



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 16, 2014

H.R. 4435 **Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015**

As reported by the House Committee on Armed Services on May 13, 2014

SUMMARY

H.R. 4435 would authorize appropriations totaling \$594 billion for fiscal year 2015 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 \$79 billion for the cost of overseas contingency operations, primarily in Afghanistan. In addition, H.R. 4435 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 \$581 billion over the 2015-2019 period.

The bill also contains provisions that would increase or decrease the costs of defense programs funded through discretionary appropriations in 2016 and future years. Those implicit authorizations would affect force structure, DoD compensation and benefits, and other programs and activities. CBO has analyzed the costs of a select number of those authorizations and estimates that they would, on a net basis, lower the amount of appropriations needed to implement defense programs relative to current law by about \$29 billion over the 2016-2019 period. The effects of those reductions are not included in the total amount of outlays in the previous paragraph because funding for those activities would be covered by specific authorizations in future years.

In addition, H.R. 4435 contains provisions that would affect direct spending. CBO estimates that, on net, those provisions would decrease direct spending by \$35 million over the 2015-2019 period, but increase such spending by \$1 million over the 2015-2024 period. Because enacting the legislation would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

The bill would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by preempting state laws governing child custody in some cases. Although the mandate would limit the application of state laws, it would impose no duty on states that would result in additional spending. Therefore, CBO

estimates that the cost of the mandate would fall well below the threshold established in UMRA for intergovernmental mandates (\$76 million in 2014, adjusted annually for inflation).

Also, this bill contains a new private-sector mandate as defined in UMRA by imposing a time limit on filing claims against the United States for losses covered by the Federal Aviation Administration's War Risk Insurance Program. CBO estimates that the cost of this mandate would be small and would fall well below the private-sector threshold established in UMRA (\$152 million in 2014, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 4435 are summarized in Table 1. Almost all of the \$594 billion that would be authorized by the bill is for activities within budget function 050 (national defense). Some authorizations, however, fall within other budget functions, including: \$226 million for the Maritime Administration (function 400—transportation); \$147 million for activities within the Department of Veterans Affairs (function 700—veterans benefits and services); \$63 million for the Armed Forces Retirement Home (function 600—income security); and \$20 million for the Naval Petroleum Reserves (function 270—energy).

The provisions that would affect direct spending are primarily for activities within budget functions 050 and 600.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 4435 will be enacted near the end of fiscal year 2014 and that the authorized and estimated amounts will be appropriated at about that time.

TABLE 1. BUDGETARY EFFECTS OF H.R. 4435, THE HOWARD P. “BUCK” MCKEON NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2015

	By Fiscal Year, in Millions of Dollars					2015- 2019
	2015	2016	2017	2018	2019	
SPENDING SUBJECT TO APPROPRIATION						
Specified Authorization of Regular Appropriations for 2015, Primarily for the Departments of Defense and Energy						
Authorization Level	514,263	0	0	0	0	514,263
Estimated Outlays	329,991	106,494	39,146	18,397	8,343	502,372
Estimated Authorization of Additional Regular Appropriations for 2015 for Accrual Payments ^a						
Estimated Authorization Level	727	0	0	0	0	727
Estimated Outlays	727	0	0	0	0	727
Specified Authorization of Appropriations for Overseas Contingency Operations						
Authorization Level	79,445	0	0	0	0	79,445
Estimated Outlays	40,017	24,784	8,778	3,066	958	77,602
Other Authorizations of Appropriations ^b						
Estimated Authorization Level	0	8	0	0	0	8
Estimated Outlays	0	6	2	0	0	8
Total						
Estimated Authorization Level	594,435	8	0	0	0	594,443
Estimated Outlays	370,735	131,284	47,926	21,463	9,301	580,709
CHANGES IN DIRECT SPENDING^c						
Estimated Budget Authority	-1	-30	-11	*	7	-35
Estimated Outlays	-1	-30	-11	*	7	-35

Notes: Except as noted below, the authorization levels in this table reflect amounts that would be specifically authorized by the bill. The bill also would implicitly authorize some defense activities in 2016 and future years; 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.

