the provision would only apply to the active components of the military services, CBO estimates that implementing this provision would require approximately 200 additional civilian personnel. About 150 of those new personnel would be trained SARCs, while about 50 would be support personnel. CBO anticipates that the additional personnel would be hired over the 2012-2013 period. On that basis, CBO estimates that implementing section 562 would require appropriations of $105 million over the 2012-2016 period. Of that amount, about $95 million would be to cover the salaries and benefits of the additional personnel, while the remainder would be to train and certify sexual assault response personnel as required by the bill.

Cold War Service Medal. Section 581 would authorize the Secretary of Defense to issue a Cold War Service Medal to former military members who served during the 1945-1991 period. CBO assumes that the medal would be issued upon application by former members or their surviving relatives. Based on data from DoD, CBO estimates that between 20 million and 30 million people would be eligible for this medal. This same population is currently eligible to apply for a Cold War Recognition Certificate, which was first issued by DoD in 1998. To date, more than 3.4 million people have applied for, and received, this certificate, which is awarded to military servicemembers and federal civilian employees.

Based on that experience, CBO estimates that DoD would award more than 3 million cold war medals to servicemembers. In addition, using information from DoD, CBO estimates that minting and administrative costs for the program would average about $10 per medal; total cost would be $33 million over the 2012-2016 period. CBO estimates that costs would be relatively low in the first year, about $2 million, because of the time needed to design the medal and to set up application and administrative procedures. However, CBO expects costs would increase to $17 million in 2013 because many of the servicemembers who applied for the Cold War Recognition Certificate would immediately apply for the new medal.

Direct Spending

Several provisions in S. 1253 would affect direct spending. CBO estimates that, on net, those provisions would reduce net direct spending by $119 million over the 2012-2021 period (see Table 4).

Rescissions. Division B includes several provisions that would rescind available, unobligated balances that were provided in appropriation acts for 2011 and prior years. Rescissions cancel budget authority, and when provided in authorization acts, are counted as a reduction in direct spending.

A total of $388 million would be rescinded from the military construction accounts for the Army, Navy, Air Force, and the defense agencies. CBO expects that DoD would take the funds from appropriations that were provided for projects that are no longer needed, or that cost less than expected. We expect that a significant amount of such funds will expire under current law without being used. As a result, CBO estimates that the effect of those provisions on outlays would be less than the amount of budget authority rescinded, reducing direct spending by $100 million over the 2012-2021 period.[2]

Voluntary Retirement Incentive. Section 502 would authorize the Secretary of Defense to provide a payment to encourage retirement eligible members to leave military service. Based on information from DoD, CBO expects about 900 members would be offered those incentive payments over the 2013-2018 period, primarily in the grades of O-5 and O-6. Because those officers would retire earlier under this legislation than they will under current law, section 502 would initially increase military retirement costs. Savings would

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2. The provisions do not limit DoD to taking the rescissions from regular appropriations, so some of the cancelled funds could come from emergency appropriations. Rescissions of emergency funds are generally not available to offset increases in other spending under the Statutory Pay-As-You-Go Act of 2010 (Public Law 111-139) or for purposes of the budget resolution. However, CBO expects that DoD would implement the rescissions by cancelling balances from regular appropriations.

accrue in later years because those retiring early would accumulate fewer years of service and would therefore receive smaller retirement payments. On net, CBO estimates that enacting section 502 would increase direct spending for military retirement by $143 million over the 2013-2021 period. CBO estimates there would be no costs in 2012 because it would take time to establish regulations and procedures. In addition, this authority would increase discretionary spending, which is discussed above in the section on “Spending Subject to Appropriation.”

