

# Chapter 3: Discretionary Spending Options

Discretionary Spending—Option 1

Function 050

## Reduce the Department of Defense’s Budget

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total	
											2021–2025	2021–2030
<b>Reduce DoD’s Budget by 10 Percent Relative to the Amount Planned for 2024</b>												
Change in Planned Defense Spending												
Budget authority	0	-24	-49	-75	-70	-87	-95	-98	-93	-96	-218	-687
Outlays	0	-14	-34	-57	-64	-76	-86	-92	-91	-93	-169	-607
<b>Reduce DoD’s Budget by 5 Percent Relative to the Amount Planned for 2024</b>												
Change in Planned Defense Spending												
Budget authority	0	-12	-25	-37	-31	-47	-54	-55	-50	-50	-105	-361
Outlays	0	-7	-17	-28	-29	-39	-47	-51	-50	-49	-81	-317

This option would take effect in October 2021.

Estimates of savings displayed in the table are based on the Department of Defense’s 2021 Future Years Defense Program and the Congressional Budget Office’s extension of that plan.

DoD = Department of Defense.

According to its Future Years Defense Program (FYDP) for 2021, the Department of Defense (DoD) anticipates that its budget will average about \$735 billion per year through 2025.

This option includes two alternative decreases in DoD’s budget. The first would reduce DoD’s budget over

three years so that funding in 2024 would be 10 percent less than the funding planned for that year in the Administration’s 2021 FYDP. The second would reduce DoD’s budget by 5 percent over that same period. Both alternatives would allow for real (inflation-adjusted) growth of 1 percent annually after 2024.

**RELATED OPTION:** Discretionary Spending, “Reduce DoD’s Operation and Maintenance Appropriation (Excluding Funding for the Defense Health Program)” (page 42)

**RELATED CBO PUBLICATIONS:** *Long-Term Implications of the 2021 Future Years Defense Program* (September 2020), [www.cbo.gov/publication/56526](http://www.cbo.gov/publication/56526); *The U.S. Military’s Force Structure: A Primer* (July 2016), [www.cbo.gov/publication/51535](http://www.cbo.gov/publication/51535); *Approaches for Scaling Back the Defense Department’s Budget Plans* (March 2013), [www.cbo.gov/publication/43997](http://www.cbo.gov/publication/43997)

## Discretionary Spending—Option 2

Function 050

**Reduce DoD's Operation and Maintenance Appropriation (Excluding Funding for the Defense Health Program)**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total	
											2021–2025	2021–2030
<b>Freeze O&amp;M Budget for Five Years and Then Limit Its Growth to the Rate of Inflation</b>												
Change in Planned Defense Spending												
Budget authority	0	-6	-8	-13	-18	-21	-25	-28	-32	-36	-45	-187
Outlays	0	-4	-7	-11	-15	-19	-23	-26	-30	-33	-37	-168
<b>Limit the Growth of O&amp;M Budget to the Rate of Inflation</b>												
Change in Planned Defense Spending												
Budget authority	0	-2	-2	-3	-3	-5	-8	-12	-15	-19	-10	-69
Outlays	0	-1	-2	-3	-3	-4	-7	-10	-13	-17	-9	-60

This option would take effect in October 2021.

Estimates of savings displayed in the table are based on the Department of Defense's 2021 Future Years Defense Program and the Congressional Budget Office's extension of that plan.

DoD = Department of Defense; O&M = operation and maintenance.

The Department of Defense (DoD) uses funds from its operation and maintenance (O&M) accounts to pay the salaries and benefits of most of its civilian employees, to train its military personnel, and to purchase goods (such as paper clips and jet fuel) and services (including equipment maintenance and repair and information technology support). O&M accounts are also used to fund health care for military personnel, mainly through the Defense Health Program (DHP). Based on DoD's 2021 Future Years Defense Program, the Congressional Budget Office projects that O&M spending will grow faster than inflation through 2030.

This option has two alternatives. Both would reduce growth in DoD's O&M appropriations (both base

funding and overseas contingency operations funding) without affecting O&M funding for the DHP. CBO excluded funding for the DHP from this option because the causes of growth in that program are well known and distinct from the factors that underlie growth in other O&M accounts.

Under the first alternative, DoD's O&M appropriations for 2022 through 2025 would equal the amount that the department requested in its budget for 2021. That portion of the budget would grow by no more than inflation from 2026 through 2030. Under the second alternative, DoD's O&M appropriations would grow by no more than inflation from the 2021 amount throughout the entire 10-year period.

