110TH CONGRESS 1st Session } HOUSE OF REPRESENTATIVES { REPT. 110–146 Part 2

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2008

MAY 14, 2007.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SKELTON, from the Committee on Armed Services, submitted the following

SUPPLEMENTAL REPORT

[To accompany H.R. 1585]

This supplemental report shows the cost estimate of the Congressional Budget Office with respect to the bill (H.R. 1585), as reported, which was not included in part 1 of the report submitted by the Committee on Armed Services on May 11, 2007 (H. Rept. 110–146, pt. 1).

CONGRESSIONAL BUDGET OFFICE ESTIMATE

In compliance with clause 3(c)(3) of rule XIII of the House of Representatives, the cost estimate prepared by the Congressional Budget Office and submitted pursuant to section 402 of the Congressional Budget Act of 1974 is as follows:

MAY 14, 2007.

Hon. IKE SKELTON,
Chairman, Committee on Armed Services,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1585, the National Defense Authorization Act for Fiscal Year 2008.

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

Sincerely,

PETER R. ORSZAG,
Director.

Enclosure.

35–343

Congressional Budget Office cost estimate

Summary: H.R. 1585 would authorize appropriations totaling $640 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. That total includes $141 billion for military operations in Iraq and Afghanistan. In addition, H.R. 1585 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 $631 billion over the 2008–2012 period.

Including outlays from funds previously appropriated, spending for defense programs authorized by the bill would total about $568 billion in 2008, CBO estimates. That figure, however, excludes outlays from the likely enactment of supplemental appropriations for 2007. When adding the effects of pending supplemental appropriations for 2007, such spending in 2008 would exceed $600 billion.

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 about $9 billion annually.

The bill contains provisions that would both increase and decrease direct spending, primarily from changes to survivor benefits, retirement benefits, and the TRICARE program. We estimate that those provisions combined would increase direct spending by $150 million in 2008, but have no net effect on spending over both the 2008–2012 period and the 2008–2017 period. Those totals include estimated net receipts from asset sales of $583 million over the 2008–2017 period. (Under current scorekeeping rules and conventions, asset sale receipts are recorded as a credit against direct spending as long as such sales would not result in a net financial cost to the government—as determined on a present value basis.) In addition, enacting the bill would have a negligible effect on federal revenues.

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 1054 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 H.R. 1585 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).

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.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1585 is summarized in Table 1. Most of the

costs of this legislation fall within budget function 050 (national defense).

Basis of estimate: For this estimate, CBO assumes that H.R. 1585 will be enacted near the start of fiscal year 2008 and that the authorized amount will be appropriated for that year.

Spending subject to appropriation

The bill would specifically authorize appropriations totaling $640 billion in 2008 (see Table 2). Almost all of those authorizations fall within budget function 050 (national defense). Other funds would be authorized for activities within other budget functions; they include: $62 million for the Armed Forces Retirement Home (function 600—income security); $17 million for the Naval Petroleum Reserves (function 270—energy); and $135 million for the Maritime Administration (function 400—transportation).

TABLE 1.—BUDGETARY IMPACT OF H.R. 1585, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2008 [1]

	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 H.R. 1585:						
Budget Authority [2]	517,905	0	0	0	0	0
Estimated Outlays	525,673	178,801	57,946	20,537	8,330	3,503
Proposed Changes:						
Authorization of Regular Appropriations for 2008:						
Authorization Level	0	499.786	0	0	0	0
Estimated Outlays	0	325,501	112,649	37,062	12,248	5,019
Authorization of Appropriations for 2008 for Military Operations in Iraq and Afghanistan:						
Authorization Level	0	140,639	0	0	0	0
Estimated Outlays	0	63,626	49,455	18,389	5,588	1,930
Spending Under H.R. 1585:						
Estimated Authorization Level	517,905	640,425	0	0	0	0
Estimated Outlays	525,673	567,928	220,050	75,988	26,166	10,452
CHANGES IN DIRECT SPENDING (INCLUDING ASSET SALES) [3]						
Estimated Budget Authority	0	0	−20	−22	−60	−49
Estimated Outlays	0	150	−20	−22	−60	−49

[1] Enactment of H.R. 1585 would have an insignificant effect on federal revenues.
[2] The 2007 level is the amount appropriated for programs authorized by the bill.
[3] In addition to the direct spending effects shown here, enacting the bill would have additional effects on direct spending after 2012 (see Table 4). The estimated net changes in direct spending sum to zero over both the 2008–2012 period and the 2008–2017 period.

Notes: The Congress is now considering the President's request for $94 billion in supplemental defense appropriations for 2007, primarily for military operations in Iraq and Afghanistan. CBO estimates outlays from those appropriations will total roughly $25 billion in 2007, $40 billion in 2008, and smaller amounts in future years.

For 2008, the authorization levels under "Proposed Changes" include amounts specifically authorized by the bill. The bill also implicitly authorizes some activities in 2009 through 2012; those authorizations are not included above (but are shown in Table 3) because funding for those activities would be covered by specific authorizations in future years.

Figures shown here may not add to numbers referenced in the text because of rounding.