TABLE 4. ESTIMATED IMPACT OF S. 1253 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Rescissions												
Budget Authority	-388	0	0	0	0	0	0	0	0	0	-388	-388
Estimated Outlays	-30	-30	-25	-10	-5	0	0	0	0	0	-100	-100
Voluntary Retirement Incentive												
Estimated Budget Authority	0	11	22	24	24	25	20	12	5	*	81	143
Estimated Outlays	0	10	21	24	24	25	21	13	5	*	79	143
Uniformed Services Family Health Plan												
Estimated Budget Authority	*	*	-1	-2	-5	-9	-13	-18	-24	-32	-8	-104
Estimated Outlays	*	*	-1	-2	-5	-9	-13	-18	-24	-32	-8	-104
Stockpile Sales												
Estimated Budget Authority	0	-25	-60	-10	-5	0	0	0	0	0	-100	-100
Estimated Outlays	0	-25	-60	-10	-5	0	0	0	0	0	-100	-100
TRICARE Prime Enrollment Fee												
Estimated Budget Authority	0	*	1	1	2	2	3	3	4	5	4	21
Estimated Outlays	0	*	1	1	2	2	3	3	4	5	4	21
Space Launch Cooperation												
Estimated Budget Authority	0	0	1	1	2	3	4	4	4	4	4	23
Estimated Outlays	0	0	1	1	1	2	3	4	4	4	3	20
Waive Repayment of VSIP												
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	1	1
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	1	1
Total Changes												
Estimated Budget Authority	-388	-14	-37	14	18	21	14	1	-11	-23	-406	-404
Estimated Outlays	-30	-45	-63	4	12	20	14	2	-11	-23	-121	-119

Notes: Numbers may not add up to totals because of rounding.

VSIP = Voluntary Separation Incentive Payments; * = between -$500,000 and $500,000.

Uniformed Services Family Health Plan. Section 703 would close enrollment in the Uniformed Services Family Health Plan (USFHP) to Medicare-eligible beneficiaries of the military health system. Those currently enrolled in USFHP would be allowed to remain in the program for as long as they wish. However, anyone enrolling after the end of fiscal year 2011 would be forced to leave USFHP when they reach the age of 65. At that point, such individuals would move to the regular Medicare/TRICARE-for-Life benefit.[3] Based on information from DoD regarding the process used to determine the payment rates for the USFHP programs, CBO believes that health care provided through USFHP is more costly to the government than providing that same care through the regular Medicare/TRICARE-for-Life programs. Therefore, limiting enrollment in USFHP would result in a net savings to the federal government, which CBO estimates would total $104 million over the 2012-2021 period.[4]

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

TRICARE Prime Enrollment Fee. Section 701 would index future increases in the TRICARE Prime enrollment fees for military retirees and their dependents to the annual cost-of-living adjustment for military retirement payments. The change would take effect beginning in 2013. Of the roughly 700,000 military retiree households enrolled in TRICARE Prime, CBO estimates that about 18,000 are former uniformed members of the Coast Guard, the National Oceanic and Atmospheric Administration (NOAA), and the Public Health Service (PHS). Health care spending for those individuals is funded by mandatory appropriations. As explained above in the section on "Spending Subject to Appropriation," CBO estimates that indexing the enrollment fees for Prime to the COLA for military retirement payments would cause those fees to grow more slowly than they will under current law. As a result, the Uniformed Services would need to provide a larger subsidy for the TRICARE Prime health benefit. CBO estimates that indexing the

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

4. For additional details see Congressional Budget Office, *Letter to the Honorable Joe Wilson on the Proposal to Place Certain Limitations on Enrollment in the Uniformed Services Family Health Plan* (April 29, 2011), http://www.cbo.gov/ftpdocs/121xx/doc12170/USFHPletter.pdf .

Prime enrollment fees to that COLA would require an increase in mandatory appropriations to the Coast Guard, NOAA, and PHS of $21 million over the 2013-2021 period.

In addition, CBO estimates that this provision would increase spending subject to appropriation for health care for military retirees of the Department of Defense, which is discussed above in the section on "Spending Subject to Appropriation."

Space Launch Cooperation. The Department of Defense operates several facilities used to launch satellites and other equipment into space. The private sector has increased its activity in the space-transportation sector in recent years. Section 911 would authorize DoD to enter into cooperative agreements with nonfederal entities involved in space-related businesses to maximize the use of the department's space-transportation infrastructure and to encourage commercial investment in that infrastructure.

Under section 911, DoD could enter contracts or other arrangements with nonfederal entities to grant them use of DoD's facilities for space-launch and recovery activities, and to receive related services from DoD. Under those agreements, the department could allow private-sector businesses to use existing government-owned facilities, as well as acquire new equipment, make other capital improvements, and build new structures for use by the private sector.