**RELATED OPTIONS:** Discretionary Spending, "Reduce the Department of Defense's Budget" (page 41), "Replace Some Military Personnel With Civilian Employees" (page 44)

**RELATED CBO PUBLICATION:** *Trends in Spending by the Department of Defense for Operation and Maintenance* (January 2017), [www.cbo.gov/publication/52156](http://www.cbo.gov/publication/52156)

Discretionary Spending—Option 3

Function 050

**Cap Increases in Basic Pay for Military Service Members**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Spending													
Budget authority	0	-0.4	-0.9	-1.5	-2.0	-2.6	-2.8	-2.9	-3.0	-3.1	-4.8	-19.2	
Outlays	0	-0.4	-0.9	-1.4	-2.0	-2.6	-2.8	-2.9	-3.0	-3.1	-4.7	-19.1	

This option would take effect in January 2022.

About 30 percent of the savings are intragovernmental transactions and thus would not reduce the deficit. Such transactions would transfer resources from one category of the budget to another: Capping increases in basic pay would lower the Department of Defense’s payments for retirement accruals and Social Security contributions, but those lower payments would reduce federal receipts by an equal amount and thus would fully offset the savings.

Basic pay is typically the largest component of military service members’ cash compensation. Under current law, the annual pay raise for service members is, by default, set to equal the percentage change in the employment cost index (ECI) for wages and salaries of workers in private industry. Lawmakers have sometimes enacted

pay raises that are larger or smaller than the default adjustment.

This option would cap basic pay raises for military service members at 0.5 percentage points below the increase in the ECI until 2027.

**RELATED OPTION:** Discretionary Spending, “Reduce the Annual Across-the-Board Adjustment for Federal Civilian Employees’ Pay” (page 55)

**RELATED CBO PUBLICATIONS:** *Long-Term Implications of the 2021 Future Years Defense Program* (September 2020), [www.cbo.gov/publication/56526](http://www.cbo.gov/publication/56526); *Approaches to Changing Military Compensation* (January 2020), [www.cbo.gov/publication/55648](http://www.cbo.gov/publication/55648); *Analysis of the Long-Term Costs of the Administration’s Goals for the Military* (December 2017), [www.cbo.gov/publication/53350](http://www.cbo.gov/publication/53350)

Discretionary Spending—Option 4

Function 050

**Replace Some Military Personnel With Civilian Employees**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Spending													
Budget authority	0	-0.3	-0.8	-1.3	-1.9	-2.3	-2.4	-2.5	-2.6	-2.7	-4.3	-16.8	
Outlays	0	-0.2	-0.6	-1.1	-1.6	-1.9	-2.1	-2.2	-2.3	-2.4	-3.5	-14.4	

This option would take effect in October 2021.

About 40 percent of the savings displayed are intragovernmental transactions and thus would not reduce the deficit. Such transactions would transfer resources from one category of the budget to another: Fewer military personnel would lower the Department of Defense’s payments for retirement accruals and Social Security contributions, but those lower payments would reduce federal receipts by an equal amount and thus would fully offset the savings.

The workforce of the Department of Defense (DoD) consists of members of the active-duty and reserve military, federal civilian employees, and private contractors. According to data from DoD, more than 300,000 active-duty members of the military work in support, or commercial, jobs that could be performed by civilian

employees or contractors at a lower overall cost to the federal government.

Under this option, DoD would replace, over four years, 80,000 active-duty military personnel in commercial jobs with 64,000 civilian employees.

**RELATED OPTION:** Discretionary Spending, “Reduce DoD’s Operation and Maintenance Appropriation (Excluding Funding for the Defense Health Program)” (page 42)

**RELATED CBO PUBLICATION:** *Replacing Military Personnel in Support Positions With Civilian Employees* (December 2015), [www.cbo.gov/publication/51012](http://www.cbo.gov/publication/51012)

Discretionary Spending—Option 5

Function 050

**Stop Building Ford Class Aircraft Carriers**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Planned Defense Spending													
Budget authority	0	0	0	0	0	-0.7	-1.5	-1.6	-2.4	-3.3	0	-9.5	
Outlays	0	0	0	0	0	*	-0.2	-0.6	-0.9	-1.4	0	-3.1	

This option would take effect in October 2021.

Estimates of savings displayed in the table are based on the Department of Defense’s 2021 Future Years Defense Program and the Congressional Budget Office’s extension of that plan.

\* = between -\$50 million and zero.

The Navy’s current 30-year shipbuilding plan includes the construction of new aircraft carriers.

Under this option, the Navy would stop building new aircraft carriers after completion of the fourth of its

modern Ford class carriers, which lawmakers authorized in 2019 and which is expected to be completed in 2032. Plans to start building the fifth Ford class carrier in 2028 would be canceled, as would the Navy’s plans to purchase additional carriers in subsequent years.