TABLE 2.—SPECIFIED AUTHORIZATIONS IN H.R. 1585

Category	By fiscal year, in millions of dollars—				
	2008	2009	2010	2011	2012
Authorization of Regular Appropriations:					
Department of Defense Military Personnel [1]:					
Authorization Level	115,440	0	0	0	0
Estimated Outlays	109,752	5,166	172	25	0
Operation and Maintenance:					
Authorization Level	166,141	0	0	0	0
Estimated Outlays	127,222	30,868	4,775	1,708	719

TABLE 2.—SPECIFIED AUTHORIZATIONS IN H.R. 1585—Continued

Category	By fiscal year, in millions of dollars—				
	2008	2009	2010	2011	2012
Procurement:					
Authorization Level	104,126	0	0	0	0
Estimated Outlays	30,982	38,353	20,241	7,108	3,141
Research and Development:					
Authorization Level	73,296	0	0	0	0
Estimated Outlays	40,712	26,405	4,447	1,013	285
Military Construction and Family Housing:					
Authorization Level	21,703	0	0	0	0
Estimated Outlays	3,012	7,269	6,755	2,495	924
Revolving Funds:					
Authorization Level	2,887	0	0	0	0
Estimated Outlays	2,011	623	134	79	40
General Transfer Authority:					
Authorization Level	0	0	0	0	0
Estimated Outlays	900	−180	−360	−180	−90
Subtotal, Department of Defense:					
Authorization Level	483,593	0	0	0	0
Estimated Outlays	314,591	108,504	36,164	12,248	5,019
Atomic Energy Defense Activities [2]:					
Authorization Level	15,979	0	0	0	0
Estimated Outlays	10,742	4,110	886	0	0
Other Programs [3]:					
Authorization Level	214	0	0	0	0
Estimated Outlays	168	35	12	0	0
Subtotal, Authorization of Regular Appropriations:					
Authorization Level	499,786	0	0	0	0
Estimated Outlays	325,501	112,649	37,062	12,248	5,019
Authorization of Appropriations for Military Operations in Iraq and Afghanistan:					
Military Personnel:					
Authorization Level	17,472	0	0	0	0
Estimated Outlays	16,045	1,348	39	4	0
Operation and Maintenance:					
Authorization Level	78,312	0	0	0	0
Estimated Outlays	36,509	30,688	7,619	1,954	912
Procurement:					
Authorization Level	40,327	0	0	0	0
Estimated Outlays	8,882	15,791	10,230	3,497	971
Research and Development:					
Authorization Level	2,151	0	0	0	0
Estimated Outlays	1,210	768	126	27	8
Military Construction and Family Housing:					
Authorization Level	696	0	0	0	0
Estimated Outlays	33	291	247	79	29
Revolving Funds:					
Authorization Level	1,681	0	0	0	0
Estimated Outlays	947	569	128	27	10
Subtotal, Iraq and Afghanistan:					
Authorization Level	140,639	0	0	0	0
Estimated Outlays	63,626	49,455	18,389	5,588	1,930
Total Specified Authorizations:					
Authorization Level	640,425	0	0	0	0
Estimated Outlays	389,127	162,104	55,451	17,836	6,949

[1] For purposes of this estimate, CBO assumes that the authorization of appropriations in section 421 for military personnel includes $10,876 million for accrual payments for the TRICARE For Life program.
[2] These authorizations are primarily for atomic energy activities within the Department of Energy.
[3] These authorizations are for the Maritime Administration, the Armed Forces Retirement Home, and the Naval Petroleum Reserves.

Of the $640 billion in funding for 2008 authorized by the bill for the costs of defense programs, $141 billion of that amount would

be for DoD costs associated with continuing operations in Iraq and Afghanistan.

The estimate assumes that the amounts authorized for 2008 will be appropriated near the start of fiscal year 2008. The estimated outlays from authorizations of regular appropriations are based on historical spending patterns.

The bill also contains provisions that would both increase and decrease various costs, mostly for changes in end strength, military compensation, and health benefits, that would be covered by the fiscal year 2008 authorization and by authorizations in future years. Table 3 contains estimates of those amounts.

Multiyear procurement

Multiyear procurement is a special contracting method authorized in title 10, United States Code, section 2306b that permits the government to enter into contracts covering acquisitions for more than one year but not more than five years, even though the total funds required for every year are not appropriated at the time the contracts are awarded. As part of such a contract, the government commits to purchase all items specified at the time the contract is signed, including those to be produced and paid for in subsequent years. Because multiyear procurement allows a contractor to plan for more efficient production, such a contract can reduce the cost of an acquisition compared with the cost of buying the items through a series of annual procurement contracts.

Such contracts frequently include provisions that require DoD to pay for unrecovered fixed costs in the event that the contract is canceled before completion. DoD does not budget for, obtain, or obligate funds sufficient to pay for those contractual commitments at the time they are incurred. Authorizing DoD to initiate a multiyear procurement program with such unfunded cancellation liabilities provides contract authority—a form of budget authority—because it allows the department to incur that liability in advance of appropriations. CBO believes that the full cost of such liabilities should be recorded in the budget at the time they are incurred. The failure to request funding for cancellation liabilities may distort the resource allocation process by understating the cost of decisions made for the budget year and may require future Congresses to find the resources to pay for decisions made today.

This bill would authorize the Department of Defense to enter into multiyear procurement contracts for five programs: improvements to the Abrams tank, the Bradley Fighting Vehicle, and the CH–47D helicopter, and procurement of new CH–47F helicopters and Virginia class submarines.

