

At a Glance

S. 4543, James M. Inhofe National Defense Authorization Act for Fiscal Year 2023

As reported by the Senate Committee on Armed Services on July 18, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	533	1,158
Revenues	0	*	*
Increase or Decrease (-) in the Deficit	0	533	1,158

Spending Subject to Appropriation (Outlays)	0	817,391	not estimated
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Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	< \$5 billion	Contains intergovernmental mandate?	Yes, Under Threshold
		Contains private-sector mandate?	Yes, Under Threshold

* = between zero and \$500,000.

The bill would

- Authorize appropriations in 2023 totaling \$846.7 billion for the military functions of the Department of Defense and for the Department of Energy's atomic energy defense activities
- Authorize appropriations in 2023 totaling \$0.3 billion for nondefense activities, mainly for the Department of Veterans Affairs
- Prescribe personnel levels for the U.S. Armed Forces and make changes to compensation and benefits for military personnel and their families
- Authorize third-party financing for research and development projects
- Authorize the Department of Defense to use currently available appropriations to train and equip the military forces of foreign countries to respond to disasters and humanitarian crises
- Impose intergovernmental and private-sector mandates including instituting new antidiscrimination and employment protections for cybersecurity reservists who are activated and expanding Selective Service registration requirements

Areas of significant uncertainty include

- Predicting the participation rate and length of a pilot program to provide third-party financing for research and development projects

Detailed estimate begins on the next page.

Bill Summary

S. 4543 would authorize appropriations for fiscal year 2023 for the military functions of the Department of Defense (DoD), the atomic energy defense activities of the Department of Energy, a joint project between DoD and the Department of Veterans Affairs, and the Armed Forces Retirement Home. CBO estimates that appropriation of the authorized amounts would result in outlays of \$817.4 billion over the 2023-2027 period.

Enacting S. 4543 would increase direct spending by about \$1.2 billion and have an insignificant effect on revenues over the 2023-2032 period.

Estimated Federal Cost

The estimated budgetary effects of S. 4543 are shown in [Table 1](#). Of the \$847.0 billion that would be authorized for 2023, nearly all—\$846.7 billion—would be for activities within budget function 050 (national defense).

The remaining \$0.3 billion would fall within budget function 700 (veterans benefits and services).

Basis of Estimate

For this estimate, CBO assumes that S. 4543 will be enacted near the start of fiscal year 2023 and that the authorized amounts will be appropriated. Outlays for existing programs were estimated using historical spend-out rates.

Spending Subject to Appropriation

S. 4543 would specifically authorize appropriations totaling \$847.0 billion for 2023.

The \$846.7 billion that would be authorized for defense programs includes:

- \$323.1 billion for operation and maintenance (including revolving funds);
- \$179.8 billion for military personnel;
- \$159.1 billion for procurement;
- \$137.7 billion for research and development;
- \$29.7 billion for atomic energy activities; and
- \$17.3 billion for military construction and family housing.

In total, the amount that would be authorized for defense programs in 2023 is \$41.7 billion (or 5 percent) more than the \$805 billion appropriated to date for 2022. The amount appropriated for 2022 includes \$34 billion in emergency funding—\$26.6 billion provided in response to the situation in Ukraine and \$7.4 billion provided to assist Afghan refugees and to respond to natural disasters.

Excluding that emergency funding, S. 4543 would authorize \$75.8 billion more than was appropriated for 2022, an increase of 10 percent. Authorizations for all categories of spending would increase—military personnel by \$12.9 billion (8 percent), operation and maintenance by \$26.3 billion (9 percent), procurement by \$14.2 billion (10 percent), research and development by \$19.0 billion (16 percent), military construction and family housing by \$2.4 billion (16 percent), and atomic energy activities by \$0.9 billion (3 percent).

The \$0.3 billion that would be authorized for nondefense programs includes \$168 million for a medical facility demonstration fund that is jointly managed by the Department of Veterans Affairs and \$152 million for the Armed Forces Retirement Home.

Other provisions in the bill would affect the costs of defense programs in 2024 and future years but would not specifically authorize appropriations for those years. CBO expects authorizations of appropriations for those provisions would be provided in subsequent defense authorization acts and has not estimated the costs of those provisions.

Direct Spending and Revenues

Two sections in S. 4543 would increase direct spending outlays by a total of about \$1.2 billion over the 2023-2032 period (see Table 2). Other sections would have insignificant effects on direct spending and revenues.

Technology Investment. Section 861 would require DoD to enter into an agreement with a nonfederal entity to raise capital for research to develop important technologies for national security that are not adequately supported by private-sector investment. Because those development projects would serve a governmental purpose and be under a significant degree of federal control, CBO considers the cash flows for those purposes to be governmental. Thus, the third-party financing costs of such activities should be included in the federal budget. Because the financing and expenditures by those entities would not be subject to appropriation, CBO classifies those cash flows as direct spending.¹

Estimated budget authority and outlays would arise as capital spending for the program occurs.