**RELATED OPTION:** Discretionary Spending, “Reduce Funding for Naval Ship Construction to Historical Levels” (page 46)

**RELATED CBO PUBLICATIONS:** *Long-Term Implications of the 2021 Future Years Defense Program* (September 2020), [www.cbo.gov/publication/56526](http://www.cbo.gov/publication/56526); *An Analysis of the Navy’s Fiscal Year 2020 Shipbuilding Plan* (October 2019), [www.cbo.gov/publication/55685](http://www.cbo.gov/publication/55685); *How CBO Estimates the Cost of New Ships* (April 2018), [www.cbo.gov/publication/53785](http://www.cbo.gov/publication/53785); *Comparing a 355-Ship Fleet With Smaller Naval Forces* (March 2018), [www.cbo.gov/publication/53637](http://www.cbo.gov/publication/53637); *Costs of Building a 355-Ship Navy* (April 2017), [www.cbo.gov/publication/52632](http://www.cbo.gov/publication/52632)

## Discretionary Spending—Option 6

Function 050

**Reduce Funding for Naval Ship Construction to Historical Levels**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Planned Defense Spending													
Budget authority	0	-4.8	-7.2	-9.1	-10.1	-9.7	-9.4	-9.0	-8.6	-8.2	-31.2	-76.1	
Outlays	0	-0.2	-1.3	-3.0	-5.0	-6.8	-8.0	-8.7	-8.9	-8.9	-9.5	-50.8	

This option would take effect in October 2021.

Estimates of savings displayed in the table are based on cost estimates from the Navy.

The Congressional Budget Office estimates that the annual cost of the Navy's fiscal year 2020 shipbuilding plan, which covers fiscal years 2020 to 2049, is almost double in real (inflation-adjusted) terms the average annual amount the Navy has spent on shipbuilding over the past 30 years.

This option would decrease annual budget authority for naval ship construction to its 30-year average in real terms.

**RELATED OPTION:** Discretionary Spending, “Stop Building Ford Class Aircraft Carriers” (page 45)

**RELATED CBO PUBLICATIONS:** *Long-Term Implications of the 2021 Future Years Defense Program* (September 2020), [www.cbo.gov/publication/56526](http://www.cbo.gov/publication/56526); *An Analysis of the Navy's Fiscal Year 2020 Shipbuilding Plan* (October 2019), [www.cbo.gov/publication/55685](http://www.cbo.gov/publication/55685); *How CBO Estimates the Cost of New Ships* (April 2018), [www.cbo.gov/publication/53785](http://www.cbo.gov/publication/53785); *Comparing a 355-Ship Fleet With Smaller Naval Forces* (March 2018), [www.cbo.gov/publication/53637](http://www.cbo.gov/publication/53637); *Costs of Building a 355-Ship Navy* (April 2017), [www.cbo.gov/publication/52632](http://www.cbo.gov/publication/52632); *Preserving the Navy's Forward Presence With a Smaller Fleet* (March 2015), [www.cbo.gov/publication/49989](http://www.cbo.gov/publication/49989)

## Discretionary Spending—Option 7

Function 050

**Reduce the Size of the Nuclear Triad**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total	
											2021–2025	2021–2030
<b>Retain a Nuclear Triad With 10 Submarines, 300 ICBMs, and 1,550 Warheads</b>												
Change in Planned Defense Spending												
Budget authority	0	-0.1	-1.1	-1.4	-1.1	-2.7	-3.7	-0.4	-0.9	0.2	-3.7	-11.2
Outlays	0	*	-0.2	-0.5	-1.0	-1.2	-1.7	-2.1	-1.9	-1.7	-1.7	-10.3
<b>Retain a Nuclear Triad With 8 Submarines, 150 ICBMs, and 1,000 Warheads</b>												
Change in Planned Defense Spending												
Budget authority	0	-0.3	-1.2	-1.6	-1.2	-2.7	-3.9	-0.9	-1.4	-0.3	-4.3	-13.6
Outlays	0	*	-0.2	-0.6	-1.1	-1.4	-2.0	-2.5	-2.4	-2.1	-2.0	-12.4

This option would take effect in October 2021.

Estimates of savings displayed in the table are based on the Department of Defense’s 2021 Future Years Defense Program, the Department of Energy’s 2021 Future Years Nuclear Security Program, and the Congressional Budget Office’s extension of those plans.

ICBM = intercontinental ballistic missile; \* = between –\$50 million and zero.

The United States’ nuclear deterrence strategy is built around the strategic nuclear triad, which comprises long-range bombers, intercontinental ballistic missiles (ICBMs), and submarines that launch ballistic missiles (SSBNs). The United States maintains a strategic nuclear force that complies with the limits of the New START arms control treaty. That force consists of the following components: 12 deployed (14 total) Ohio class SSBNs that together carry up to 1,090 warheads on 240 missiles; 400 deployed (454 total) Minuteman III ICBMs, each carrying a single warhead; and 60 deployed (66 total) B-52H and B-2A bombers, each of which counts as a single warhead under the terms of New START. Almost all components of the triad are scheduled to be modernized (refurbished or replaced by new systems) over the next 20 years.

