



**CONGRESSIONAL BUDGET OFFICE  
PAY-AS-YOU-GO ESTIMATE**

November 26, 1997

**Public Law 105-85  
National Defense Authorization Act for Fiscal Year 1998**

*As cleared by the Congress on November 6, 1997*

**SUMMARY**

The National Defense Authorization Act for Fiscal Year 1998 contains several provisions that will affect direct spending. Only five provisions, however, will have a significant impact. CBO estimates that a provision to pay annuities through 2001 to certain spouses of former servicemembers will increase outlays by \$101 million over a four-year period. The other provisions will each affect direct spending by \$2 million or less annually.

The act contains other provisions that authorize sizeable asset sales. It authorizes sales from the National Defense Stockpile that CBO estimates will lower outlays by \$267 million over the next 10 years. It also authorizes the sale of certain naval vessels to foreign countries, and CBO estimates that receipts from those sales will total \$163 million in 1998. Four other provisions authorize asset sales that will have much smaller budgetary effects.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

Table 1 displays the budgetary effects of the direct spending and asset sale provisions in the act. CBO estimates that these provisions will lower outlays by \$127 million over the 1998-2002 period and by a total of \$336 million through 2007. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

**Direct Spending**

CBO estimates that direct spending, excluding receipts from asset sales, will increase by \$106 million over the 1998-2007 period as a result of this legislation.

TABLE 1. BUDGETARY EFFECTS OF DIRECT SPENDING PROVISIONS AND ASSET SALES IN PUBLIC LAW 105-85 (Outlays by fiscal year, in millions of dollars)

Section	Provision	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>DIRECT SPENDING</b>											
644	Survivor Benefits	9	26	33	33	0	0	0	0	0	0
3404	Oil Shale Reserves	1	-1	-1	-1	-2	-2	-2	-2	-2	-2
3138	DOE Spending	1	1	1	2	2	a	a	a	a	a
2804	Utility Rebates	1	1	1	1	1	1	1	1	1	1
351	Emission Reduction Credits	1	1	0	0	0	0	0	0	0	0
502	Recall of Certain Officers	b	b	b	b	b	b	b	b	b	b
504	Deferred Retirement of Chaplains	b	b	b	b	b	b	b	b	b	b
506	Increased Years for Retirement	b	b	b	b	b	b	b	b	b	b
521	Retention of Military Technicians	b	b	b	b	b	b	b	b	b	b
553	Educational Assistance	a	a	a	a	a	a	a	a	a	a
1032	Counter-Drug Reappropriation	a	a	a	0	0	0	0	0	0	0
2813	Property Transactions	c	0	0	0	0	0	0	0	0	0
2823	Reimbursements to Army	-c	0	0	0	0	0	0	0	0	0
	Subtotal	13	28	34	35	1	-1	-1	-1	-1	-1
<b>ASSET SALES</b>											
3303-3305	National Defense Stockpile	-8	-13	-14	-14	-14	-34	-44	-45	-41	-40
1025	Sale of Naval Vessels	-163	0	0	0	0	0	0	0	0	0
3404	Oil Shale Reserves	0	-5	-3	-2	0	0	0	0	0	0
351	Emission Reduction Credits	-1	-1	0	0	0	0	0	0	0	0
1065	Sale of Excess Ammunition	c	c	c	c	c	c	c	c	c	c
2836	Fort Bragg Land	0	c	0	0	0	0	0	0	0	0
2862	March Air Force Base Land Conveyance	0	-c	0	0	0	0	0	0	0	0
	Subtotal	-172	-19	-17	-16	-14	-34	-44	-45	-41	-40
<b>BILL TOTAL</b>											
	Direct Spending/Asset	-159	9	17	19	-13	-35	-45	-46	-42	-41

a. Costs of less than \$500,000.

b. Savings are probable in the first few years, but eventually costs will be incurred. The net budgetary effects will be less than \$500,000 a year through 2007.

c. Savings of less than \$500,000.

**Annuities for Certain Surviving Spouses.** The Survivor Benefit Plan (SBP) entitles surviving spouses to a monthly annuity upon the death of the retired servicemember. Section 644 authorizes an annuity of \$165 per month, indexed to the Consumer Price Index, for surviving spouses of former servicemembers who died before they were able to enroll in the SBP. The authority to pay these annuities under this section will expire on September 30, 2001.

To qualify for benefits under the act, the surviving spouse must not be remarried nor currently receive benefits under SBP. The act specifies two groups of beneficiaries. One group consists of surviving spouses of retirees who were full-time, active-duty servicemembers who died before March 21, 1974; the other group consists of surviving spouses of reservists who died between September 21, 1972, and October 1, 1978, who had at least 20 years of service, but who had not yet reached age 60.