Section 111 would authorize the Army to enter a multiyear contract for up to five years to acquire a number of improvements to M1A1 Abrams tanks over a five-year period. If granted this authority, the Army plans to enter a contract for the 2008–2012 period to modify 577 tanks at a total cost of $1,595 million; it has requested $639 million in 2008 to upgrade 241 tanks. The Army estimates that a multiyear procurement contract for those tank modifications would cost $178 million less than a series of annual procurement contracts for those systems.

TABLE 3.—ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS IN H.R. 1585

Category	By fiscal year, in millions of dollars				
	2008	2009	2010	2011	2012
FORCE STRUCTURE					
Army and Marine Corps Active-Duty End Strengths	6,683	4,821	4,257	3,292	2,930
Navy and Air Force Active-Duty End Strengths	−551	−868	−897	−928	−959
Reserve Component End Strengths	308	75	55	56	58
Reserve Technicians	−7	−15	−15	−16	−16
Command Grade Officers	75	77	79	82	84
COMPENSATION AND BENEFITS (DOD)					
Pay Raises	311	747	1,214	1,712	2,245
Expiring Bonuses and Allowances	2,127	3,244	3,481	3,300	2,790
Consolidation of Special and Incentive Pay	0	150	300	400	450
Housing Allowance for Reserve Accession Training	108	111	115	119	122
National Guard Reintegration	73	52	32	23	23
Hardship Duty Pay	79	56	33	23	23
Transportation of Privately Owned Vehicles	22	36	39	40	41
Accession Bonus for Health Professional Scholarship Program	15	15	15	15	15
Special Pays for Medical Officers	8	9	10	10	10
Dental Officer Special Pay	8	8	8	8	8
Cold War Medal	2	16	7	4	3
Assignment Incentive Pay	15	0	0	0	0
Loan Repayment for Reserves	1	2	3	4	5
DEFENSE HEALTH PROGRAM					
TRICARE Pharmacy Copayments	187	0	0	0	0
TRICARE Cost Sharing	6	3	0	0	0
WOUNDED WARRIOR ASSISTANCE					
Case Managers and Advocates	25	33	23	14	9
Evaluation Board Advocates	7	14	15	15	16
Medical Support Fund	50	0	0	0	0
Hotline and Investigation	7	7	7	8	8
Liaison Officers	3	6	6	6	7
Training and Reports	10	5	4	4	4
Medical Information Systems	25	0	0	0	0

Notes.—For every item in this table, the 2008 levels are included in Table 2 as amounts specifically authorized to be appropriated by the bill. Amounts shown in this table for 2009 through 2012 are not included in Table 1, because authorizations for those amounts would be covered by specific authorizations in future years.

In addition to the items shown in this table, there are four additional items discussed in this cost estimate for which CBO does not have sufficient information at this time to complete a specific estimate of costs or savings: section 122 (multiyear procurement for Virginia class submarines), section 635 (travel allowance for inactive-duty training), section 703 (discount drug pricing), and section 1615 (unique military capabilities).

Figures shown here may not add to numbers in the text because of rounding.

Section 112 would authorize the Army to enter a multiyear contract for up to four years to acquire a number of improvements to the Bradley Fighting Vehicle. According to budget documents provided by the Army, the service would use this authority to enter a contract for the 2008–2011 period to modify 965 vehicles at a total cost of $2,310 million; it has requested $1,151 million in 2008 to upgrade 525 vehicles. The Army estimates that a multiyear procurement contract for those modifications would cost $131 million less than a series of annual procurement contracts for those systems.

Section 113 would authorize the Army to enter a multiyear contract for up to five years to convert CH–47D helicopters to the more capable CH–47F configuration. Under this authority, the Army would enter a contract over the 2008–2012 period to convert 152 helicopters at a total cost of $3,029 million; it has requested $511 million in 2008 to convert 23 aircraft. The Army estimates that a multiyear procurement contract for those modifications would cost

$134 million less than a series of annual procurement contracts for those systems.

Section 114 would authorize the Army to enter a multiyear contract for up to five years to procure new CH–47F helicopters. The Army wishes to use this authority to enter a contract for the 2008–2012 period to purchase 41 aircraft at a total cost of $1,209 million; it has requested $191 million in 2008 to pay for 6 helicopters. The Army estimates that a multiyear procurement contract would cost $40 million less than a series of annual procurement contracts for those systems.

Section 122 would authorize the Navy to enter a multiyear contract for Virginia-class submarines beginning in fiscal year 2008. The Navy did not provide details on its plan for that contract as part of its budget submission. However, we expect the Navy to enter a multiyear contract extending through 2013. Because current law limits such contracts to five years, the authority granted by this section would expire in 2012 and the Navy would not be able to complete the last program year of such a contract under its current plan. CBO cannot estimate the costs or savings that would result from a multiyear contract for those submarines because it is not clear how the Navy would modify its plans to comport with the authority provided in this section.

Force structure

The bill would affect force structure by setting end-strength levels for the various military services.

Military end strength.

Title IV would authorize active and reserve end-strength levels for 2008 and would set the minimum end-strength authorization in permanent law.

The bill would specifically authorize regular appropriations of $115.4 billion and additional appropriations for operations in Iraq and Afghanistan of $17.5 billion for costs of military pay and allowances in 2008.

