



June 17, 2019

Honorable James M. Inhofe
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Re: *Direct Spending and Revenue Effects of S. 1790, the National
Defense Authorization Act for Fiscal Year 2020*

Dear Mr. Chairman:

The Congressional Budget Office has completed the enclosed estimate of the direct spending and revenue effects of S. 1790, the National Defense Authorization Act for Fiscal Year 2020, as reported by the Senate Committee on Armed Services on June 11, 2019.

Enacting the bill would increase net direct spending by \$33 million over the 2020-2029 period. It also would increase revenues by \$40 million over that same period. In total, S. 1790 would reduce the deficit by \$7 million over the 2020-2029 period. Those budgetary effects primarily arise from three sources. Changes to how military review boards evaluate requests from veterans to improve the characterization of their discharge from the armed forces would increase direct spending. Collections of fees from new residents at the Armed Forces Retirement Home would reduce direct spending. A provision that would establish a new payroll deduction from service members in the Selected Reserve of the U.S. Armed Forces would increase revenues.

Because the bill would affect direct spending and revenues, statutory pay-as-you-go procedures apply.

CBO estimates that enacting S. 1790 would not increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2030.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip L. Swagel", with a long, sweeping flourish extending to the right.

Phillip L. Swagel
Director

Enclosure

cc: Honorable Jack Reed
Ranking Member

Table 1.
Estimated Increases or Decreases in Direct Spending and Revenues Under S. 1790,
as Reported by the Senate Committee on Armed Services on June 11, 2019

	By Fiscal Year, Millions of Dollars											2019- 2024	2019- 2029
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
Increases or Decreases (-) in Direct Spending^a													
Review Boards ^a													
Sections 546-551, 553													
Estimated Budget Authority	0	5	6	6	6	6	6	6	6	7	7	29	61
Estimated Outlays	0	5	6	6	6	6	6	6	6	7	7	29	61
Armed Forces Retirement Home ^b													
Section 1422													
Estimated Budget Authority	0	0	-4	-4	-5	-5	-5	-5	-5	-5	-5	-18	-43
Estimated Outlays	0	0	-4	-4	-5	-5	-5	-5	-5	-5	-5	-18	-43
Global Security Contingency Fund ^c													
Section 1203													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	5	5	0	0	0	0	0	0	0	0	10	10
Contraception Coverage ^d													
Section 701													
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	1	3
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	1	3
Medals of Honor ^e													
Sections 585 and 587													
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	1	3
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	1	3
TRICARE Payment Options ^f													
Section 702													
Estimated Budget Authority	0	0	*	*	*	*	*	*	*	*	*	*	-1
Estimated Outlays	0	0	*	*	*	*	*	*	*	*	*	*	-1
Total Changes in Direct Spending													
Estimated Budget Authority	0	5	2	2	1	1	1	1	1	2	2	13	23
Estimated Outlays	0	10	7	2	1	1	1	1	1	2	2	23	33
Increases in Revenues													
Payroll Deductions from Reservists ^b	0	4	4	4	4	4	4	4	4	4	4	20	40
Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	6	3	-2	-3	-3	-3	-3	-3	-2	-2	3	-7

Components may not sum to totals because of rounding; * = between -500,000 and \$500,000.
CBO estimates that enacting S. 1790 would not increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2030. Other provisions in S. 1790 would have insignificant effects on direct spending and revenues. CBO assumes that S. 1790 will be enacted near the start of fiscal year 2020.

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Table 1.
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- a. Sections 546-551 and 553 would affect how Discharge Review Boards and Boards for Correction of Military Records adjudicate requests from veterans or their next of kin to upgrade the veterans' discharge from the U.S. Armed Forces. Those upgrades would increase direct spending for retroactive separation pay and for mandatory veterans' benefits.
 - b. Section 1422 would authorize retirees from the reserve components to reside at the Armed Forces Retirement Home. The resident fees paid by those retirees would decrease direct spending. The section also would authorize deductions from the pay of service members in the Selected Reserve of the U.S. Armed Forces. Those deductions would increase revenues.
 - c. Section 1203 would allow the Department of State to spend balances in the Global Security Contingency Fund that would otherwise remain unspent.
 - d. Section 701 would eliminate all cost sharing for contraceptive pharmaceuticals and devices for women who use TRICARE. The health care costs for beneficiaries who are retirees of the other uniformed services and their dependents are paid from mandatory appropriations.
 - e. Sections 585 and 587 would authorize awards of the Medal of Honor that cannot be given under current law. Recipients who are living receive monthly pensions that are paid from mandatory appropriations.
 - f. Section 702 would require military retirees, when possible, to pay their TRICARE enrollment fees through deductions from their retired pay, which would reduce payments for credit card fees. That would reduce health care spending for retirees of the other uniformed services, whose health care costs are paid from mandatory appropriations.
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