Section 911 also would require a fund to be established in the U.S. Treasury where commercial companies would deposit funds in advance to pay for services, equipment, or infrastructure improvements. Amounts collected in the fund would be available to DoD without a subsequent appropriation for the acquisition of goods or the costs of services.

Agreements entered into under this section could take many forms. Many could be short-term contracts to use existing facilities or to benefit from activities DoD already performs. CBO expects that in other cases, DoD would accept contributions to pay for new capital improvements to benefit the private-sector partner, that would in turn be used to provide space-launch services for which the federal government would be the only or primary customer. In those cases, the cost of the improvements would ultimately be borne by the government when the private-sector partner allocates its capital costs to the services it provides the government.

CBO believes such arrangements constitute third-party financing of a government asset, in which nonfederal entities effectively raise money to finance an investment at the request of and for the benefit of the government. Over time, the government would repay the cost of that investment, plus interest in excess of the rate on Treasury borrowing. The cost of such investments should be recorded up front in the budget, but CBO expects that DoD would not do so, in keeping with its budgetary practice for other long-term contracts and public-private ventures. Because of that practice, CBO treats the authority to enter those arrangements as direct spending because they would allow DoD to incur an obligation in advance of an appropriation for the full amount of that obligation.

DoD has a general goal of recapitalizing its facilities on a 67-year cycle. Assuming that goal applies to its major launch facilities, DoD would need to spend about $75 million each year on recapitalizing the physical plant at those facilities. If the department could obtain 5 percent of those improvements through the cooperative arrangements authorized by section 911, direct spending would increase by $20 million over the 2012-2021 period, CBO estimates.

Waive Repayment of Voluntary Separation Incentive Payments. Section 1103 would authorize the Secretary of Defense to waive the requirement for repayment of voluntary separation incentive payments (VSIP) received by certain DoD civilian employees who, after participating in the VSIP program, were later reassigned to DoD civilian jobs. Based on information from DoD, about 40 civilian employees who owe $25,000 each on average, would have their debt forgiven under this section. Because those repayments would go to the Treasury, waiving repayment would reduce receipts, and thus increase direct spending. CBO estimates that waiving those repayments would increase direct spending by $1 million over the 2012-2021 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table. (Enacting the bill would not affect revenues.)

CBO Estimate of Pay-As-You-Go Effects for S. 1253 as reported by the Senate Committee on Armed Services on June 22, 2011

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	-30	-45	-63	4	12	20	14	2	-11	-23	-121	-119

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

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

Section 721 of the bill would preempt state licensing laws by authorizing health care professionals of the Armed Forces and DoD to provide mental health care services at any location in the United States regardless of state licensing laws. That preemption would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act, but CBO estimates that the cost of complying with the mandate would be small and well below the threshold established in UMRA ($71 million in 2011, adjusted annually for inflation). This bill contains no new private-sector mandates as defined in UMRA.

CBO has not reviewed section 585 of the bill for intergovernmental or private-sector mandates. Section 4 of UMRA excludes from the application of that Act any legislative provisions that enforce the constitutional rights of individuals. CBO has determined that section 585 of the bill would fall within that exclusion because it addresses the rights of overseas voters to submit early ballots.

PREVIOUS CBO ESTIMATES

On May 20, 2011, CBO transmitted a cost estimate for H.R. 1540, the National Defense Authorization Act for Fiscal Year 2012, as reported by the House Committee on Armed Services on May 17, 2011. Differences in the estimated costs of S. 1253 and H.R. 1540 reflect differences between the two versions of the legislation.

CBO transmitted two previous estimates of the proposal to begin limiting enrollment in the Uniformed Services Family Health Plan (section 703 of S. 1253). On April 29, 2011, CBO transmitted its analysis of this proposal in a letter to the Honorable Joe Wilson. The proposal discussed in that letter is similar to section 703, and the estimated savings are identical. Section 703 is also similar to section 704 of H.R. 1540. CBO estimated that provision in H.R. 1540 would reduce direct spending by $76 million over the 2012-2021 period. The difference in estimated savings between the two proposals is because of different effective dates for when Medicare-eligible beneficiaries would no longer be allowed to enroll and remain in the USFHP.

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