

At a Glance

H.R. 4619, AUKUS Submarine Transfer Authorization Act

As ordered reported by the House Committee on Foreign Affairs on July 26, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	0	-1,423	-4,515
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	-1,423	-4,515
Spending Subject to Appropriation (Outlays)	*	1	2

Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2034? > \$2.5 billion	Statutory pay-as-you-go procedures apply?	Yes
	Mandate Effects	
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2034? < \$5 billion	Contains intergovernmental mandate?	No
	Contains private-sector mandate?	No

* = between zero and \$500,000.

The bill would

- Authorize the sale of as many as two Virginia-class submarines to the government of Australia
- Permit the collection of foreign contributions to expand the United States' submarine industrial base
- Authorize balances from foreign contributions to accrue Treasury interest and make that interest available for obligation
- Require reports on the implementation of the trilateral security partnership between Australia, the United Kingdom, and the United States

Estimated budgetary effects would mainly stem from

- Selling two Virginia-class submarines within 15 years of enactment
- Accepting cash contributions from the government of Australia and spending those contributions to support the United States' submarine industrial base
- Investing amounts received from the government of Australia in U.S. Treasury securities

Areas of significant uncertainty include

- Estimating sales proceeds for the Virginia-class submarines and anticipating the timing of those sales
- Anticipating the amount of contributions from the government of Australia to support the United States' submarine industrial base
- Projecting the accrual of Treasury interest on contributions from Australia

Detailed estimate begins on the next page.

See also

[CBO's Cost Estimates Explained](#), [CBO Describes Its Cost-Estimating Process](#), [Glossary](#)

Bill Summary

H.R. 4619 would authorize the sale of as many as two Virginia-class submarines to Australia from the inventory of the Department of Defense (DoD) within 15 years after enactment and would authorize the transfer or export of defense services to the governments of Australia and the United Kingdom and to private-sector entities in those countries. The sales would support the trilateral security partnership between Australia, the United Kingdom, and the United States, known as AUKUS. Australia would pay for all costs associated with the transfer of the submarines.

The bill also would allow DoD to accept funds from the government of Australia to support the U.S. submarine industrial base and other AUKUS-related activities and to accrue Treasury interest on those contributions. That accrued interest could be spent without subsequent appropriation.

Lastly, the bill would require the Administration to provide several reports on its implementation of the AUKUS partnership, to certify—before the delivery of the submarines—that Australia has the capability to operate and maintain them, and to confirm that the United States can meet its requirements for submarines without the transferred vessels.

Estimated Federal Cost

The estimated budgetary effects of H.R. 4619 are shown in Table 1. The bill would decrease net direct spending by \$4.5 billion and increase spending subject to appropriation by \$2 million over the 2024-2033 period. The costs of the legislation fall within budget functions 050 (national defense), 150 (international affairs), and 270 (energy).

Table 1.
Estimated Budgetary Effects of H.R. 4619

	By Fiscal Year, Millions of Dollars										2024-2028	2024-2033
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
Increases or Decreases (-) in Direct Spending												
Estimated Budget Authority	0	34	23	22	21	19	17	15	13	11	100	175
Estimated Outlays	0	-1,800	113	126	138	150	-2,718	774	815	-2,113	-1,423	-4,515
Increases in Spending Subject to Appropriation												
Estimated Authorization	*	*	*	*	1	*	*	*	*	1	1	2
Estimated Outlays	*	*	*	*	1	*	*	*	*	1	1	2

* = between zero and \$500,000.

Basis of Estimate

For this estimate, CBO assumes that H.R. 4619 will be enacted near the end of the calendar year 2023 and that provisions will take effect upon enactment or on the dates specified by the bill. CBO anticipates that certain certifications required by H.R. 4619 will be made to permit the sale of as many as two Virginia-class submarines. Because H.R. 4619 would provide the authority to sell those submarines during the 15 years following enactment, CBO anticipates that most of the spending of the receipts from those sales would occur after fiscal year 2033.

Direct Spending

H.R. 4619 would authorize DoD to sell as many as two Virginia-class submarines to Australia, to accept contributions from that country for the purpose of supporting aspects of the AUKUS partnership related to submarines, and to earn Treasury interest on the balances of those contributions until they are obligated. Sales proceeds, contributions, and interest earnings would be available for obligation without further appropriation. CBO estimates that enacting the bill would decrease net direct spending by \$4.5 billion over the 2024-2033 period primarily because much of the funding collected from Australia during that period would be spent after 2033 (see Table 2). (Over time, CBO estimates that the receipt and spending of Australian payments and contributions would net to an insignificant amount and that outlays from interest earnings would increase direct spending by about \$200 million.)

Submarine Sales. H.R. 4619 would authorize DoD to sell as many as two Virginia-class submarines from its inventory to the government of Australia during the 15-year period following enactment. Those payments would be credited to DoD appropriation accounts and would be available for obligation without further appropriation.

On the basis of information from the Department of the Navy and the government of Australia, CBO expects that the first submarine would be transferred in 2030 and the second would be transferred in 2033.

CBO estimated the proceeds from those sales using DoD's regulations for setting prices of items it sells from its inventory that would subsequently be replaced. In addition, CBO used information from Australian officials on their preferences for submarine configuration to anticipate which DoD submarines would be sold. Based on a range of cost variables, CBO estimates that each submarine would be sold for \$3.0 billion.

Payment for each sale would be received in advance of the transfer and would be recorded as negative budget authority and outlays in the year it is received. Because the payments would immediately be available for obligation, an offsetting increase in budget authority would be recorded in that same year. CBO expects that DoD would spend the payments over many years; thus, outlays would decrease in the year payments are made and increase in subsequent years.