Under title IV, the authorized end strengths in 2008 for active-duty personnel and personnel in the selected reserves would total about 1,370,000 and 850,000, respectively. Of those selected reservists, about 76,000 would serve on active duty in support of the reserves. In total, active-duty end strength would increase by about 6,000 and selected-reserve end strength would decrease by about 5,000 when compared to levels authorized in 2007.

Section 401 would authorize increases to the active-duty end strengths of the Army and Marine Corps. The increases are part of a recently announced plan by the Administration to increase the size of the Army to 547,400 personnel and the Marine Corps to 202,000 by the end of 2012. Relative to personnel levels authorized by the John Warner National Defense Authorization Act for Fiscal Year 2007 (Public Law 109–364), the proposed increases represent an additional 35,000 personnel for the Army and 22,000 for the Marine Corps. This section would authorize only the first full increment of the proposed increase—13,000 additional personnel for the Army and 9,000 for the Marine Corps—which CBO estimates would increase costs to DoD by about $7 billion in 2008 and about

$22 billion over the 2008–2012 period.[1] Those costs include the pay and benefits of the additional personnel, as well as costs for operation and maintenance, procurement, and construction. If the Congress eventually authorizes the balance of the personnel increases proposed by the Administration, CBO estimates the incremental cost would total about $65 billion through 2013.[2]

Section 401 also would decrease the Navy's active-duty end strength by 11,600 and decrease the Air Force's active-duty end strength by 4,500. CBO estimates that the decrease in end strength for the Navy and the Air Force combined would cut costs for salaries and other expenses by about $550 million in the first year and about $900 million annually in subsequent years.

Sections 411 and 412 would authorize the end strengths for the reserve components, including those who serve on active duty in support of the reserves. Under this bill, the selected reserve would experience a net decrease in end strength of 4,900, with the Navy Reserve and Air Force Reserve losing personnel while the Army Reserve and National Guard would see an increase. However, the cost savings from that net decrease would be more than offset by an increase in the end strength for reservists who serve on active duty in support of the reserves. Those full-time reservists would increase by about 1,900. CBO estimates that the net result of implementing those provisions would be an increase in costs for salaries and other expenses for selected reservists of $308 million in 2008 and about $55 million a year thereafter as compared to the authorized end-strength levels for 2007. Costs would be higher in 2008 and 2009 than in later years as a result of the need to procure new equipment for the additional Army National Guard personnel.

In addition, sections 413 and 414 would authorize the minimum end-strength level for military technicians, who are federal civilian personnel required to maintain membership in a selected reserve component as a condition of their employment. Under this bill, the required number of technicians would decrease by 128 relative to the levels currently authorized. CBO estimates the savings in civilian salaries and expenses that would result from fewer military technicians would be about $7 million in 2008 and about $15 million annually thereafter, as compared to the minimum end-strength levels for technicians in 2007.

The bill also would authorize an end strength of 10,000 servicemembers in 2008 for the Coast Guard Reserve. Because this authorization is the same as that under current law, CBO does not estimate any additional costs for this provision.

Command grade officers

Sections 404 and 405 would increase the number of officers authorized to serve as majors in the Army and as lieutenant com-

[1] Section 403 of this bill would authorize the Army and Marine Corps to increase their strength levels to 547,400 and 202,000, respectively, but only for fiscal years 2009 and 2010. If the Secretary of Defense chose to exercise this authority, CBO estimates it could cost an additional $8 billion over the 2009–2011 period.

[2] In addition to the cost of additional Army and Marine Corps personnel, CBO's estimate of $65 billion through 2013 includes the cost of proposed personnel increases to the Army Reserve and National Guard. The estimate represents the incremental cost of personnel levels above those authorized by the John Warner National Defense Authorization Act for Fiscal Year 2007. For additional details see Congressional Budget Office, Estimated Cost of the Administration's Proposal to Increase the Army's and the Marine Corps's Personnel Levels (Letter to the Honorable Carl Levin, April 16, 2007).

manders, commanders, and captains in the Navy. The number of officers allowed to serve in those grades are currently limited by the strength restrictions specified by the Defense Officer Personnel Management Act (10 U.S.C. 523). CBO estimates that adjusting the current restrictions in the manner specified by sections 404 and 405, would increase the number of Army and Navy personnel serving in those grades by about 3,300. Based on information from DoD, CBO expects that the proposed increase in the number of personnel serving in higher grades would most likely be accomplished by promoting officers from lower grades. CBO estimates that the additional pay and benefits associated with promoting 3,300 personnel to those higher grades would be about $80 million per year and $396 million over the 2008–2012 period.

Compensation and benefits

H.R. 1585 contains several provisions that would affect military compensation and benefits for uniformed personnel.

Pay raises

Section 601 would raise basic pay for all individuals in the uniformed services by 3.5 percent, effective January 1, 2008. In addition, section 606 would guarantee pay raises that are one-half of one percentage point higher than amounts required by current law for fiscal years 2009 through 2012. CBO estimates the total cost of a 3.5 percent raise in 2008 would be about $2.2 billion. Under current law, CBO estimates the across-the-board increases that would go into effect on January 1 of each year would be 3.0 percent in 2008, 3.4 percent in 2009, and 3.3 percent each year thereafter. CBO estimates that the incremental cost associated with the larger pay raises would be $311 million in 2008 and total about $6.2 billion over the 2008–2012 period.

