



July 2, 2007

Honorable John D. Rockefeller IV
Chairman
Select Committee on Intelligence
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

CBO has reviewed S. 1547, the National Defense Authorization Act for Fiscal Year 2008, as ordered reported by the Senate Select Committee on Intelligence on June 26, 2007. We conclude that the costs of implementing that bill are identical to the costs estimated by CBO for S. 1547 as reported by the Senate Committee on Armed Services on June 5, 2007. The enclosed table contains a summary of those costs. For a more detailed explanation of CBO's analysis, see the cost estimate for S. 1547 transmitted by CBO on June 21, 2007.

S. 1547, as ordered reported by the Senate Select Committee on Intelligence, would authorize appropriations totaling \$629 billion for fiscal year 2008 for the military functions of the Department of Defense (DoD), for activities of the Department of Energy (DOE), and for other purposes.¹ That total includes \$128 billion for military operations in Iraq and Afghanistan. In addition, S. 1547 would prescribe personnel strengths for each active-duty and selected reserve component of the U.S. armed forces. CBO estimates that appropriation of the authorized amounts would result in additional outlays of \$621 billion over the 2008-2012 period.

Including outlays from funds previously appropriated, spending for defense programs authorized by the bill would total about \$599 billion in 2008, CBO

1. That figure does not include \$11 billion in TRICARE For Life accrual payments that are included in DoD's 2008 budget and that will be made under current law. With those payments added to the authorizations in S. 1547, the total funding level for 2008 would equal \$640 billion. By contrast, \$11 billion in such accrual payments are implicitly included in the \$641 billion that would be authorized by H.R. 1585, the National Defense Authorization Act for Fiscal Year 2008, as passed by the House.

estimates.² The bill also contains provisions that would both increase and decrease costs of discretionary defense programs in future years. Most of those provisions would affect force structure, compensation, and benefits. In total, such provisions would raise costs by \$9 billion in 2008 (this amount is included in the above total of \$629 billion specifically authorized for that year) and by \$4 billion to \$6 billion annually over the 2009-2012 period.

The bill contains provisions that would both increase and decrease direct spending from changes to TRICARE For Life, the foreign currency fluctuation account, combat-related special compensation, and other programs. We estimate that those provisions combined would decrease direct spending by \$309 million in 2008, \$714 million over the 2008-2012 period, and \$2.1 billion over the 2008-2017 period. Those totals include estimated net receipts from asset sales of a little under \$0.6 billion over the 2008-2017 period. In addition, enacting the bill would have a negligible effect on revenues.

This version of S. 1547 would amend or delete sections 1023, 1063, and 1064. Those sections address issues regarding Combatant Status Review Tribunals, the provision of certain intelligence information to the House and Senate Armed Services Committees, and DoD's authority to grant security clearances. CBO estimates that those changes would not alter the total costs of implementing the bill.

Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any legislative provisions that enforce the constitutional rights of individuals. CBO has determined that section 1022 would fall within that exclusion because it would amend the authority of the President to employ the armed services to protect individuals' civil rights. Therefore, CBO has not reviewed that section of the bill for mandates.

Other provisions of S. 1547 contain both intergovernmental and private-sector mandates as defined in UMRA, but CBO estimates that the annual cost of those mandates would not exceed the thresholds established in UMRA (\$66 million for intergovernmental mandates in 2007 and \$131 million for private-sector mandates in 2007, adjusted annually for inflation).

2. The \$599 billion in estimated spending for 2008 includes outlays from recently enacted supplemental appropriations for 2007 in Public Law 110-28, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007. Including the effect of \$11 billion in TRICARE For Life accrual payments discussed in footnote 1, outlays in 2008 would total about \$610 billion.

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The bill also contains several provisions that would benefit state and local governments. Some of those provisions would authorize aid for certain local schools with dependents of defense personnel and convey certain parcels of land to state and local governments. Any costs to those governments would be incurred voluntarily as a condition of receiving federal assistance.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Peter R. Orszag". The signature is fluid and cursive, with the first name "Peter" and last name "Orszag" clearly legible.

Peter R. Orszag
Director

Enclosure

cc: Honorable Christopher S. Bond
Vice Chairman

**BUDGETARY IMPACT OF S. 1547, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2008,
AS ORDERED REPORTED BY THE SENATE SELECT COMMITTEE ON INTELLIGENCE^a**

By Fiscal Year, in Millions of Dollars

	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Programs						
Authorized by S. 1547						
Budget Authority ^b	617,085	0	0	0	0	0
Estimated Outlays	551,703	219,217	79,329	27,802	10,589	4,277
Proposed Changes						
Authorization of Regular Appropriations for 2008						
Authorization Level	0	501,033	0	0	0	0
Estimated Outlays	0	320,660	116,444	39,156	12,588	4,993
Authorization of Appropriations for 2008 for Military Operations in Iraq and Afghanistan						
Authorization Level	0	128,226	0	0	0	0
Estimated Outlays	0	59,054	45,470	15,961	4,751	1,648
Spending Under S. 1547						
Authorization Level ^b	617,085	629,259	0	0	0	0
Estimated Outlays	551,703	598,931	241,243	82,919	27,928	10,918

CHANGES IN DIRECT SPENDING (INCLUDING ASSET SALES)^c

Estimated Budget Authority	0	-112	-138	84	26	54
Estimated Outlays	0	-309	-287	-72	-62	14

Note: For 2008, the authorization levels under "Proposed Changes" include amounts specifically authorized by the bill. As discussed in footnote 1 of the cover letter to this estimate, the \$629 billion that would be authorized by the bill does not include \$11 billion in TRICARE For Life accrual payments that will be made under current law. The bill also would implicitly authorize some activities in 2009 through 2012; those authorizations are not included above because funding for those activities would be covered by specific authorizations in future years.

- a. Enactment of S. 1547 would have an insignificant effect on federal revenues.
 - b. The 2007 level is the amount appropriated for programs authorized by the bill. That figure includes \$99.3 billion that was recently provided in Public Law 110-28, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007. The 2007 level shown here is slightly lower than the comparable figure presented in CBO's cost estimate for H.R. 1585, the National Defense Authorization Act for Fiscal Year 2008, as passed by the House, because H.R. 1585 would authorize appropriations for some existing programs that would not be authorized by S. 1547.
 - c. In addition to the direct spending effects shown here, enacting S. 1547 would have additional effects on direct spending after 2012. The estimated changes in direct spending (including asset sales) would reduce outlays by \$2.1 billion over the 2008-2017 period.
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