This option would reduce modernization costs for the ICBM and SSBN systems (two legs of the triad) by

retiring some existing delivery systems early and by purchasing fewer of the new systems. The Congressional Budget Office examined two alternative approaches. The first would maintain the current number of deployed warheads at 1,550 (as defined by the terms of New START) but would reduce forces to 10 SSBNs and 300 ICBMs. The Navy would retire 4 Ohio class SSBNs at a rate of one per year starting in 2022; delay by one year the purchase of new SSBNs included in its current shipbuilding plan; and cancel orders for the last 2 SSBNs scheduled to be purchased under the current plan. In addition, the Department of Defense would retire 150 ICBMs—50 each year for three years starting in 2022—and procure 482 new ICBMs instead of the 642 that are in the current plan. The second alternative would make deeper cuts to forces and reduce the number of deployed warheads to 1,000 but still retain a triad structure. The Navy would field 8 SSBNs, and the Air Force would deploy 150 ICBMs.

**RELATED OPTION:** Discretionary Spending, “Cancel the Long-Range Standoff Weapon” (page 48)

**RELATED CBO PUBLICATIONS:** *The Potential Costs of Expanding U.S. Strategic Nuclear Forces If the New START Treaty Expires* (August 2020), [www.cbo.gov/publication/56475](http://www.cbo.gov/publication/56475); *Approaches for Managing the Costs of U.S. Nuclear Forces, 2017 to 2046* (October 2017), [www.cbo.gov/publication/53211](http://www.cbo.gov/publication/53211); *Projected Costs of U.S. Nuclear Forces, 2015 to 2024* (January 2015), [www.cbo.gov/publication/49870](http://www.cbo.gov/publication/49870)

## Discretionary Spending—Option 8

Function 050

**Cancel the Long-Range Standoff Weapon**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Planned Defense Spending													
Budget authority	0	-1.4	-1.5	-1.4	-1.4	-1.3	-1.5	-1.5	-1.3	-1.2	-5.7	-12.5	
Outlays	0	-0.8	-1.3	-1.4	-1.4	-1.3	-1.2	-1.1	-1.1	-1.1	-4.9	-10.7	

This option would take effect in October 2021.

Estimates of savings displayed in the table are based on the Department of Defense's 2021 Future Years Defense Program, the Department of Energy's 2021 Future Years Nuclear Security Program, and the Congressional Budget Office's extension of those plans.

The Department of Defense (DoD) and the Department of Energy (DOE) are currently overseeing two programs aimed at developing nuclear weapons for the new B-21 stealth bomber. In the B61-12 life extension program (LEP), DOE is working to refurbish and combine several varieties of the B61 bomb into a single hybrid design. In the other program, DoD is developing the Long-Range Standoff Weapon (LRSO), a new nuclear air-launched cruise missile designed to replace the ALCM (the air-launched cruise missile currently carried by the B-52H). DOE is currently producing a warhead, the W80-4, for the LRSO to carry.

This option would cancel the LRSO and the W80-4 warhead development program but retain the B61-12 LEP. Thus, the Air Force would stop equipping bombers with cruise missiles armed with nuclear warheads after the current ALCMs reached the end of their service life (around 2030). This option would not change the planned size of the strategic bomber fleet or its ability to conduct nonnuclear missions, and aircraft that are capable of carrying nuclear bombs would still be able to do so.

**RELATED OPTION:** Discretionary Spending, “Reduce the Size of the Nuclear Triad” (page 47)

**RELATED CBO PUBLICATIONS:** *Long-Term Implications of the 2021 Future Years Defense Program* (September 2020), [www.cbo.gov/publication/56526](http://www.cbo.gov/publication/56526); *Approaches for Managing the Costs of U.S. Nuclear Forces, 2017 to 2046* (October 2017), [www.cbo.gov/publication/53211](http://www.cbo.gov/publication/53211); *Projected Costs of U.S. Nuclear Forces, 2015 to 2024* (January 2015), [www.cbo.gov/publication/49870](http://www.cbo.gov/publication/49870)

Discretionary Spending—Option 9

Function 050

**Defer Development of the B-21 Bomber**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Planned Defense Spending													
Budget authority	0	-2.9	-3.8	-5.2	-6.3	-7.3	-6.1	-5.9	-5.7	-5.8	-18.2	-49.0	
Outlays	0	-1.4	-2.4	-2.7	-3.2	-4.2	-5.0	-5.5	-5.7	-5.8	-9.7	-35.9	

This option would take effect in October 2021.

Estimates of savings displayed in the table are based on the Department of Defense’s 2021 Future Years Defense Program and the Congressional Budget Office’s extension of that plan.

The Air Force is developing a new bomber—designated the B-21—which it plans to field in the mid- to late 2020s. The Air Force currently operates a fleet of long-range bombers that entered service between the 1960s

and 1990s and should be able to continue flying through at least the late 2030s.