H.R. 4619 would provide considerable flexibility on how those receipts could be spent. CBO anticipates that DoD would use those payments to procure two additional Virginia-class submarines to replace the submarines sold to Australia. Therefore, CBO expects that the spending of those payments will follow historical patterns for shipbuilding programs. CBO estimates that \$2.0 billion of those payments would be spent over the 2024-2033 period.

On net, the sale of two submarines would reduce net direct spending by nearly \$4.0 billion over the 2024-2033 period. CBO estimates that the remaining balances would be spent after fiscal year 2033, thus increasing direct spending over the 2034-2044 period.

Table 2.
Estimated Changes in Direct Spending Under H.R. 4619

	By Fiscal Year, Millions of Dollars										2024-2028	2024-2033	
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033			
Submarine Sales													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	0	0	0	0	-2,880	600	630	-2,310	0	-3,960	
Australian Contributions													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-1,800	110	120	130	140	150	160	170	180	-1,440	-640	
Accrual of Treasury Interest													
Estimated Budget Authority	0	34	23	22	21	19	17	15	13	11	100	175	
Estimated Outlays	0	0	3	6	8	10	12	14	15	17	17	85	
Total Changes in Direct Spending													
Estimated Budget Authority	0	34	23	22	21	19	17	15	13	11	100	175	
Estimated Outlays	0	-1,800	113	126	138	150	-2,718	774	815	-2,113	-1,423	-4,515	

Australian Contributions. H.R. 4619 would allow DoD to accept contributions from the government of Australia to support submarine security activities under AUKUS. The bill would establish a Submarine Security Activities account for the receipt of those contributions, which would be available without further appropriation for purposes authorized by law, or for related military construction projects not otherwise authorized by law. Contributions could be used to upgrade drydocks and other shipbuilding facilities, purchase raw materials and parts that are in high demand, acquire modern manufacturing equipment, and hire additional personnel for the submarine workforce.

Based on information provided to the Congress, CBO estimates Australia would contribute a total of \$3.0 billion to support AUKUS requirements on U.S. submarine industrial operations. Of that amount, CBO estimates \$2.0 billion would be received in 2025,

\$100 million would be credited each year during the 2026-2033 period, and the remaining \$200 million would be contributed in 2034 and 2035. The contributions and the authority to spend them once received would offset, resulting in no net effect on budget authority in each of those years.

Because of significant uncertainty on how amounts credited to the Submarine Security Activities account would be allocated, CBO estimates that those contributions would be spent at a rate of 10 percent in each year beginning in 2025. Thus, CBO estimates that \$2.2 billion would be spent over the 2024-2033 period, and the remaining \$0.8 billion would be spent after 2033. On net, the contributions and subsequent spending would decrease net direct spending by \$0.6 billion over the 2024-2033 period.

Accrual of Treasury Interest. Under H.R. 4619, contributions from Australia held in the Submarine Security Activities account could earn interest from the Treasury, which would be available for obligation without further appropriation. Accrual of Treasury interest in federal accounts is an intergovernmental transaction with no net budgetary effect. Spending of the accrued interest would be classified as increases in direct spending.

To estimate future interest earnings, CBO anticipates that DoD would invest half the average account balances in Treasury securities that earned a two-year rate of return. CBO calculated those earnings would likely be spent at the same rate as other balances in the account.

CBO estimates that the account would accrue \$175 million in interest over the 2024-2033 period of which \$85 million would be spent over that same period. Over time, the accrual and spending of interest would increase direct spending by more than \$200 million total.

Foreign Military Sales Program. Other provisions in the bill would affect the Foreign Military Sales (FMS) program, a mandatory program used to transfer defense articles and services to foreign countries. H.R. 4619 would authorize the transfer or export of defense services to the governments of Australia and the United Kingdom under the Arms Export Control Act (AECA). The bill also would expand authority under the AECA to allow for the transfer or export of defense services to private-sector entities of Australia or the United Kingdom in order to support the development of the Australian submarine industrial base necessary to sustain the AUKUS partnership. The FMS program operates at no net cost to the federal government and recipient countries pay all costs associated with the transfers. Those payments are available for obligation without further appropriation; therefore, CBO estimates that enacting those provisions would have an insignificant net effect on direct spending over time.

Spending Subject to Appropriation

Using information about similar requirements, CBO estimates that it would cost \$1 million over the 2024-2028 period and \$2 million over the 2024-2033 period to satisfy the reporting and certification requirements of H.R. 4619. Such spending would be subject to the

availability of appropriated funds. Most of those requirements would involve interagency coordination between the Departments of Defense, Energy, and State.

Uncertainty

CBO’s estimates of the budgetary effects of the bill are subject to significant uncertainties. If actual outcomes differ from factors used for this cost estimate, the budgetary effects of the bill could be significantly higher or lower. Areas of uncertainty include:

- The number of submarines sold;
- The negotiated price for the submarines;
- The timing of those sales;
- The amounts Australia contributes to the Submarine Security Activities account and timing of those contributions;
- The timing of subsequent expenditures of sales proceeds and contributions; and
- The amount of interest accrued in the Submarine Security Activities account.

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 3.

Table 3.
CBO’s Estimate of the Statutory Pay-As-You-Go Effects of H.R. 4619, the AUKUS Submarine Transfer Authorization Act, as Ordered Reported by the House Committee on Foreign Affairs on July 26, 2023

	By Fiscal Year, Millions of Dollars										2024-2028	2024-2033
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
	Net Increase or Decrease (-) in the Deficit											
Pay-As-You-Go Effect	0	-1,800	113	126	138	150	-2,718	774	815	-2,113	-1,423	-4,515

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 4619 would increase net direct spending by more than \$2.5 billion in any of the four consecutive 10-year periods beginning in 2034.

CBO estimates that enacting H.R. 4619 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2034.

Mandates

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

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