For this estimate, CBO expects that the amount of private capital raised under this provision would roughly equal similar DoD programs that connect defense research companies with private investors. On that basis, CBO estimates that DoD's private-sector partners would raise \$125 million per year—an amount that CBO expects would finance 10 new research projects annually. CBO expects that the pilot program would be successful and would continue to operate after the minimum five-year duration required by the bill; thus, implementing the provision would increase direct spending by about \$1.2 billion over the 2023-2032 period.

¹ For more information on the budgetary treatment of third-party financing, see Congressional Budget Office, Third-Party Financing of Federal Projects (June 2005), www.cbo.gov/publication/16554.

Humanitarian Assistance. Section 1208 would authorize DoD to use amounts from its Overseas, Humanitarian, Disaster, and Civic Aid appropriation to train and equip the military forces of foreign countries as they prepare for and respond to disasters and humanitarian crises. Under current law, DoD is generally limited to using that appropriation to provide civilian authorities with assistance that directly benefits civilian populations.

In 2022, \$160.1 million was appropriated for those activities and remains available for obligation until September 30, 2023. Based on historical outlay patterns, CBO estimates that \$12 million of that amount will not be spent under current law. CBO estimates that under section 1208, half that amount would be obligated and expended. Changes in outlays from appropriations that are available under current law are classified as direct spending. Section 1208 would not affect budget authority. Thus, enacting the section would increase direct spending by \$6 million over the 2023-2032 period, CBO estimates.

Other Provisions. Several provisions in S. 4543 would have insignificant effects on direct spending and revenues, generally because they would affect very few people, would have offsetting effects, or would involve transactions of very small amounts.

- Sections 232, 914, 1221, and 1223 would extend or modify agencies' authority to accept amounts from nonfederal entities for various purposes. In most cases, the amounts may be spent without further appropriation.
- Section 502 would permit some officers in the grade of O-9 and O-10 to retain that grade for an additional month before their retirement. That change could affect the timing of a small number of retirements.
- Section 521 would broaden the requirement to register with the Selective Service System. Current law requires men in the United States aged 18 to 26 to register. Section 521 would require everyone in that age range in the country to register, not just men. (Certain temporary residents such as foreign students are exempt from registration under both current law and the bill.) As a result, a small number of lawful permanent residents who would fail to register would be prevented from naturalizing (becoming an American citizen) for several years, which would make them ineligible for certain mandatory federal benefits. They also would have to wait longer to sponsor family members for lawful permanent resident status.
- Section 544 would expand the jurisdiction of the courts of criminal appeals to review appeals from all service members or civilians convicted by general and special courts-martial. Under current law, people convicted by general or special courts-martial who are not punitively discharged or confined for more than six months are limited in seeking appellate review of those convictions. CBO expects that such reviews would reduce fines and forfeitures for some appellants. Fines and forfeitures collected under the Uniform Code of Military Justice are classified as revenues.

- Section 585 would authorize DoD to award of the Medal of Honor to Sergeant Major David R. Halbruner. Recipients who are living receive monthly pensions that are paid from mandatory appropriations.
- Section 702 would extend transitional health benefits to National Guard members serving on state duty for 30 days or more in response to a national emergency. This may increase the number of separation physicals performed by the Department of Veterans Affairs, which are partially funded with mandatory appropriations.
- Sections 723 and 747 would extend and enhance demonstration projects under the Military Health System. Some beneficiaries of those projects are retirees of the other uniformed services (U.S. Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service) and their dependents. Their health benefits are paid from mandatory appropriations.
- Section 1553 would extend the government’s authority to seize unmanned aircraft that pose a threat to military facilities. Proceeds from the sale of such assets are recorded as revenues, deposited into the Assets Forfeiture Fund, and spent without further appropriation.
- Section 2841 would authorize the Secretary of the Air Force to convey 26 acres at Joint Base Charleston, South Carolina to the City of North Charleston. DoD could be reimbursed for administrative costs and could also receive cash consideration for the value of the property, which could be spent without further appropriation.

Uncertainty

CBO’s estimate of the direct spending costs of section 861, which would require DoD to raise capital for defense research and development projects, is subject to considerable uncertainty. Annual costs could be higher or lower by tens of millions of dollars depending on the number of investors who would be willing to participate in the program and the number of research companies that accept such financing. CBO also expects that the pilot program would continue after the minimum five-year period required by the bill. Costs would be lower if DoD terminates the program before 10 years.

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 Table 2.

Increase in Long-Term Deficits

CBO estimates that enacting S. 4543 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2033.

Mandates

S. 4543 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate cost to comply would not exceed the thresholds established in UMRA for intergovernmental and private-sector mandates (\$92 million and \$184 million in 2022, respectively, adjusted annually for inflation).

Intergovernmental Mandates

Section 2864 would require the Department of Defense to release some deed restrictions on a tract of land adjacent to the Clinton Sherman Airport in Clinton, Oklahoma. This would impose an intergovernmental mandate on the city of Clinton by requiring it to pay the administrative costs associated with modifying the deed, including the costs of surveying and updating legal descriptions. CBO estimates the cost of the mandate would be negligible.