This option would defer further development of the B-21 bomber until after 2030.

**RELATED OPTION:** “Reduce the Size of the Bomber Force by Retiring the B-1B” (page 50)

**RELATED CBO PUBLICATIONS:** *Long-Term Implications of the 2021 Future Years Defense Program* (September 2020), [www.cbo.gov/publication/56526](http://www.cbo.gov/publication/56526); *The Potential Costs of Expanding U.S. Strategic Nuclear Forces If the New START Treaty Expires* (August 2020), [www.cbo.gov/publication/56475](http://www.cbo.gov/publication/56475); *Approaches for Managing the Costs of U.S. Nuclear Forces, 2017 to 2046* (October 2017), [www.cbo.gov/publication/53211](http://www.cbo.gov/publication/53211)

## Discretionary Spending—Option 10

Function 050

**Reduce the Size of the Bomber Force by Retiring the B-1B**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Planned Defense Spending													
Budget authority	0	-1.7	-1.7	-1.7	-1.7	-1.8	-1.5	-1.4	-1.2	-1.0	-6.8	-13.7	
Outlays	0	-1.1	-1.5	-1.6	-1.7	-1.7	-1.6	-1.4	-1.2	-1.1	-5.9	-12.9	

This option would take effect in October 2021.

Estimates of savings displayed in the table are based on cost estimates from the Air Force.

The Air Force uses B-1B bombers for conventional (nonnuclear) missions. Although the Air Force plans to replace them with B-21 bombers that are under development, the potential service life of many B-1B bombers extends well into the 2030s.

This option would retire the entire B-1B bomber fleet in 2022 and eliminate the military personnel positions in the squadrons that would be removed from the force. If the positions were reassigned to other parts of the Air Force rather than eliminated, then the outlay savings would be \$3 billion lower.

RELATED OPTION: Discretionary Spending, “Defer Development of the B-21 Bomber” (page 49)

RELATED CBO PUBLICATION: *Long-Term Implications of the 2021 Future Years Defense Program* (September 2020), [www.cbo.gov/publication/56526](http://www.cbo.gov/publication/56526)

## Discretionary Spending—Option 11

Function 050

**Reduce the Size of the Fighter Force by Retiring the F-22**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Planned Defense Spending													
Budget authority	0	-3.7	-3.8	-3.9	-4.0	-4.1	-4.2	-4.3	-4.4	-4.5	-15.4	-36.8	
Outlays	0	-2.1	-3.0	-3.4	-3.7	-3.9	-4.0	-4.1	-4.2	-4.3	-12.2	-32.7	

This option would take effect in October 2021.

Estimates of savings displayed in the table are based on cost estimates from the Air Force.

The Air Force’s F-22 fighter aircraft are designed to engage in combat with enemy aircraft. The F-22 represents only one part of the Air Force’s stealth fighter fleet.

This option would retire the entire F-22 fleet in 2022 and eliminate the military personnel positions in the

squadrons that would be removed from the force. The Air Force would rely on other aircraft, stealthy and nonstealthy, to carry out the F-22’s mission. If the positions were reassigned to other parts of the Air Force rather than eliminated, then the outlay savings would be \$6 billion lower.

RELATED CBO PUBLICATION: *The Cost of Replacing Today’s Air Force Fleet* (December 2018), [www.cbo.gov/publication/54657](http://www.cbo.gov/publication/54657)

## Discretionary Spending—Option 12

Function 050

**Reduce the Basic Allowance for Housing to 80 Percent of Average Housing Costs**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Discretionary Spending													
Budget authority	0	-0.1	-0.2	-0.6	-1.0	-1.5	-2.0	-2.6	-3.2	-3.8	-1.9	-15.0	
Outlays	0	-0.1	-0.2	-0.6	-1.0	-1.5	-2.0	-2.6	-3.1	-3.7	-1.9	-14.8	
Change in Mandatory Outlays	0	*	-0.1	-0.1	-0.3	-0.4	-0.5	-0.8	-0.7	-1.0	-0.4	-3.8	

This option would take effect in January 2022.

\* = between -\$50 million and zero.

The Department of Defense provides assistance to eligible personnel and their families to ensure they have access to affordable and quality housing. If government-owned military housing is not available (which is typically the case because it is very limited), service members are provided a Basic Allowance for Housing (BAH) to offset most of their costs for rent and utilities. Although initially BAH was set to cover about 80 percent of the costs for rent and utilities, it now covers 95 percent of average costs.

This option would return BAH to its original level by reducing it by 1.7 percentage points each January for nine years. (To minimize disruptions for service members currently in private housing, BAH would not change until they moved.) As a result, by 2030, BAH would once again cover 80 percent of rental and utility costs. Because the housing benefit that the Department of Veterans Affairs (VA) provides as part of the Post-9/11 GI Bill is tied to BAH rates, this option would also reduce mandatory VA spending.