Bonuses and allowances

Sections 611 through 614 would extend DoD's authority to pay certain bonuses and allowances to military personnel for another two years. Under current law, most of those authorities are scheduled to expire in December 2007. However, a different part of the bill—section 661—would consolidate all bonuses and allowances, both those with and without sunset dates, under eight new sections in Title 37 of the U.S. Code. Section 661 would eliminate all sunset dates, including those set in sections 611 through 614, thus providing an indefinite extension of the expiring provisions, and would effectively increase the maximum dollar amounts that can be offered through each of the bonuses and allowances.

Combined, those provisions would increase spending on bonuses and allowances in two ways. First, based on DoD budget material, CBO estimates that extending authority for the expiring bonuses and allowances indefinitely would cost $2.1 billion in 2008 and about $14.9 billion over five years. CBO estimates that the cost of those bonuses and allowances would eventually decrease in later years as the pace of current overseas military operations diminishes.

Second, because the maximum dollar amounts under the new authorities would generally be greater than maximum amounts allowed under existing law, CBO expects it would lead to an increase

in the overall cost of such pay, beginning in 2009. (Section 662 of this bill would prohibit DoD from obligating funds under the new authorities for 2008 in excess of what they would have otherwise obligated for those special and incentive payments under current law and under the provisions of sections 611 through 614.) Under current law, the annual amount spent on the special and incentive pay affected by this section is about $5.5 billion. To estimate the effect the higher payment caps would have on the overall budget for targeted compensation, CBO assumed the annual cost would begin to increase in 2009 at the same rate as the employment cost index for wages and salaries. Under such a scenario, the total incremental cost of increasing the pay caps would be about $1.3 billion over the 2009–2012 period.

Taken together, extending the expiring bonuses indefinitely and increasing the pay caps for all bonuses and allowances would increase costs for those programs by about $2.1 billion in 2008 and about $16.2 billion over the 2008–2012 period.

Housing allowance for reserve accession training

Section 602 would allow reserve component members without dependents to receive a basic allowance for housing (BAH) during initial military training (also known as accession training) if they are making a rental or mortgage payment on a primary residence. Under current law, BAH is only permitted for reserve members during accession training if they have dependents. Based on information from DoD, CBO estimates that this section would allow an additional 30,000 reservists to receive BAH for about four and a half months each year. The average BAH rate would be about $820 per person per month, which is the rate for an E–1 without dependents. The total cost of this section would be $108 million in 2008 and $575 million over the 2008–2012 period, CBO estimates.

National guard reintegration

Section 516 would establish the Yellow Ribbon Reintegration Program, which would provide information and services to help National Guard members readjust to civilian life after lengthy deployments. The bill's authorization total includes $73 million in 2008 to carry out this program. The cost would be lower in subsequent years as the number of National Guard deployments would presumably begin to decrease; as a result, CBO estimates a cost of $204 million over the 2008–2012 period.

Hardship duty pay

Section 624 would increase the maximum allowable amount of hardship duty pay from $750 per month to $1,500 per month. The Army reports that it would use this additional authority as part of its "Warrior Pay" program, which would provide extra incentives to military personnel who make frequent deployments to combat zones. Based on information from the Army, CBO estimates the total cost of implementing this section would be $79 million in 2008 and $214 million over the 2008–2012 period. Costs would be lower in later years because CBO expects overseas deployments will decrease.

Transportation of vehicles

Section 634 would allow military servicemembers accompanied by dependents of driving age to ship an additional privately-owned vehicle at government expense to certain duty stations outside the continental United States as part of a permanent change of station move. Duty stations in Guam, Alaska, and Hawaii would be the primary destinations affected by the provision. Based on information from DoD, CBO estimates that approximately 25,000 vehicles are transported back and forth between those locations and the continental United States annually, at an average cost per shipment of about $3,400 per vehicle. Based on the percentage of military personnel with dependents, CBO estimates that enacting this section would result in an additional 10,000 vehicle shipments per year. Thus, this section would increase costs to DoD by about $40 million annually and $180 million over the 2008–2012 period, CBO estimates. Costs would be lower in 2008—$22 million—because this new authority would apply only to orders for change of station moves issued after the enactment of this section. Such orders usually precede the actual move by several months.

Accession bonus for health profession scholarship program

Section 622 would allow DoD to award accession bonuses of up to $20,000 to students who enroll in the Health Professions Scholarship and Financial Assistance Programs. Those programs pay for the tuition and stipends of medical students who agree to serve in the armed forces upon completion of their studies. Because the armed forces are having difficulty recruiting medical professionals, CBO believes DoD would use the maximum amount of this authority if funding were made available. Based on data from DoD, CBO estimates about 750 personnel would enroll in the program and receive this bonus each year, and that the total cost of implementing section 622 would be $15 million in 2008 and $74 million over the 2008–2012 period.

Special pay for medical officers

Section 615 would increase the maximum allowable amounts for both incentive special pay and the multiyear retention bonus for medical officers from $50,000 to $75,000 for each year the officer agrees to remain in the armed forces. There are currently only three medical specialties that are paid at, or near, the current maximum amounts: neurologists, radiologists, and anesthesiologists. The total number of personnel in those specialties is currently about 630, although to qualify for incentive special pay medical officers must first complete their initial service agreements with DoD, and to qualify for the retention bonus an officer must have at least eight years of service. Based on DoD data, CBO estimates about 50 percent of those 630 people would be eligible for the increased incentive special pay and about 15 percent would receive the higher retention bonus. CBO estimates the total cost of implementing this section would be $8 million in 2008 and $48 million over the 2008–2012 period.

