



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 28, 2011

S. 1867 **National Defense Authorization Act for Fiscal Year 2012**

As reported by the Senate Committee on Armed Services on November 15, 2011

SUMMARY

S. 1867 would authorize appropriations totaling \$662 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 (see Table 1). That total includes \$117 billion for the cost of overseas contingency operations, primarily in Afghanistan and Iraq. The bill also 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. In addition, S. 1867 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 \$652 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 estimates that the costs of a select number of those provisions, which are shown in Table 3, would total about \$13 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. 1867 also contains provisions that would increase and decrease components of direct spending (see Table 4). CBO estimates that, on net, those changes would decrease direct spending by \$12 million over the 2012-2016 period but would increase such spending by \$5 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.

TABLE 1. BUDGETARY IMPACT OF S. 1867, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2012

	By Fiscal Year, in Millions of Dollars					2012-2016
	2012	2013	2014	2015	2016	
SPENDING SUBJECT TO APPROPRIATION						
Authorization of Regular Appropriations for 2012, Primarily for the Departments of Defense and Energy						
Authorization Level	544,857	0	0	0	0	544,857
Estimated Outlays	350,512	121,317	42,150	15,625	6,257	535,861
Authorization of Appropriations for Overseas Contingency Operations						
Authorization Level	116,847	0	0	0	0	116,847
Estimated Outlays	58,765	40,264	11,704	3,576	1,090	115,399
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	661,812	108	100	0	0	662,020
Estimated Outlays	409,385	161,689	53,954	19,201	7,347	651,576
CHANGES IN DIRECT SPENDING^a						
Estimated Budget Authority	*	-13	-35	17	21	-9
Estimated Outlays	*	-14	-36	17	20	-12

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 to totals because of rounding; * = between -\$500,000 and zero.

a. In addition to the changes in direct spending shown above, S. 1867 would have effects beyond 2016. CBO estimates that over the 2012-2021 period, S. 1867 would increase direct spending by \$5 million (see Table 4).

S. 1867 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.

S. 1867 is very similar to S. 1253, the National Defense Authorization Act for Fiscal Year 2012, as reported by the Senate Committee on Armed Services on June 22, 2011. CBO published a cost estimate for that bill on July 19, 2011. In this estimate, CBO will discuss the differences in language and budgetary effects between the two bills.¹

DIFFERENCES BETWEEN S. 1867 AND S. 1253

S. 1867 and S. 1253 would authorize different levels of discretionary funding. Other differences in the estimated cost of the two bills arise from new information from DoD about a provision that would affect TRICARE Prime Enrollment fees, and the elimination of provisions in S. 1253 that would rescind unobligated balances of appropriations provided for military construction.

Authorizations of Appropriations

S. 1867 would authorize appropriations for 2012 totaling \$661.8 billion, \$20.9 billion less than amounts authorized in S. 1253. That total reflects specified authorizations of \$661.7 billion (see Table 2) plus about \$100 million in estimated authorizations, primarily for the Department of State. Of the specified authorizations, the bill states that \$544.9 billion would be for base budget programs and \$116.8 billion would be for costs relating to overseas contingency operations (OCO) in Iraq and Afghanistan. Those amounts are less than the corresponding authorizations in S. 1253 (by \$20.4 billion and \$500 million, respectively).

It is difficult to know, however, if those comparisons are accurate because of the uncertainties inherent in allocating costs between base budget activities and OCO-related activities. For example, the \$116.8 billion that would be authorized by S. 1867 for OCO contains about \$8 billion for programs and activities requested by the Administration—and that would be authorized by S. 1253—for “base budget” costs. As a result, the \$500 million decline in the authorization for OCO envisioned by S. 1867 may

¹ For details on our cost estimates for other provisions of S. 1867, please see the CBO cost estimate for S. 1253 at <http://www.cbo.gov/ftpdocs/123xx/doc12314/s1253.pdf>.

understate the actual difference between the bills, and the \$20.9 billion decline in the base budget authorization may overstate the actual difference.

If appropriated, such a reallocation of funds—from DoD’s base budget to OCO—would allow policymakers to provide additional funding for defense programs because under the Budget Control Act of 2011, appropriations for base budget activities are counted against the caps set forth in that act while appropriations for OCO are not constrained by those annual caps.²

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. (TRICARE Prime is the managed care option of the military’s health care program.) 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 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.

CBO previously estimated this provision would increase spending subject to appropriation by \$186 million over the 2013-2016 period and that it would increase direct spending by \$21 million over the 2013-2021 period. Those estimates assumed DoD would increase the enrollment fees in fiscal year 2012 to \$260 for those who enroll as individuals and \$520 for those who enroll their families, and then increase those rates by the growth rate of per capita national health expenditures thereafter (annual fees are currently \$230 for individuals and \$460 for families). Such increases were specified in materials accompanying the President’s budget request for 2012.