* = less than \$500,000; Numbers may not add up to totals because of rounding.

- a. This authorization reflects CBO’s estimate of the added cost of certain accrual payments required under current law but not fully reflected in the amounts specifically authorized by the bill.
- b. This authorization reflects the estimated cost for extending certain benefits to federal civilian workers who perform official duties in a combat zone and are employed by departments and agencies other than DoD.
- c. In addition to the changes in direct spending shown above (a decrease of \$35 million over the 2015-2019 period), H.R. 4435 would have effects beyond 2019. CBO estimates that over the 2015-2024 period, H.R. 4435 would increase direct spending by \$1 million (see Table 4).

Spending Subject to Appropriation

The bill would authorize appropriations for 2015 totaling \$594 billion, of which \$514 billion would be specific authorizations of regular appropriations for “base budget” costs (not directly related to overseas contingency operations). Funding for base budget costs would be specifically authorized as follows: \$496 billion for DoD and \$18 billion for atomic energy defense activities of DOE and for various other programs (see Table 2).

The funding that would be authorized for DoD’s base budget is \$1 billion above the appropriations enacted for 2014. For that comparison, the amount that would be authorized for DoD’s base budget also reflects CBO’s estimate of the additional amount needed—\$727 million—to fully fund certain accrual payments required under current law but not fully reflected in the amounts specifically authorized by the bill. Funding would increase for both operation and maintenance (\$4 billion, or 2 percent) and for research and development (\$1 billion, or 2 percent), and would remain nearly unchanged for two other large categories of spending—military personnel and procurement. Funding for military construction, family housing, and the department’s revolving funds would—on a combined basis—decline by \$4 billion, or about 30 percent.

For DOE and other programs, the \$18 billion that would be authorized for 2015 represents a \$0.5 billion (3 percent) increase over the amount appropriated for 2014.

The \$79 billion that would be authorized for overseas contingency operations represents a \$6 billion (7 percent) decline relative to current appropriations. Funding for operation and maintenance would decline by \$4 billion (5 percent), while funding for military personnel would decrease by \$1 billion (12 percent). Appropriations for all other categories (combined) would also decline by \$1 billion (12 percent).

H.R. 4435 also contains provisions that would affect the cost of various discretionary programs in future years. Most of those provisions would affect end strength, military compensation and benefits, and DoD’s acquisition programs. The estimated effects of some 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 action.

TABLE 2. SPECIFIED AUTHORIZATIONS OF APPROPRIATIONS IN H.R. 4435

	By Fiscal Year, in Millions of Dollars					2015- 2019
	2015	2016	2017	2018	2019	
Authorization of Regular Appropriations						
Department of Defense						
Military Personnel^a						
Authorization Level	135,244	0	0	0	0	135,244
Estimated Outlays	125,358	8,053	676	37	0	134,125
Operation and Maintenance						
Authorization Level	196,987	0	0	0	0	196,987
Estimated Outlays	138,400	40,295	9,797	3,592	1,342	193,426
Procurement						
Authorization Level	92,078	0	0	0	0	92,078
Estimated Outlays	20,783	27,887	20,989	11,749	5,142	86,550
Research and Development						
Authorization Level	63,791	0	0	0	0	63,791
Estimated Outlays	31,224	23,028	4,723	2,151	1,481	62,607
Military Construction and Family Housing						
Authorization Level	6,807	0	0	0	0	6,807
Estimated Outlays	953	2,095	1,973	890	398	6,309
Revolving Funds						
Authorization Level	1,334	0	0	0	0	1,334
Estimated Outlays	1,123	206	5	0	0	1,334
General Transfer Authority						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	200	-80	-60	-40	-20	0
Subtotal, Department of Defense						
Authorization Level	496,241	0	0	0	0	496,241
Estimated Outlays	318,041	101,484	38,103	18,379	8,343	484,351
Atomic Energy Defense Activities						
Authorization Level ^b	17,565	0	0	0	0	17,565
Estimated Outlays	11,625	4,933	1,007	0	0	17,565