## Discretionary Spending—Option 13

Function 150

**Reduce Funding for International Affairs Programs**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Spending													
Budget authority	0	-15	-15	-15	-16	-16	-17	-17	-17	-18	-61	-146	
Outlays	0	-5	-9	-12	-13	-14	-15	-16	-16	-17	-38	-117	

This option would take effect in October 2021.

The budget for international affairs funds diplomatic and consular programs, global health initiatives, security assistance, and other programs. Most funding for international affairs programs is administered by the

Department of State or the Agency for International Development.

This option would reduce the total international affairs budget by 25 percent.

Discretionary Spending—Option 14

Function 400

**Eliminate Funding for Amtrak and the Essential Air Service Program**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total	
											2021–2025	2021–2030
<b>Eliminate Funding for Amtrak</b>												
Change in Discretionary Spending												
Budget authority	0	-2.0	-2.1	-2.1	-2.2	-2.2	-2.3	-2.3	-2.3	-2.4	-8.4	-19.9
Outlays	0	-2.0	-2.1	-2.1	-2.2	-2.2	-2.3	-2.3	-2.3	-2.4	-8.4	-19.9
<b>Discontinue the Essential Air Service Program<sup>a</sup></b>												
Change in Discretionary Spending												
Budget authority	0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.7	-1.6
Outlays	0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.6	-1.6
Change in Mandatory Outlays	0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.5	-1.5

This option would take effect in October 2021.

a. Changes in discretionary spending stem from discontinuing payments to air carriers; changes in mandatory spending stem from eliminating spending associated with fees charged to aircraft that fly over U.S. airspace but take off and land elsewhere.

The federal government subsidizes intercity travel by providing funding for the National Railroad Passenger Corporation—or Amtrak—as well as for the Essential Air Service (EAS) program, which was created to guarantee a minimal level of airline service to eligible

communities. The EAS program has both discretionary and mandatory budget authority.

This option would eliminate funding for Amtrak and discontinue the EAS program.

Discretionary Spending—Option 15

Function 500

**Eliminate Federal Funding for National Community Service**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total	
											2021–2025	2021–2030
Change in Spending												
Budget authority	0	-1.1	-1.1	-1.2	-1.2	-1.2	-1.2	-1.3	-1.3	-1.3	-4.6	-11.0
Outlays	0	-0.2	-0.7	-0.9	-1.0	-1.1	-1.1	-1.2	-1.2	-1.3	-2.8	-8.7

This option would take effect in October 2021.

The Corporation for National and Community Service (CNCS), which operates the AmeriCorps and Senior Corps programs, receives public funding—from the federal, state, and local governments—and funding from private entities. CNCS programs provide financial and in-kind assistance to students, seniors, and others who volunteer in their communities in areas such as education, public safety, the environment, and health care. Participants in those programs receive one or more types of compensation, which can include living allowances,

training, health coverage, and child care. In addition, upon completing their service, participants in certain programs can earn education awards, paid from the National Service Trust (NST).

This option would eliminate all federal funding for CNCS except for funding for the NST. In the absence of federal funding, the volunteer programs could continue to operate to the extent that state and local governments and private entities chose to fund them.

## Discretionary Spending—Option 16

Function 500

**Eliminate Head Start**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Spending													
Budget authority	0	-11	-11	-11	-12	-12	-12	-12	-12	-13	-45	-106	
Outlays	0	-4	-10	-11	-11	-11	-12	-12	-12	-12	-36	-95	

This option would take effect in October 2021.

The Head Start program provides comprehensive development services for children from low-income families. It is comprised of Head Start programs for preschoolers, which primarily serve 3- and 4-year-olds, and Early Head Start programs, which provide services to pregnant

women and children under age 3. In 2019, Head Start served roughly 1 million children and pregnant women.

This option would eliminate Head Start.

**RELATED CBO PUBLICATIONS:** “How CBO Analyzes the Economic Effects of Changes in Federal Subsidies for Education and Job Training,” *CBO Blog* (May 3, 2017), [www.cbo.gov/publication/52361](http://www.cbo.gov/publication/52361); *The Macroeconomic and Budgetary Effects of Federal Investment* (June 2016), [www.cbo.gov/publication/51628](http://www.cbo.gov/publication/51628)

