



June 9, 2016

Honorable John McCain  
Chairman  
Committee on Armed Services  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office has completed an estimate of the budgetary effects of S. 2943, the National Defense Authorization Act for Fiscal Year 2017, as reported by the Senate Committee on Armed Services on May 18, 2016. Tables summarizing those effects are enclosed. A more detailed cost estimate (including mandate statements) for S. 2943 will be provided shortly.

For 2017, the bill would authorize an estimated \$603.2 billion, nearly all of which (\$602.6 billion) would be specifically authorized by the bill (see Table 1). The remaining \$0.6 billion largely reflects CBO's estimate of the amount not specifically authorized by the bill that would be necessary to fund certain accrual payments required under current law.

Under S. 2943, specified authorizations for defense programs would total \$602.4 billion, an increase of \$3.3 billion (1 percent) compared to amounts appropriated for 2016. Operation and maintenance would receive the largest increase (\$7.4 billion, or 3 percent), followed by research and development (\$2.6 billion, or 4 percent). Procurement would decline by \$6.4 billion (5 percent), while authorized funding for all other categories combined would decrease by \$0.3 billion (less than 1 percent).

Of the amount specifically authorized, \$543.5 billion—plus the estimated \$0.6 billion mentioned above—would cover “base” budget costs that, if appropriated, would count against the 2017 cap on defense appropriations. Another \$58.9 billion would be for overseas contingency operations and if appropriated, would not be subject to that cap. The remaining \$0.2 billion specified for nondefense appropriations would count against the nondefense cap.

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S. 2943 would reauthorize the use of share-in-savings contracts by certain agencies. It also would make several changes to military retirement and health care benefits and to the national defense stockpile, would extend the availability of unobligated balances in several accounts, would require women to register with the Selective Service, and would make other changes that would affect direct spending. CBO estimates that in total enacting those provisions would increase net direct spending by \$10.9 billion over the 2017-2026 period (see Table 2). In addition, a number of provisions would change direct spending by insignificant amounts over the 2017-2026 period.

The bill also would make numerous changes to the military justice system that CBO expects would increase the amount of fines and forfeitures of pay that are imposed at military courts-martial by less than \$500,000 over the next 10 years. Those fines are classified as revenues. Because enacting the bill would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting S. 2943 would increase net direct spending and on-budget deficits by more than \$5 billion in each of the four consecutive 10-year periods beginning in 2027.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is David Newman.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hall".

Keith Hall  
Director

Attachment

cc: Honorable Jack Reed  
Ranking Member

**TABLE 1. BUDGETARY EFFECTS OF S. 2943, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2017**

	By Fiscal Year, in Millions of Dollars					2017- 2021
	2017	2018	2019	2020	2021	
<b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Authorization Levels for Appropriations Subject to the BCA Caps						
Defense (base budget):						
Specified Authorizations for the Departments of Defense and Energy <sup>a</sup>						
Authorization Level	543,491	500	0	0	0	543,991
Estimated Outlays	336,942	119,245	43,887	20,226	9,008	529,308
Estimated Authorization for Additional Accrual Payments <sup>b</sup>						
Estimated Authorization Level	586	0	0	0	0	586
Estimated Outlays	586	0	0	0	0	586
Estimated Authorization for the Selective Service <sup>c</sup>						
Estimated Authorization Level	2	4	5	7	7	25
Estimated Outlays	2	4	5	7	7	25
Nondefense						
Specified Authorizations for VA, the AFRH, and the State Department <sup>d</sup>						
Authorization Level	224	38	38	38	38	374
Estimated Outlays	181	63	40	38	38	358
Estimated Authorizations for Various Departments and Agencies <sup>e</sup>						
Estimated Authorization Level	0	8	0	0	0	8
Estimated Outlays	0	8	0	0	0	8
Subtotal						
Estimated Authorization Level	544,303	550	43	45	45	544,984
Estimated Outlays	337,711	119,320	43,932	20,271	9,053	530,285
Specified Authorizations for Overseas Contingency Operations						
Authorization Level	58,891	0	0	0	0	58,891
Estimated Outlays	33,460	15,072	5,857	2,298	786	57,473
Total						
Estimated Authorization Level	603,194	550	43	45	45	603,875
Estimated Outlays	371,171	134,392	49,789	22,569	9,839	587,758

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**TABLE 1. CONTINUED**

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	By Fiscal Year, in Millions of Dollars					2017- 2021
	2017	2018	2019	2020	2021	
<b>INCREASES IN DIRECT SPENDING<sup>f</sup></b>						
Estimated Budget Authority	1,187	454	487	589	697	3,414
Estimated Outlays	260	664	771	759	740	3,192

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Notes: Except as discussed in footnotes b, c, and e below, the authorization levels in this table reflect amounts that would be specifically authorized by the bill. Some provisions in the bill also would affect the costs of defense programs in 2018 and future years; but the effects on costs in those years are not included above because specified authorizations in future NDAAAs would cover funding for those activities.