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars					2015- 2019
	2015	2016	2017	2018	2019	
Other Programs						
Authorization Level ^c	457	0	0	0	0	457
Estimated Outlays	325	77	36	18	0	456
Subtotal, Authorization of Regular Appropriations						
Authorization Level	514,263	0	0	0	0	514,263
Estimated Outlays	329,991	106,494	39,146	18,397	8,343	502,372
Authorization of Appropriations for Overseas Contingency Operations						
Military Personnel						
Authorization Level	7,140	0	0	0	0	7,140
Estimated Outlays	6,633	450	7	0	0	7,090
Operation and Maintenance						
Authorization Level	64,675	0	0	0	0	64,675
Estimated Outlays	31,238	21,925	7,114	2,264	517	63,058
Procurement						
Authorization Level	6,180	0	0	0	0	6,180
Estimated Outlays	1,607	2,095	1,421	618	315	6,056
Other ^d						
Authorization Level	1,450	0	0	0	0	1,450
Estimated Outlays	464	344	258	199	133	1,398
Special Transfer Authority						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	75	-30	-23	-15	-8	0
Subtotal, Overseas Contingency Operations						
Authorization Level	79,445	0	0	0	0	79,445
Estimated Outlays	40,017	24,784	8,778	3,066	958	77,602
Total Specified Authorizations						
Authorization Level	593,708	0	0	0	0	593,708
Estimated Outlays	370,008	131,278	47,924	21,463	9,301	579,974

(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 in 2016 and in future years. 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 some of those provisions.

Numbers may not add up to totals because of rounding.

- a. The authorization of appropriations for military personnel in section 421 includes \$6,237 million for accrual payments to the Medicare-Eligible Retiree Health Care Fund. However, CBO estimates that amount understates—by \$727 million—the amount required for those payments; thus \$727 million has been added to the estimated cost of the bill as reflected in Table 1.
 - b. This authorization is primarily for atomic energy activities of the Department of Energy.
 - c. This authorization is for the Maritime Administration (\$226 million), veterans' benefits and services (\$147 million), the Armed Forces Retirement Home (\$63 million), and the Naval Petroleum Reserves (\$20 million). The authorized amount for the Maritime Administration does not include the \$186 million specified in the bill for payments to shipping companies under the maritime security program because that program is authorized under current law for 2015.
 - d. This authorization is for the defense health program, drug interdiction and counter-drug activities, and equipment for the national guard and reserve.
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Force Structure. The bill would affect the force structure of the various military services by setting end strengths for 2015 and modifying the minimum end strengths authorized in permanent law.

Under title IV, the authorized end strengths in 2015 for active-duty personnel and personnel in the selected reserves would total 1,308,920 and 827,800 respectively. Of those selected reservists, 77,414 would serve on active duty in support of the reserves. In total, active-duty end strength would decrease by 52,480 and selected-reserve end strength (including the Coast Guard Reserve) would decrease by 14,900 when compared with levels authorized under current law for 2015. The specified end strengths for the components of the armed forces are detailed below.

Active-Duty End Strengths. Compared with end strengths authorized under current law for 2015, section 401 would authorize reductions in active-duty personnel for three of the four services: 30,000 fewer for the Army; 6,100 fewer for the Marine Corps; and 16,380 fewer for the Air Force. The end strength authorized for the Navy would remain the same. CBO estimates that reducing the number of active-duty personnel by 52,480 service members would decrease costs to DoD by \$32.8 billion over the 2015-2019 period, assuming appropriations are reduced by that amount. That estimate includes reduced costs for personnel compensation and benefits, as well as lower costs for operation and maintenance.