## Discretionary Spending—Option 17

Function 500

**Tighten Eligibility for Pell Grants**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
<b>Lower the EFC Cutoff Point to 65 Percent of the Maximum Pell Grant Award</b>													
Change in Discretionary Spending													
Budget authority	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-2.1	-4.2
Outlays	-0.1	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-1.8	-3.9
Change in Mandatory Outlays	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-0.8
<b>Restrict Pell Grants to Students With an EFC of Zero</b>													
Change in Discretionary Spending													
Budget authority	-6.0	-6.2	-6.6	-6.9	-7.1	-7.3	-7.4	-7.5	-7.5	-7.6	-7.6	-32.8	-70.0
Outlays	-1.6	-6.0	-6.3	-6.7	-6.9	-7.2	-7.3	-7.4	-7.5	-7.5	-7.5	-27.5	-64.3
Change in Mandatory Outlays	-0.6	-2.1	-2.2	-2.3	-2.4	-2.5	-2.6	-2.6	-2.7	-2.7	-2.7	-9.7	-22.8
<b>Limit Pell Grants to Students in Families With Income Below 250 Percent of the Federal Poverty Level</b>													
Change in Discretionary Spending													
Budget authority	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-2.4	-4.7
Outlays	-0.1	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-2.0	-4.3
Change in Mandatory Outlays	-0.1	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-1.6	-3.4

This option would take effect in July 2021.

EFC = expected family contribution; \* = between -\$50 million and zero.

The Federal Pell Grant Program is the largest source of federal grant aid to low-income students for undergraduate education. Eligibility for Pell grants is chiefly determined on the basis of a student's expected family contribution (EFC)—the amount, calculated using a formula established under federal law, that the government expects a family to contribute toward the cost of the student's postsecondary education. Students with an EFC exceeding 90 percent of the maximum Pell grant award do not qualify for a grant. Funding for the Pell

grant program has both discretionary and mandatory components.

This option would tighten eligibility for Pell grants and could be implemented in one of three ways: lower the EFC cutoff point from 90 percent to 65 percent of the maximum Pell grant award, restrict eligibility to students whose EFC is zero, or limit eligibility to students from families with adjusted gross income below 250 percent of the federal poverty level.

**RELATED OPTIONS:** Mandatory Spending, “Eliminate or Reduce the Add-On to Pell Grants, Which Is Funded With Mandatory Spending” (page 12), “Reduce or Eliminate Subsidized Loans for Undergraduate Students” (page 14); Revenues, “Eliminate Certain Tax Preferences for Education Expenses” (page 70)

**RELATED CBO PUBLICATIONS:** *Federal Aid for Postsecondary Students* (June 2018), [www.cbo.gov/publication/53736](http://www.cbo.gov/publication/53736); *Distribution of Federal Support for Students Pursuing Higher Education in 2016* (June 2018), [www.cbo.gov/publication/53732](http://www.cbo.gov/publication/53732); *The Pell Grant Program: Recent Growth and Policy Options* (September 2013), [www.cbo.gov/publication/44448](http://www.cbo.gov/publication/44448)

Discretionary Spending—Option 18

Multiple Functions

**Reduce the Annual Cross-the-Board Adjustment for Federal Civilian Employees’ Pay**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Spending													
Budget authority	0	-0.9	-2.2	-3.5	-4.9	-6.4	-7.9	-9.5	-11.2	-13.0	-11.6	-59.7	
Outlays	0	-0.9	-2.2	-3.5	-4.9	-6.3	-7.9	-9.5	-11.2	-13.0	-11.4	-59.2	

This option would take effect in January 2022.

Under the Federal Employees Pay Comparability Act of 1990 (FEPCA), most federal civilian employees receive a pay adjustment each January. The adjustment is 0.5 percentage points less than the annual growth in the employment cost index (ECI) for wages and salaries of workers in private industry, measured from the third quarter in one calendar year to the third quarter in the next. In recent years, however, policymakers have often lowered the adjustment.

This option would reduce the annual cross-the-board adjustment by an additional 0.5 percentage points. As a result, from 2022 through 2030, the adjustment would equal the growth rate in the ECI minus 1 percentage point. If the growth rate for the ECI was less than 1 percent, which has not occurred since the enactment of FEPCA, then no across-the-board adjustment would be granted for that year.

**RELATED OPTION:** Discretionary Spending, “Cap Increases in Basic Pay for Military Service Members” (page 43)

**RELATED CBO PUBLICATIONS:** Justin Falk and Nadia Karamcheva, *Comparing the Effects of Current Pay and Defined Benefit Pensions on Employee Retention*, Working Paper 2018-06 (June 2018), [www.cbo.gov/publication/54056](http://www.cbo.gov/publication/54056); *Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015* (April 2017), [www.cbo.gov/publication/52637](http://www.cbo.gov/publication/52637)