Dental officer special pay

Section 616 would increase additional special pay for dental officers with less than 10 years of service by $6,000 per year. Cur-

rently, those personnel receive either $4,000 or $6,000 per year depending on their seniority. This section would increase those amounts to $10,000 and $12,000. Based on data from DoD, CBO estimates about 1,350 dentists would receive the increase in additional special pay if this section were enacted, for a cost of $8 million in 2008 and $41 million over the 2008–2012 period.

Cold war medal

Section 556 would require the Secretary of Defense to issue a Cold War Victory Medal to former military members who served between 1945 and 1991. The medal would be issued upon application by former members or their surviving relatives. Based on data from DoD, CBO estimates that between 20 million and 30 million people would be eligible for this medal. This same population is currently eligible to apply for a Cold War Recognition Certificate, which was first issued by DoD in 1998. To date, 1.1 million people have applied for and received this certificate.

Because many veterans might prefer a medal over a certificate, CBO estimates that more of them would apply for the new award—about 3 million in total. Based on information from DoD, CBO estimates that the costs for minting the medals and administering the program would average about $10 per medal, which translates into a total cost of $32 million over the 2008–2012 period. CBO estimates costs would be relatively low in the first year—$2 million—because of the time needed to design the medal and to set up application and administrative procedures. However, CBO expects costs would increase to $16 million in 2009 because many of the people that applied for the Cold War Recognition Certificate would immediately apply for the new medal.

Assignment incentive pay

Section 623 would allow the Secretary of Defense to give assignment incentive pay to certain reservists who served in a combat zone between January 2005 and January 2007. The amount of the payment would be $1,000 for each month the reservist served in a combat zone in excess of 22 months of total mobilized service since January 2003. Based on data from DoD, CBO estimates that DoD would pay about 3,700 reservists using this authority. Based on the criteria specified in section 623, CBO estimates that, on average, those personnel would be eligible for four months of assignment incentive pay, so that the total cost of implementing this section would total about $15 million in 2008.

Loan repayment for reserves

Section 671 would expand DoD's education loan repayment program to include officers in the selected reserve. Enlisted reservists are currently eligible to receive benefits under this program. Assuming that officer enrollment in this program would be proportionate to that of enlisted members with college degrees, CBO estimates that DoD would initiate loan repayment for about 620 reserve officers each year if this authority were enacted. CBO estimates the average amount of the loan repayments would total about $7,000 per person and would be paid over six years in annual increments of about $1,200, so that the total cost of this sec-

tion would be $1 million in 2008 and $14 million over the 2008–2012 period.

Travel allowance for inactive duty training

Section 635 would allow the Secretary of Defense to reimburse members of the selected reserve up to $300 for travel expenses each time they are required to perform inactive duty training outside the commuting limits of their duty station. At this time, CBO does not have enough information to estimate the costs ofthis section. However, based on the number of reserve personnel that perform special training assignments each year, CBO estimates the cost of implementing this provision could be in the tens of millions of dollars each year. The Secretary could begin using this authority in fiscal year 2009.

Defense health program

Title VII contains several provisions that would affect DoD health care benefits. The three principal provisions are described below.

TRICARE pharmacy copayments

Section 702 would prohibit DoD from increasing the cost-sharing amounts that beneficiaries will pay for pharmaceutical drugs until 2009. Under current DoD plans, for medications obtained at retail pharmacies, beneficiaries will be charged copayments of $5 for a one-month supply of generic drugs and $15 for the same amount of brand-name drugs. Section 702 would keep those copayments at the current amounts of $3 and $9, respectively. Those copayment amounts apply to active-duty dependents and all retirees and their dependents. Health care costs for active-duty dependents and retirees under age 65 and their dependents are discretionary costs and are covered in this part of the estimate. Retirees and their dependents age 65 and older are covered under TRlCARE For Life, which is classified in the budget as a mandatory (i.e., direct spending) program. CBO's evaluation of the pharmacy costs for that group of retirees is discussed later in the "Direct Spending" section.

Based on data provided by DoD, CBO estimates that in 2008 over 23 million prescriptions for a one-month supply of a drug will be filled at retail pharmacies for active-duty dependents and retirees and their dependents under age 65. CBO estimates that prohibiting the planned increased in copayments would reduce DoD collections by about $100 million.

In addition to reduced collections, CBO estimates that DoD would also face higher spending for prescription drugs under this provision for two reasons. DoD's current plan to raise copayment amounts is expected to lead beneficiaries to purchase fewer prescription drugs and to shift some of those prescriptions to military hospitals and the TRlCARE mail-order program, both of which are less expensive for DoD as well as for the beneficiaries. Banning the planned copayment increases would therefore prevent DoD from reaping expected savings that CBO estimates, based on information from DoD, will be $87 million in 2008.

In total, CBO estimates that implementing section 702 would increase DoD's discretionary costs by about $187 million in 2008.

Prohibition on TRICARE premiums and other cost increases

Section 701 would prohibit increases of certain premiums and other costs paid by TRlCARE beneficiaries through December 31, 2008. CBO estimates that implementing this section would increase costs by $6 million in 2008 and $9 million over the 2008–2012 period.