TABLE 3. ESTIMATED CHANGES TO AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS IN H.R. 4435

	By Fiscal Year, in Millions of Dollars					2015-2019
	2015 ^a	2016	2017	2018	2019	
FORCE STRUCTURE						
Active-Duty End Strengths	-3,859	-6,381	-7,171	-7,584	-7,789	-32,784
Selected-Reserve End Strengths	-239	-461	-550	-597	-614	-2,461
Reserve Technicians End Strengths	-53	-109	-112	-116	-120	-510
Coast Guard Reserve End Strength	-12	-27	-33	-37	-37	-146
COMPENSATION AND BENEFITS						
Expiring Bonuses and Allowances	750	469	274	246	123	1,862
Pilot Program to Assist Post-Service Employment	5	25	35	35	0	100
Civilian Benefits in a Combat Zone						
Department of Defense ^b	0	35	0	0	0	35
OTHER PROVISIONS						
Incrementally Fund a San Antonio						
Class Ship	800	1,178	0	0	0	1,978
Delay Reorganization of Military Treatment	15	25	40	35	20	135
Facilities						
Support of Foreign Military Liaison Officers	4	10	10	10	10	44
Mental Health Assessments	6	7	7	7	8	35
Integrated Disability Evaluation System Pilot	5	15	5	1	1	27

Notes: Amounts shown in this table for 2016 through 2019 are not included in amounts that would be specifically authorized by the bill (and therefore are not reflected in Tables 1 and 2). Rather, those amounts would be covered by specific authorizations for defense programs in future years.

Numbers may not add up to totals because of rounding.

a. Amounts shown in this table for 2015 are included in amounts specifically authorized to be appropriated by the bill (as reflected in Table 2 and summarized in Table 1).

b. This provision also would increase costs in 2016 for departments and agencies other than DoD by an estimated \$8 million. Those costs are included in Table 1 under "Other Authorizations of Appropriations."

Selected-Reserve End Strengths. Sections 411 and 412 would set the end strengths for reserve components, including those who serve on active duty in support of the reserves. Under this bill, all six of the reserve components would experience decreases in end strength: 3,000 fewer reservists for the Army Reserve, 1,800 fewer for the Navy Reserve, 400 fewer for the Marine Corps Reserve, 3,300 fewer for the Air Force Reserve, 4,000 fewer for the Army Guard, and 400 fewer for the Air Guard. The number of full-time

reservists who serve on active-duty in support of the reserves would decline by 972 compared with current authorized end strengths for 2015. CBO estimates that implementing those provisions would decrease costs for salaries and expenses for selected reservists by \$2.5 billion over the 2015-2019 period, assuming appropriations are reduced by the same amount.

Reserve Technicians End Strengths. Section 413 would set the minimum end strengths for dual-status military technicians, who are federal civilian personnel required to maintain membership in a selected-reserve component as a condition of their employment. The bill would lower the minimum number of technicians required by 1,223 relative to the number currently authorized. CBO estimates that implementing that change would decrease costs for civilian salaries and expenses by \$510 million over the 2015-2019 period.

Coast Guard Reserve End Strength. Section 411 also would authorize an end strength in 2015 for the Coast Guard Reserve of 7,000 service members, compared with the 9,000 service members that are authorized under current law. However, the number of reservists in the Coast Guard is well below the authorized level—about 7,800 as of March 2014. Therefore, CBO estimates that implementing this provision would reduce the size of the Coast Guard Reserve by about 1,000 members. CBO estimates that reducing end strength by that amount would decrease costs by \$146 million over the 2015-2019 period, assuming appropriations are reduced by the same amount.

Compensation and Benefits. H.R. 4435 contains several provisions that would affect compensation and benefits for uniformed personnel and civilian employees of DoD. The bill would specifically authorize regular appropriations of \$135 billion for the costs of military pay and allowances in 2015. For related costs resulting from overseas contingency operations (primarily in Afghanistan), the bill would authorize the appropriation of an additional \$7 billion for 2015.