Intergovernmental and Private-Sector Mandates

Section 1112 would impose an intergovernmental and a private-sector mandate on employers of activated members of the Civilian Cybersecurity Reserve by extending antidiscrimination and employment protections at least as stringent as those in the Uniformed Services Employment and Reemployment Rights Act (USERRA). That act requires employers to provide employees with the same benefits, pay, and seniority when returning from deployment that they would have received had they not been away. The act also requires employers to treat workers on active military duty as furloughed employees or as employees on a leave of absence, entitling them to any compensation or benefits otherwise available to them in that status.

The cost of the mandate on employers would be the cost of providing benefits as well as the cost of any other protections under USERRA. The bill limits the number of activated reservists to 50 at a time. Therefore, CBO estimates, the cost to employers would be small.

Private-Sector Mandates

Section 521 would expand an existing private-sector mandate to register with Selective Service. Under current law, all men in the United States aged 18 to 26 must register with Selective Service. The bill would expand the registration requirement to everyone in that age group. (Certain temporary residents such as foreign students are exempt

from registration under both current law and the bill.) CBO estimates that the cost of compliance would be small.

Other Effects

Expanding the requirement to register for the Selective Service could result in other actions by governmental entities. Many states have enacted laws that support compliance with the federal registration requirement. Some states, for example, require male citizens to prove that they are registered to be eligible to obtain a driver's license. If a state chose to support the expansion of the registration requirement by updating its laws or regulations, it would incur additional administrative costs; however, those costs would be incurred as a result of state laws and would not stem from a mandate under UMRA.

Previous CBO Estimates

On July 6, 2022, CBO transmitted a [cost estimate for H.R. 7900](#), the National Defense Authorization Act for Fiscal Year 2023, as reported by the House Committee on Armed Services on July 1, 2022. For fiscal year 2023, H.R. 7900 would authorize the appropriation of \$840.2 billion—\$6.8 billion less than the \$847.0 billion that would be authorized by S. 4543. H.R. 7900 would authorize \$11.9 billion less for military personnel, operation and maintenance, and military construction. It would authorize \$3.9 billion more for procurement, research and development, and atomic energy programs. H.R. 7900 also would authorize \$1.1 billion for the Maritime Administration; S. 4543 would provide no authorizations for that purpose.

In addition, S. 4543 would increase direct spending outlays by an estimated \$1.2 billion over the 2023-2032 period. H.R. 7900 includes provisions that would affect both direct spending and revenues, but those effects would be insignificant over the budget window.



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**Table 1.
Estimated Budgetary Effects of S. 4543, as Reported by the Senate Committee on Armed Services on July 18, 2022**

	By Fiscal Year, Millions of Dollars						2022-2027
	2022	2023	2024	2025	2026	2027	
Increases in Spending Subject to Appropriation^a							
Specified Authorizations for Defense Appropriations							
Authorization Level	0	846,685	0	0	0	0	846,685
Estimated Outlays	0	492,003	207,494	68,184	34,622	14,769	817,072
Specified Authorizations for Nondefense Appropriations							
Authorization Level	0	320	0	0	0	0	320
Estimated Outlays	0	219	60	24	12	4	319
Total							
Authorization Level	0	847,005	0	0	0	0	847,005
Estimated Outlays	0	492,222	207,554	68,208	34,634	14,773	817,391
Increases in Direct Spending^b							
Estimated Budget Authority	0	125	125	125	125	125	625
Estimated Outlays	0	59	109	118	122	125	533

- a. The amounts shown here would be specifically authorized by the bill. Some provisions in the bill would affect the costs of programs in 2024 and future years but not specifically authorize appropriations for those years. CBO did not estimate the costs of those provisions, but CBO expects authorizations of appropriations for those provisions would be provided in subsequent defense authorization acts.
- b. In addition to the changes in direct spending shown here, S. 4543 would have effects after 2027. CBO estimates that over the 2023-2032 period, S. 4543 would increase direct spending by \$1.2 billion (see Table 2).



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Table 2.
Estimated Changes in Direct Spending Under S. 4543, as Reported by the Senate Committee on Armed Services on July 18, 2022

	By Fiscal Year, Millions of Dollars											2022- 2027	2022- 2032	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032			
Increases in Direct Spending														
Technology Investment														
Estimated Budget Authority	0	125	125	125	125	125	125	125	125	125	125	125	625	1,250
Estimated Outlays	0	56	106	118	122	125	125	125	125	125	125	125	527	1,152
Humanitarian Assistance														
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	3	3	0	0	0	0	0	0	0	0	0	6	6
Total Changes in Direct Spending														
Estimated Budget Authority	0	125	125	125	125	125	125	125	125	125	125	125	625	1,250
Estimated Outlays	0	59	109	118	122	125	125	125	125	125	125	125	533	1,158

CBO estimates that enacting S. 4543 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2033. Other provisions in S. 4543 would have insignificant effects on direct spending and revenues.