AFRH = Armed Forces Retirement Home; BCA = Budget Control Act; MERHCF = Medicare-Eligible Retirement Health Care Fund; NDAA = National Defense Authorization Act; VA = Department of Veterans Affairs.

Numbers may not add up to totals because of rounding.

- a. These authorizations reflect amounts that would be specifically authorized by the bill, including \$1.0 billion over the 2017-2018 period (in section 882, for a new working capital fund), which CBO assumes would be appropriated in equal amounts over those two years.
  - b. This authorization reflects CBO's estimate of the added cost of certain accrual payments to the MERHCF required under current law but not fully reflected in the amounts specifically authorized by section 421 of the bill.
  - c. Section 591 would require women to register for a military draft, which would increase costs to the Selective Service System (a defense-related activity). Section 591 also would affect nondefense discretionary costs of the Pell Grant program (which are included under the heading "Estimated Authorizations for Various Departments and Agencies"), as well as associated direct spending costs (included under the heading of "Increases in Direct Spending").
  - d. These amounts reflect specified amounts for an ongoing demonstration project within the Department of Veterans Affairs (section 1431: \$122 million in 2017); activities of the Armed Forces Retirement Home (section 1432: \$64 million in 2017) and for a grant program that would be administered by the State Department (section 1276). Authorized amounts for the grant program would total \$38 million in 2017 and \$150 million over the 2018-2021 period. An additional \$38 million that would be authorized for 2022 is not reflected in this table.
  - e. This estimate reflects costs for the extension of certain benefits to federal civilian workers who perform official duties in a combat zone and are employed by departments and agencies other than the Department of Defense (section 1152, \$9 million), and the effects on programs in the Department of Education due to female registration in the Selective Service (section 591, savings of \$1 million).
  - f. In addition to the changes in direct spending shown here (an increase of \$3.2 billion over the 2017-2021 period), S. 2943 would have effects beyond 2021. CBO estimates that over the 2017-2026 period, S. 2943 would increase outlays by \$10.9 billion (see Table 2).
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**TABLE 2. ESTIMATED EFFECTS OF S. 2943 ON DIRECT SPENDING AND REVENUES**