Expiring Bonuses and Allowances. Sections 611 through 615 would extend for another year DoD's authority to enter into agreements to pay certain bonuses and allowances to military personnel. The authority to enter into such agreements is currently scheduled to expire on December 31, 2014. Some bonuses are paid in a lump sum, while others are paid in annual or monthly installments over a period of obligated service. Based on DoD's budget submission for fiscal year 2015, CBO estimates that extending that authority for one year would cost \$1.9 billion over the 2015-2019 period.

Pilot Program to Assist Post-Service Employment. Section 552 would establish a pilot program to help current service members find a job following separation from military service in the case of active-duty members, or release from active duty in the case of

part-time reserve members. Under the program, DoD would work with civilian employment agencies to place service members in post-service jobs. To encourage employers to hire members of the military, DoD would pay a portion of the employment agency's fee for up to 800 hours of work that an employee hired under this program completed.

The amount of money that the Secretary of Defense could obligate under the pilot program would be limited to \$35 million in any fiscal year during the life of the program, which would expire on September 30, 2018. CBO estimates that implementing this pilot program would increase costs by \$100 million over the 2015-2019 period. The cost of the program would be small in the first year, \$5 million, because DoD would need time to establish the program, including writing regulations and negotiating with employment agencies. The program would grow in 2016, and CBO expects it would reach full capacity in 2017.

Civilian Benefits in a Combat Zone. Section 1102 would extend for one year 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, 2015, include death gratuities, paid leave and travel for one trip home, and up to three leave periods per year for rest and recuperation. Based on information from DoD and the Office of Personnel Management, CBO estimates that about 2,300 civilian employees of DoD and 500 employees of other federal agencies will work in a designated combat zone in 2016 and, under this provision, would receive an average benefit that would cost about \$15,000 a year. Thus, CBO estimates that in 2016, section 1102 would increase the costs of civilian employees of DoD by \$35 million and of other federal employees by \$8 million.

Other Provisions. A number of other provisions in H.R. 4435 would increase discretionary costs in 2015 and over the 2016-2019 period.

Incrementally Fund a San Antonio Class Ship. Section 122 would allow the Navy to use incremental funding to enter into a contract, beginning in fiscal year 2015, for the construction of one additional San Antonio class amphibious ship (referred to as LPD-17 class ships). The bill also would authorize the appropriation of \$800 million for 2015 for that purpose. Currently, nine of the LPD-17 class warships are in service and two more are nearing the end of construction. Based on information from the Navy, CBO expects that the Navy would build the additional ship and estimates that costs would total about \$2 billion over the 2015-2016 period.

Delay Reorganization of Military Treatment Facilities. In an effort to produce efficiencies and cost savings, DoD is planning to consolidate or eliminate some underutilized services offered through certain military treatment facilities. Based on

information from DoD, CBO estimates those changes will result in savings of about \$15 million in 2015, increasing to about \$50 million in annual savings by 2019. Section 714 would delay those planned changes until various studies are completed, which CBO estimates would delay any savings by about three years, increasing costs to DoD by about \$135 million over the 2015-2019 period.

Support of Foreign Military Liaison Officers. Section 1203 would expand DoD's authority to pay for certain expenses of military liaison officers from foreign militaries. Currently, DoD is allowed to cover travel, subsistence, and medical expenses of such officers if they are assigned to U.S. military commands in connection with a military operation. This provision would broaden that authority by allowing DoD to provide such support without the requirement that assignments be connected with a military operation. Section 1203 also would limit the number of officers who can receive such support to 60 at any one time, and cap the amount of support per person at \$200,000 annually, adjusted for inflation.

CBO anticipates that as operations in Afghanistan are curtailed, the number of individuals receiving support pursuant to the existing authority—currently about 40—would be greatly reduced. Based on information from DoD, CBO expects that agency will fully utilize the amended authority, mostly in support of U.S. military engagements in areas where DoD has a relatively limited presence. On that basis, CBO estimates that DoD would provide support to an additional 45 officers a year under this authority at a cost of \$44 million over the 2015-2019 period.