CBO estimates that section 644 could potentially benefit about 18,000 people, based on information from DoD about the original number of spouses, mortality since the mid-1970s, and probable rates of remarriage. CBO estimates that about 16,000 individuals will ultimately receive the benefit because some of those eligible will never apply. After a two-year transition period, the costs will reach \$33 million annually in 2000 and 2001.

**Leasing of the Naval Oil Shale Reserves (NOSRs).** Section 3404 transfers jurisdiction over NOSRs 1 and 3 in Colorado from the Department of Energy (DOE) to the Department of the Interior (DOI) for the purpose of leasing the reserves for oil and gas development. CBO estimates that leasing NOSRs 1 and 3 under the terms and conditions in the act will generate sale proceeds of about \$10 million over the 1999-2001 period and, in addition, will result in a net increase in offsetting receipts relative to current law of about \$13 million over the 1999-2007 period. This estimate assumes that the federal government will retain all of the receipts from bonuses, royalties, and rental payments through 2007, consistent with the stipulation in the act that the government not share lease-related income with the state until DOE and DOI certify that such income has equaled past and anticipated federal expenditures for well protection, environmental remediation, and other purposes. Although we expect that DOI will spend about \$1 million in 1998 to prepare the environmental assessments and conduct the lease sales, these expenditures will have no net budgetary effect over time, because the act directs DOI to finance these costs using unobligated balances that otherwise would be spent on other activities.

**Department of Energy Use of Proceeds.** Section 3138 allows the Department of Energy to retain proceeds from the lease of unused facilities in an amount equal to the cost of preparing such facilities for lease. Under current law, all proceeds from leases are deposited in the Treasury. CBO estimates that the direct spending from this provision will total \$1 million to \$2 million annually through 2002.

**Utility Rebates.** Section 2804 allows the Department of Defense (DoD) to spend cash rebates from electric and water utilities. Under current law these funds are deposited in the Treasury. The direct spending from this provision will total about \$1 million annually.

**Emission Reduction Credits.** Section 351 authorizes a two-year pilot program under which DoD can sell emission reduction credits and spend the proceeds on environmental programs. CBO estimates that proceeds from those asset sales will total about \$1 million annually in 1998 and 1999. Spending will increase by that same amount.

**Other Provisions.** Other provisions will have negligible budgetary impacts. Because some of these provisions will allow certain servicemembers to defer their retirement and accrue additional retirement points, they will result in small savings in the near term and costs in later years.

- o Section 502 allows the Secretary of Defense to recall certain officers to active duty for longer than the 12 months allowed in current law.
- o Section 504 allows the Secretaries of the military departments to defer the retirement of the Chief of Chaplains or the Deputy Chief of Chaplains until such individuals reach 68 years of age.
- o Section 506 increases the mandatory retirement point for certain admirals and generals to 38 or 40 years of commissioned service.
- o Section 521 allows DoD to retain military technicians in the grade of brigadier general on the active-status list until they reach the age of 60.
- o Section 553 extends the sunset date for benefits under the Montgomery GI Bill in the case of reservists who are ordered to active duty and consequently discontinue their course of instruction. Costs will depend on U.S. involvement in operations requiring the use of reservists, but the annual costs are likely to be insignificant.
- o Section 1032 reappropriates about \$1 million for counter-drug activities, but the funds will be spent over several years.
- o Section 2813 allows DoD to accept and spend reimbursements for certain administrative expenses that it incurs in carrying out property transactions.

- o Section 2823 authorizes the Secretary of the Army to accept and spend proceeds received from providing security-related services at the Red River Army Depot in Texas.

### **Asset Sales**

In total, the asset sales in the act will decrease outlays by \$442 million over the 1998- 2007 period. Sections 3303 through 3305 authorize DoD to sell several materials contained in the National Defense Stockpile. CBO estimates that these sales will generate proceeds of about \$8 million in 1998, \$13 million to \$14 million annually from 1999 through 2002, and \$34 million to \$45 million annually during the following five years.

Section 1025 authorizes the Secretary of the Navy to sell 14 naval vessels to certain foreign countries. Based on information from the Navy, CBO estimates the sale will generate \$163 million in offsetting receipts in 1998.

Section 1065 authorizes the Secretary of the Army to sell excess or obsolete ammunition, and sections 2836 and 2862 authorize DoD to sell excess land. Each of these provisions will have an insignificant budgetary impact.

Under the Balanced Budget Act of 1997, proceeds from an asset sale are counted in determining compliance with pay-as-you-go requirements only if the sale does not result in a financial cost to the government over time. CBO estimates that the asset sales discussed in this estimate will not result in such costs.

### **ESTIMATE PREPARED BY:**

Kent Christensen, Valerie Barton, and Raymond Hall. Kathy Gramp (for section 3404).

### **ESTIMATE APPROVED BY:**

Robert A. Sunshine  
Deputy Assistant Director for Budget Analysis