	By Fiscal Year, in Millions of Dollars											2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026	
<b>Share-in-Savings Contracts<sup>a</sup></b>													
Estimated Budget Authority	0	200	400	700	900	1,200	1,400	1,700	2,000	2,300	2,200	10,800	
Estimated Outlays	0	150	350	625	850	1,125	1,350	1,625	1,925	2,225	1,975	10,225	
<b>TRICARE Pharmacy Benefit</b>													
Estimated Budget Authority	-53	-121	-158	-351	-437	-483	-283	-242	-294	-319	-1,120	-2,741	
Estimated Outlays	-43	-107	-151	-313	-419	-474	-324	-250	-284	-314	-1,033	-2,679	
<b>TRICARE Cost Sharing</b>													
Estimated Budget Authority	0	-3	-4	-4	-5	-5	-6	-5	-5	-6	-16	-43	
Estimated Outlays	0	-3	-4	-4	-5	-5	-6	-5	-5	-6	-16	-43	
<b>FEDVIP</b>													
Estimated Budget Authority	0	-1	-1	-1	-2	-2	-3	-3	-4	-4	-5	-21	
Estimated Outlays	0	-1	-1	-1	-2	-2	-3	-3	-4	-4	-5	-21	
<b>Other Changes to TRICARE</b>													
Estimated Budget Authority	*	1	*	*	*	1	2	2	3	3	1	13	
Estimated Outlays	*	1	*	*	*	1	2	2	3	3	1	13	
<b>Special Survivor Indemnity Allowance</b>													
Estimated Budget Authority	0	240	240	240	240	240	250	250	250	250	960	2,200	
Estimated Outlays	0	220	240	240	240	240	250	250	250	250	940	2,180	
<b>Combat Related Special Compensation</b>													
Estimated Budget Authority	0	-1	-3	-6	-8	-11	-14	-17	-20	-23	-18	-103	
Estimated Outlays	0	-1	-3	-5	-8	-12	-14	-16	-20	-23	-17	-102	
<b>Survivor Benefit Program Premiums</b>													
Estimated Budget Authority	-4	-4	-4	-4	-4	-2	-2	-2	-2	-2	-20	-30	
Estimated Outlays	-4	-4	-4	-4	-4	-2	-2	-2	-2	-2	-20	-30	
<b>Temporary Disability Retirement List</b>													
Estimated Budget Authority	0	0	0	-1	-1	-1	-1	-1	-2	-2	-2	-9	
Estimated Outlays	0	0	0	-1	-1	-1	-1	-1	-2	-2	-2	-9	
<b>Senior Military Acquisition Advisors</b>													
Estimated Budget Authority	*	*	*	*	-1	-1	-1	-1	-1	-1	-2	-6	
Estimated Outlays	*	*	*	*	-1	-1	-1	-1	-1	-1	-2	-6	
<b>Boards for Correction of Military Records</b>													
Estimated Budget Authority	1	1	1	1	1	1	1	1	1	1	5	10	
Estimated Outlays	1	1	1	1	1	1	1	1	1	1	5	10	
<b>Security Cooperation Enhancement Fund</b>													
Estimated Budget Authority	1,100	100	0	0	0	0	0	0	0	0	1,200	1,200	
Estimated Outlays	220	350	305	190	70	38	14	1	*	*	1,135	1,188	

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**TABLE 2. CONTINUED**

	By Fiscal Year, in Millions of Dollars										2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026
<b>Improvements at Government Facilities</b>												
Estimated Budget Authority	15	15	15	15	15	15	15	15	15	15	75	150
Estimated Outlays	15	15	15	15	15	15	15	15	15	15	75	150
<b>Extending the Availability of Appropriations for Stability Activities in Pakistan</b>												
Estimated Budget Authority	100	0	0	0	0	0	0	0	0	0	100	100
Estimated Outlays	65	30	3	1	0	0	0	0	0	0	98	98
<b>National Defense Stockpile</b>												
Estimated Budget Authority	2	2	2	2	2	-19	-19	-19	-19	-19	10	-85
Estimated Outlays	2	2	2	2	2	-19	-19	-19	-19	-19	10	-85
<b>Working Capital Fund for Precision Guided Munitions</b>												
Estimated Budget Authority	25	25	0	0	0	0	0	0	0	0	50	50
Estimated Outlays	3	11	18	14	4	0	0	0	0	0	50	50
<b>Female Registration for Selective Service</b>												
Estimated Budget Authority	0	*	-1	-2	-3	-4	-5	-5	-6	-7	-6	-34
Estimated Outlays	0	*	*	-1	-2	-3	-4	-5	-5	-6	-4	-29
<b>Civilian Sabbaticals</b>												
Estimated Budget Authority	*	*	*	*	*	*	*	0	0	0	1	1
Estimated	*	*	*	*	*	*	*	0	0	0	1	1
<b>Medals of Honor</b>												
Estimated Budget Authority	1	*	*	*	*	*	*	*	*	*	1	1
Estimated Outlays	1	*	*	*	*	*	*	*	*	*	1	1
<b>Total Changes in Direct Spending</b>												
Estimated Budget Authority	1,187	454	487	589	697	929	1,334	1,673	1,916	2,186	3,414	11,453
Estimated Outlays	260	664	771	759	740	901	1,258	1,592	1,852	2,117	3,192	10,912

Notes: Division E, section 546, and section 547 would make several changes to the Uniformed Code of Military Justice that would increase revenues by less than \$500,000 over the 2017-2026 period.

Numbers may not add up to totals because of rounding; \* = between -\$500,000 and \$500,000.

- a. Under share-in-savings contracts, agencies can obligate the government, in advance of appropriations for that purpose, to pay over as many as 10 years for a new or improved information technology system. In CBO's view, such contract authority is direct spending. Because we would recognize the full cost of the contract when it is entered into, CBO also estimates there would be a reduction in discretionary costs of a similar magnitude over the life of the contract, to account for spending that would otherwise be recorded under current budgetary practices.