## Discretionary Spending—Option 19

## Multiple Functions

**Reduce Funding for Certain Grants to State and Local Governments**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
<b>Reduce Department of Energy Grants for Energy Conservation and Weatherization</b>													
Change in Spending													
Budget authority	0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.7	-1.8
Outlays	0	*	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.4	-1.4
<b>Reduce Environmental Protection Agency Funding for Wastewater and Drinking Water Infrastructure and Other Grants</b>													
Change in Spending													
Budget authority	0	-1.2	-2.4	-2.4	-2.5	-2.5	-2.6	-2.6	-2.7	-2.7	-2.7	-8.4	-21.5
Outlays	0	-0.1	-0.8	-1.7	-2.2	-2.4	-2.5	-2.5	-2.6	-2.6	-2.6	-4.9	-17.6
<b>Reduce Department of Housing and Urban Development Funding for Community Development Block Grants</b>													
Change in Spending													
Budget authority	0	-0.9	-1.8	-1.8	-1.9	-1.9	-1.9	-2.0	-2.0	-2.0	-2.0	-6.3	-16.2
Outlays	0	*	-0.2	-0.8	-1.5	-1.7	-1.8	-1.8	-1.9	-2.0	-2.0	-2.4	-11.7
<b>Reduce Funding for Certain Department of Education Grants</b>													
Change in Spending													
Budget authority	0	-0.3	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-3.0	-5.9
Outlays	0	*	-0.2	-0.5	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-2.0	-4.8
<b>Reduce Funding for Certain Department of Justice Grants</b>													
Change in Spending													
Budget authority	0	-0.7	-1.5	-1.5	-1.5	-1.6	-1.6	-1.6	-1.7	-1.7	-1.7	-5.2	-13.3
Outlays	0	*	-0.1	-0.5	-0.9	-1.2	-1.4	-1.5	-1.5	-1.6	-1.6	-1.5	-8.8
<b>Total</b>													
Change in Spending													
Budget authority	0	-3.0	-6.0	-6.0	-6.2	-6.3	-6.4	-6.5	-6.7	-6.7	-6.7	-21.1	-53.8
Outlays	0	-0.1	-1.3	-3.2	-4.9	-5.6	-6.0	-6.1	-6.3	-6.5	-6.5	-9.5	-40.3

This option would take effect in October 2021.

\* = between -\$50 million and zero.

The federal government provides grants to state and local governments in order to redistribute resources among communities around the country, finance local projects that may have national benefits, encourage policy experimentation by state and local governments, and promote national priorities. Although federal grants to state and local governments fund a wide variety of programs, spending is concentrated in the areas of health care, income security, education, the environment, and transportation.

This option would reduce funding for a group of grants by 50 percent over two years. New funding would be

decreased by 25 percent in 2022 and by 50 percent for the remaining years through 2030. The option includes several possible changes that could be implemented individually or together. Those changes would reduce funding for the following programs:

- The Department of Energy's grants for energy conservation and weatherization through the Weatherization and Intergovernmental Programs Office.
- The Environmental Protection Agency's grants for wastewater and drinking water infrastructure, as well

as other grants that help states implement federal water, air, waste, and chemical programs.

- The Department of Housing and Urban Development’s Community Development Block Grant (CDBG) program. The reduction includes only base CDBG funding and does not include any anticipated future disaster recovery funding.
- Certain Department of Education grants, like those for the 21st Century Community Learning Centers,

which fund nonacademic programs that address students’ physical, emotional, and social well-being.

- Certain Department of Justice grants to nonprofit community organizations and state and local law enforcement agencies. Those grants include State and Local Law Enforcement Assistance programs, Juvenile Justice programs, Community Oriented Policing Services grants, and grants administered through the Office on Violence Against Women.

RELATED CBO PUBLICATION: *Federal Grants to State and Local Governments* (March 2013), [www.cbo.gov/publication/43967](http://www.cbo.gov/publication/43967)

Discretionary Spending—Option 20

Multiple Functions

**Repeal the Davis-Bacon Act**

Billions of Dollars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total		
											2021–2025	2021–2030	
Change in Discretionary Spending													
Spending authority	0	-0.9	-1.9	-1.9	-2.0	-2.0	-2.0	-2.1	-2.1	-2.2	-6.7	-17.1	
Budget authority	0	-0.4	-0.8	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9	-0.9	-2.8	-7.2	
Outlays	0	-0.4	-1.0	-1.1	-1.2	-1.3	-1.4	-1.4	-1.4	-1.5	-3.7	-10.7	
Change in Mandatory Outlays	0	*	*	*	*	-0.1	*	*	*	*	-0.2	-0.4	

This option would take effect in October 2021.

Spending authority includes both budget authority and obligation limitations (such as those for certain transportation programs).

\* = between -\$50 million and zero.

The Davis-Bacon Act requires that workers on all federally funded or federally assisted construction projects whose contracts total more than \$2,000 be paid no less than the prevailing wages in the area where the project is located. In 2020, about half of all federal or federally financed construction was funded through the Department of Transportation.

This option would repeal the Davis-Bacon Act, which would lower the federal government’s costs for construction; the option would make corresponding reductions in appropriations and in limits on the government’s authority to enter into obligations for certain transportation programs to reflect those lower costs. Most of the spending for federal or federally financed construction is discretionary, but this option would also have a small effect on mandatory outlays.