Mental Health Assessments. Section 701 would require DoD to administer a mental health assessment to deployed personnel once every six months. Based on current deployment levels, CBO estimates DoD would need to deploy nearly 20 additional mental health professionals to conduct those assessments. Based on information from DoD, CBO estimates the annual cost to deploy each of those additional personnel would be about \$130,000 in 2015 and would increase to about \$142,000 in 2019. In addition, there would be a cost to DoD to replace those personnel in the continental United States, so that current mental health caseload demands can be met. CBO estimates DoD would need to pay for an additional 35,000 hours per year of mental health services in the continental United States, at a hourly cost of about \$115 in 2015, increasing to about \$145 in 2019. In total, CBO estimates section 701 would cost \$35 million over the 2015-2019 period.

Integrated Disability Evaluation System Pilot. Section 592 would require DoD and the Department of Veterans Affairs (VA) to operate a three-year pilot program at the Walter Reed National Military Medical Center to improve the Integrated Disability Evaluation System (IDES). As part of the pilot, DoD and VA would be required to modify their

information technology systems to create an interface between their data collection and tracking systems and also to track the performance of DoD and VA personnel. Based on information from DoD, CBO estimates that it would take about three years and cost about \$25 million to make the software modifications required by section 592. Once the pilot program is up and running (in 2018), CBO estimates the operating costs would be about \$1 million per year. Based on information from DoD, CBO expects that the program could be carried out with existing personnel, though there would be some costs for training, support activities, and a new working group. In total, CBO estimates that implementing section 592 would cost about \$27 million over the 2015-2019 period.

Direct Spending

Several provisions in H.R. 4435 would affect direct spending. CBO estimates that those provisions would increase net direct spending by \$1 million over the 2015-2024 period (see Table 4).

Special Immigrant Visas (SIVs) for Afghan Allies. Section 1218 would amend the Afghan Allies Protection Act of 2009 to make 1,080 SIVs available in fiscal year 2015 to certain Afghans. Those SIVs could be issued through the end of fiscal year 2016. Afghans eligible under this provision are those who were employed by the U.S. government at some point since 2001 and are experiencing an ongoing serious threat as a consequence. (Additional SIVs, not subject to limitation, would be available to certain relatives of those workers.)

CBO estimates that nearly 2,500 people would receive immigrant visas under section 1218. Because special immigrants (including their spouses and children) are eligible for public benefits to the same extent as refugees, they could receive subsidies through health insurance exchanges and benefits from Medicaid, nutrition programs, and the Supplemental Security Income program, if otherwise eligible, upon arrival in the United States. On that basis, CBO estimates that direct spending for those benefits would increase by \$70 million over the 2015-2024 period.

National Defense Stockpile. Enacting the bill would increase receipts from the sale of material in the National Defense Stockpile. Section 1411 would increase by \$50 million the target contained in the National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261, as most recently amended by Public Law 110-417) for continued sales of tungsten from the stockpile, and extend those sales for an additional three years through fiscal year 2019.

In addition, Section 1411 would increase by \$20 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 112-81) for continued sales of chromium ferroalloy from the stockpile, and extend those sales for an additional three years through fiscal year 2019. CBO estimates that there would be sufficient quantities of tungsten and chromium in the stockpile so that sales could generate additional receipts of \$2 million in 2015 and \$70 million over the 2015-2018 period.

TABLE 4. ESTIMATED EFFECTS OF H.R. 4435 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars											2015-	2015-	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019	2024		
Special Immigrant Visas for Afghan Allies														
Estimated Budget Authority	1	10	9	8	7	7	7	7	7	7	35	70		
Estimated Outlays	1	10	9	8	7	7	7	7	7	7	35	70		
National Defense Stockpile														
Estimated Budget Authority	-2	-40	-20	-8	0	0	0	0	0	0	-70	-70		
Estimated Outlays	-2	-40	-20	-8	0	0	0	0	0	0	-70	-70		
Purple Heart Awards														
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	*	1		
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	*	1		
Total Changes in Direct Spending														
Estimated Budget Authority	-1	-30	-11	*	7	7	7	7	7	7	-35	1		
Estimated Outlays	-1	-30	-11	*	7	7	7	7	7	7	-35	1		

