



February 11, 2014

Honorable Pete Sessions
Chairman
Committee on Rules
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Sessions:

The Congressional Budget Office (CBO) is providing a cost estimate for S. 540, the Temporary Debt Limit Extension Act, as posted on the website of the Committee on Rules on February 10, 2014 (Committee Print 113-37).

Upon enactment, S. 540 would suspend the current debt limit through March 15, 2015. On the following day, the debt ceiling would be raised by the amount of obligations incurred up to that point.

The legislation also would extend across-the-board cuts (known as sequestration) in certain direct spending programs for an additional year beyond 2023—the last year for which sequestration will apply under current law. CBO estimates that those provisions would reduce direct spending by about \$9.2 billion in fiscal year 2024.

Section 5 would revise section 403 of the Bipartisan Budget Act of 2013 (Public Law 113-67), as modified by the Consolidated Appropriations Act, 2014, which reduced the annual cost-of-living adjustment for annuities paid to certain military retirees and survivors by up to one percent. Section 5 would apply the changes from P.L. 113-67 only to those who first became members of the uniformed services after January 1, 2014, and would increase direct spending by about \$6.8 billion over the 2014-2024 period, CBO estimates.

Section 6 would create a fund to be used by the Secretary of Health and Human Services to pay for physicians' services under Part B of Medicare. CBO estimates that provision would increase direct spending by about \$2.4 billion, with that effect falling in fiscal years 2017 and 2018.

On balance, enacting S. 540 would reduce direct spending by a total of \$34 million over the 2014-2024 period, by CBO's estimation.

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The legislation would have additional effects after 2024 because the repeal of section 403 of P.L. 113-67 would continue to have costs in all subsequent years. The additional year of sequestration under section 6 would partially offset those costs by yielding several billion dollars of budgetary savings in fiscal year 2025. In combination, those effects would increase direct spending, CBO estimates, by more than \$5 billion in at least one of the four consecutive 10-year periods beginning in 2024.

If you wish further details, we will be pleased to provide them. The CBO staff contact is Avi Lerner.

Sincerely,

for Robert A. Sunshine

Douglas W. Elmendorf
Director

cc: Honorable Louise Slaughter
Ranking Member

Honorable Dave Camp
Chairman, Committee on Ways and Means

Honorable Sander Levin
Ranking Member

Estimate of the Budgetary Effects of S. 540, the Temporary Debt Limit Extension Act, as posted on the website of the House Committee on Rules on February 10, 2014

(Millions of dollars, by fiscal year)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024 ^a
ESTIMATES RELATIVE TO CBO'S FEBRUARY 2014 BASELINE													
CHANGES IN DIRECT SPENDING (Outlays)^b													
Extension of Automatic Spending Reductions	0	0	0	0	0	0	0	0	0	0	-9,234	0	-9,234
Repeal of Reduction in the Cost-of-Living Adjustment for Military Retirees ^c	0	0	141	332	467	657	807	941	1,148	1,169	1,151	1,597	6,813
Transitional Fund for Medicare	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,790</u>	<u>597</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,387</u>	<u>2,387</u>
Total Changes in Direct Spending	0	0	141	2,122	1,064	657	807	941	1,148	1,169	-8,083	3,984	-34

a. Pursuant to section 604 of H. Con. Res. 25, the Concurrent Resolution on the Budget for Fiscal Year 2014, and section 311 of S. Con. Res. 70, the Concurrent Resolution on the Budget for Fiscal Year 2009, CBO estimates that this proposal would increase direct spending by more than \$5 billion in at least one of the four consecutive 10-year periods beginning in 2024.

b. Negative numbers indicate a decrease in spending.

c. Exempting current and former members of the armed forces from the reduction in the annual cost-of-living adjustments for retired pay specified by section 403 of the Bipartisan Budget Act of 2013 (Public Law 113-67) would also increase spending subject to appropriations by \$6.5 billion over the 2015-2024 period, CBO estimates. That increase in spending subject to appropriations represents an increase in discretionary accrual payments from the Department of Defense to the Military Retirement Trust Fund. Although those payments would count against discretionary budget caps, they are intragovernmental transactions; the exact amounts would be determined by the Department of Defense Office of the Actuary.