Under current law, TRlCARE Reserve Select (TRS) premiums are adjusted on January 1 of each year to maintain a fixed ratio between the premium amount and the actuarial cost of providing health care. Section 701 would prohibit an increase for calendar year 2008. Based on data provided by DoD, CBO estimates that, under current law, almost 30,000 singles and families will purchase coverage under TRS in 2008. For 2007, premiums are $972 per year for single coverage and $3,036 per year for family plans. Based on historical trends in this and similar programs, CBO estimates that premiums will grow about 7 percent next year, and thus, that this prohibition would reduce TRS premium payments by $4 million in 2008 and $3 million in 2009.

Section 701 also would prohibit an increase in the TRlCARE cost-sharing payment for hospital stays. Under current law, retirees and their dependents under age 65 must pay for 25 percent of the charges for inpatient care. For 2007, the average payment by beneficiaries is $535 per day. Assuming that charges for inpatient care increase by the rate of medical inflation, about 4 percent, and based on information from DoD, that this amount would apply to about 76,000 days of inpatient care, CBO estimates that DoD would lose $2 million in 2008 as the result of this prohibition.

In addition, section 701 would prohibit DoD from increasing fees or deductibles for TRlCARE Standard, a fee-for-service plan, and TRlCARE Prime, an HMO option. DoD does not currently have the authority to raise cost-sharing amounts for TRICARE Standard. While it does have the authority to increase cost-sharing amounts for TRICARE Prime, there is no indication that it is willing to do so without the ability to increase cost-sharing amounts for TRICARE Standard at the same time. Therefore, CBO expects that this prohibition would have no budgetary impact.

Discount drug pricing

Under current law, DoD is one of several federal agencies that receives from pharmaceutical makers a significantly reduced price for drugs on the Federal Supply Schedule (FSS). Through this program, DoD is able to procure at a discount the drugs that it provides to beneficiaries through its hospital pharmacies and mail-order program. However, under DoD's TRICARE programs, beneficiaries can also fill prescriptions at retail pharmacies. Many drug manufacturers have refused to provide discounted prices to DoD for medications provided to beneficiaries in that manner.

Section 703 would give DoD the authority to exclude from its pharmacy benefits program any drug that is not provided by the manufacturer at a discounted price. DoD has estimated that receiving FSS rates could provide annual savings of $300 million or more for prescriptions filled at retail pharmacies by active-duty dependents and retirees and their dependents under age 65.

However, the authority provided in this section would not directly give DoD access to FSS prices on purchases covered by

TRICARE at retail pharmacies. Furthermore, TRICARE has consistently maintained a relatively open formulary, providing beneficiaries and their doctors a choice of competing drugs. As a result, it is unclear whether or to what extent DoD would use the authority provided in section 703 to obtain savings. CBO expects that any savings under this provision would be significantly less than the projected savings based on FSS rates. (See the section under "Direct spending" for CBO's evaluation of this provision on the mandatory TRICARE For Life program.)

Wounded warrior assistance

Title XIV would impose a number of new requirements on the Department of Defense intended to improve the medical care and other services received by servicemembers who are sick or wounded. Implementing those sections would require the establishment of a joint DoD Department of Veterans Affairs (VA) medical information system, the hiring of additional civilian personnel, the development of a formal transition plan for members leaving the service, the creation of a wounded warrior battalion, and the preparation of several reports and studies. CBO estimates that implementing those sections would cost about $130 million in 2008 and about $340 million over the 2008–2012 period.

Case managers and servicemember advocates

Servicemembers who are outpatients at military treatment facilities receive the assistance of both medical care case managers and servicemember advocates. The former are generally social workers who help coordinate care for servicemembers. The latter are military personnel who assist the patients with administrative matters. Section 1411 would clarify the roles of each and establish the maximum workload that could be carried. Based on information from DoD, CBO estimates that about 330 case managers would have to be hired initially to meet those requirements. Fewer new case managers would be needed in the future as fewer troops are expected to be in a combat situation. With an average salary and benefits package of $100,000 per person, the estimated cost of this provision is $104 million over the 2008–2012 period.

While a number of additional servicemember advocates would be required under this proposal, personnel for those positions would come from within authorized personnel levels. Thus, CBO expects that implementing this provision would not increase overall personnel costs, relative to those authorized levels.

Evaluation Board Advocates

Section 1415 would require that servicemembers being considered by medical evaluation boards (MEBs) have access to an independent health care professional to act as an advocate on their behalf. Based on information from the military services, CBO estimates that MEBs consider about 25,000 cases each year. Due to this large case load, CBO believes it would be difficult for DoD to meet this requirement without hiring additional personnel or using private contractors. For this estimate, CBO assumes the military services would enter into contracts with private-sector nurses to perform this service. Based on information from several firms that specialize in workers' compensation and veterans disability cases,

CBO estimates the cost to hire a registered nurse as an advocate for military personnel would be about $500 per case. This would result in a cost to DoD of $7 million in 2008 and $67 million over the 2008–2012 period. Costs would be lower in 2008 than in later years because of the time needed to establish procedures and program resources to meet this new requirement, CBO estimates.