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

Purple Heart Awards. Section 571 would require the Secretary of Defense to award the Purple Heart to members killed or wounded in attacks motivated or inspired by foreign terrorist organizations. This policy would be retroactive to September 11, 2001. In instances when a wounded member retires for medical reasons, the Purple Heart entitles that member to Combat-Related Special Compensation (CRSC), which is paid from the Military Retirement Trust Fund. Based on a review of the number of military personnel wounded during the November 2009 shooting at Ft. Hood and other incidents, CBO estimates that about 10 former military members would receive CRSC because of this provision, and that the average monthly payment would be about \$400 per person. After factoring in retroactive payments and cost-of-living adjustments, CBO estimates that section 571 would increase direct spending by about \$1 million over the 2015-2024 period.

Other Provisions. Other provisions in the bill would have insignificant effects on direct spending or revenues, generally because very few people would be affected.

- Sections 501 and 502 would modify rules related to the selective early retirement of military personnel. In certain circumstances, those changes might affect the number of former members drawing retired pay in a given year.
- Section 521 would establish certain rules for judicial review of military personnel decisions relating to the correction of military records. CBO expects that enactment of this section would have a small effect on the payment of mandatory benefits in the event of corrections, but it is unclear whether the net effect would be to increase or decrease those payments.
- Section 702 would, in certain circumstances, allow former service members and their dependents to receive free food and beverages at military treatment facilities. Spending at such facilities for some of those former members is classified in the budget as mandatory.
- Section 725 would require DoD to establish a pilot program to examine medication therapy management. Pharmaceutical spending for some of the beneficiaries covered by the pilot program is classified in the budget as mandatory.
- Section 815 would prohibit the use of reverse auctions for certain contracts. That prohibition would increase by an insignificant amount the administrative costs for certain agencies, some of which are funded from mandatory accounts.
- Section 1042 would allow DoD to accept the voluntary services of law students and those training to be paralegals. Because those volunteers would be eligible for mandatory compensation if they are injured while volunteering, CBO estimates that section 1042 would have an insignificant effect on direct spending.
- Section 2861 would authorize the Secretary of the Navy to establish a memorial to the victims of the shootings that occurred on September 16, 2013, at the Washington Navy Yard. The Secretary could accept and spend donations to establish and maintain the memorial. Such contributions are classified as offsetting receipts.

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 H.R. 4435 would not affect revenues.

CBO Estimate of Pay-As-You-Go Effects for H.R. 4435 as reported by the House Committee on Armed Services on May 13, 2014

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Effects	0	-1	-30	-11	0	7	7	7	7	7	7	-35	1

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

Section 547 would preempt state laws governing child custody if those laws provide less protection to the rights of a parent who is a service member than those provided under the bill. That preemption would be an intergovernmental mandate as defined in UMRA. Although the mandate would limit the application of state laws, it would impose no duty on states that would result in additional spending. Therefore, CBO estimates that the cost of the mandate would fall well below the threshold established in UMRA for intergovernmental mandates (\$76 million in 2014, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

Section 1073 of the bill contains a private-sector mandate because it would impose a time limit on filing claims for losses covered by the Federal Aviation Administration's (FAA's) War Risk Insurance Program. Currently there is no statutorily required time frame. The bill would require most claims against the United States to be filed within two years of the loss. However, claimants who do not have a contractual relationship with the insured party would be allowed six years to file a claim. Information from the FAA indicates that in the past almost all cases have been filed soon after the loss occurred, in accordance with FAA requirements for insurance policies. Therefore, CBO estimates that the costs of this mandate would be small and would fall below the private-sector threshold established in UMRA (\$152 million in 2014, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs:

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Immigrant Visas—David Rafferty
Military and Civilian Personnel—Dawn Regan
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