However, the previously planned fee increases for 2012 did not occur, and, based on information from DoD, CBO now anticipates the Administration will increase the fees to those higher levels beginning with fiscal year 2013. Section 701 would therefore limit the 2013 fee increases to levels lower than CBO had previously estimated. Instead of charging enrollment fees of \$260 for individuals and \$520 for families, DoD would only

² The Senate Committee on Appropriations has recommended a similar realignment. H.R. 2219, the Department of Defense Appropriations Act, 2012, as reported by the Senate Committee on Appropriations, would realign about \$10 billion in budget authority from funds requested for DoD’s base budget into funds designated for OCO.

be able to increase the fees to \$233 for individuals and \$466 for families in fiscal year 2013. Based on this updated information, CBO now estimates section 701 would increase spending subject to appropriation by about \$600 million over the 2013-2016 period and would increase direct spending by \$45 million over the 2013-2021 period.

Rescissions

S. 1253 includes several provisions that would rescind available, unobligated balances arising from appropriations for military construction for 2011 and prior years. Those rescissions would cancel \$388 million in budget authority, reducing direct spending by \$100 million over the 2012-2021 period. S. 1867 does not include those rescissions.

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. 1867 as reported by the Senate Committee on Armed Services on November 15, 2011

	By Fiscal Year, in Millions of Dollars											2012-	2012-	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2016	2021		
NET INCREASE OR DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	-14	-36	17	20	23	17	5	-8	-20	-12	5		

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

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TABLE 2. SPECIFIED AUTHORIZATIONS IN S. 1867

	By Fiscal Year, in Millions of Dollars					2012- 2016
	2012	2013	2014	2015	2016	
Authorization of Regular Appropriations						
Department of Defense						
Military Personnel ^a						
Authorization Level	142,348	0	0	0	0	142,348
Estimated Outlays	134,941	6,960	171	37	0	142,109
Operation and Maintenance						
Authorization Level	194,021	0	0	0	0	194,021
Estimated Outlays	139,212	41,601	7,912	2,006	685	191,416
Procurement						
Authorization Level	103,188	0	0	0	0	103,188
Estimated Outlays	23,846	36,698	23,990	10,163	4,046	98,743
Research and Development						
Authorization Level	71,841	0	0	0	0	71,841
Estimated Outlays	36,276	26,139	5,358	1,983	910	70,666
Military Construction and Family Housing						
Authorization Level	13,190	0	0	0	0	13,190
Estimated Outlays	1,903	4,689	3,840	1,535	641	12,608
Revolving Funds						
Authorization Level	2,682	0	0	0	0	2,682
Estimated Outlays	2,121	397	88	51	25	2,682
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	527,270	0	0	0	0	527,270
Estimated Outlays	338,999	116,334	41,059	15,625	6,257	518,274

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars					2012- 2016
	2012	2013	2014	2015	2016	
Atomic Energy Defense Activities						
Authorization Level ^b	17,520	0	0	0	0	17,520
Estimated Outlays	11,455	4,973	1,091	0	0	17,519
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	544,857	0	0	0	0	544,857
Estimated Outlays	350,512	121,317	42,150	15,625	6,257	535,861
Authorization of Appropriations for Overseas Contingency Operations						
Military Personnel						
Authorization Level ^a	10,229	0	0	0	0	10,229
Estimated Outlays	9,571	620	5	2	0	10,198
Operation and Maintenance						
Authorization Level	89,594	0	0	0	0	89,594
Estimated Outlays	44,990	32,841	7,791	2,303	603	88,528
Procurement						
Authorization Level	16,170	0	0	0	0	16,170
Estimated Outlays	3,680	6,537	3,850	1,265	488	15,820
Research and Development						
Authorization Level	472	0	0	0	0	472
Estimated Outlays	241	174	35	10	4	464
Working Capital Funds						
Authorization Level	382	0	0	0	0	382
Estimated Outlays	143	124	83	28	3	381
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	116,847	0	0	0	0	116,847
Estimated Outlays	58,765	40,264	11,704	3,576	1,090	115,399
Total Specified Authorizations						
Authorization Level	661,704	0	0	0	0	661,704
Estimated Outlays	409,277	161,581	53,854	19,201	7,347	651,260

(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).
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**TABLE 3. ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS
IN S. 1867**

	By Fiscal Year, in Millions of Dollars					2012- 2016
	2012	2013	2014	2015	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
TRICARE Prime Enrollment Fee	0	76	152	175	198	601
Hostile Fire and Imminent Danger Pay	0	-56	-64	-57	-54	-231
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.

TABLE 4. ESTIMATED IMPACT OF S. 1867 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021
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	3	4	5	5	6	6	7	8	13	45
Estimated Outlays	0	1	3	4	5	5	6	6	7	8	13	45
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	*	-13	-35	17	21	24	17	4	-8	-20	-9	8
Estimated Outlays	*	-14	-36	17	20	23	17	5	-8	-20	-12	5

Notes: Numbers may not sum to totals because of rounding.

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