Medical support fund

Section 1422 would establish a DoD Medical Support Fund to be used for programs and activities related to medical care for wounded servicemembers and support for their families. The bill would authorize the appropriation of $50 million to remain available through fiscal year 2008. That money could be transferred from the new fund to several appropriations accounts, including construction, research, and military personnel. Based on information from DoD, CBO estimates that this provision would increase medical costs by $50 million in 2008.

Hotline

Section 1413 would require DoD to establish a toll-free hotline to collect information about the condition of medical facilities. Any deficiencies would have to be investigated within 96 hours. If the problems violate health or safety standards then occupants of the building would have to be relocated until the corrections are made. Based on information from DoD, CBO estimates that implementing this section would cost $7 million in 2008 and $37 million over the 2008–2012 period. This includes a cost of about $2 million per year for operating the hotline and for relocating patients and about $5 million per year for investigation of the complaints.

Liaison officers

Section 1416 would mandate that physical evaluation board liaison officers (PEBLOs) be assigned to no more than 20 cases at anyone time. Based on information from the military services, there are currently about 260 personnel that perform the role of PEBLOs throughout the DoD medical system. Of those, CBO estimates about 15 percent, or 40 liaison officers, currently have caseloads of less than 20. Of the remaining 220 personnel, CBO estimates the average caseload is about 28 per PEBLO. Therefore, decreasing the average caseload to 20 would require the hiring of an additional 90 PEBLOs. The current population of PEBLOs is comprised of both military and civilian personnel. For this estimate, CBO assumes the new PEBLOs would all be civilians and each would cost about $60,000 per year, which is the approximate cost of pay and benefits for a GS–8 on the General Schedule. Therefore, CBO estimates that implementing this section would average $6 million per year and $28 million over the 2008–2012 period. The cost would only be $3 million in 2008 because of the time needed to hire and train the new personnel.

Training and reports

Various sections of title 14 would require DoD to establish training programs and to prepare several reports and conduct surveys. CBO estimates that the total cost for those purposes would be $10 million in 2008 and $27 million over the 2008–2012 period.

Medical information systems

Section 1421 would require the Secretary of Defense and the Secretary of Veterans Affairs to jointly establish and implement, within eight months of the date of enactment of the bill, a process to ensure an interoperable, bidirectional, real-time exchange of medical information. The requirements of the proposal would most likely be met by expanding access to an existing application, the Bidirectional Health Information Exchange (BHIE), and continuing development of its capabilities.

The BHIE is currently being used to transmit electronic medical information between VA and DoD, though it is not yet operational in all DoD facilities nor is it capable of transmitting all the information required by this provision. Planned and ongoing expansions of BHIE would likely meet most requirements of the legislation within the time frame specified. However, systemwide transmission of radiographic images is not a part of the current plan and will likely take 18 to 24 months to add to the system. Based on information provided by DoD, CBO estimates that the cost of implementing this section would be about $25 million.

Unique military capabilities

Section 1615 would require the Secretary of Defense to determine the unique capabilities that the Department of Defense should provide to support civil authorities during incidents of national significance or catastrophic events, and develop a funding plan to acquire and maintain such capabilities. Since the ultimate effect of this provision would depend on the types of capabilities the Secretary of Defense determines are appropriate for DoD to provide in such circumstances and how those capabilities would be developed within DoD's overall budget, CBO cannot estimate the potential effect of this provision at this time. In addition, it is not clear what the total universe of such incidents would include. However, if such a plan led to more frequent deployment of DoD personnel or assets, or required a substantial investment in equipment, the costs of implementing section 1615 could be substantial.

Direct spending

The bill contains provisions that would increase and decrease direct spending, primarily by providing a new annuity for survivors of military members, expanding a compensation program for certain retirees, increasing the death gratuity for certain federal employees, and through changes to the TRICARE program. H.R. 1585 would also increase receipts from asset sales, as discussed in the following section. We estimate that those provisions combined would increase direct spending by $150 million in 2008, but would have no net effect over the 2008–2012 period and the 2008–2017 period (see Table 4).

TABLE 4.—ESTIMATED IMPACT OF H.R. 1585 ON DIRECT SPENDING

	By fiscal year, in millions of dollars—											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total 2008–2012	Total 2008–2017
CHANGES IN DIRECT SPENDING (EXCLUDING ASSET SALES)												
Special Survivor Indemnity Allowance:												
Estimated Budget Authority	0	33	34	34	34	35	35	35	15	0	135	255
Estimated Outlays	0	33	34	34	34	35	35	35	15	0	135	255
Combat-Related Special Compensation:												
Estimated Budget Authority	0	17	24	16	17	17	18	18	0	0	74	128
Estimated Outlays	0	17	24	16	17	17	18	18	0	0	74	128
TRICARE Pharmacy Copayments:												
Estimated Budget Authority	198	0	0	0	0	0	0	0	0	0	198	198
Estimated Outlays	198	0	0	0	0	0	0	0	0	0	198	198
Transfer from National Defense Stockpile Fund:												
Estimated Budget Authority	−150	0	0	0	0	0	0	0	0	0	−150	−150
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0
Death Gratuity for Federal Civilians:												
Estimated Budget Authority	2	0	0	0	0	0	0	0	0	0	2	2
Estimated Outlays	2	0	0	0	0	0	0	0	0	0	2	2
Subtotal:												
Estimated Budget Authority	50	50	58	50	51	52	53	54	15	0	260	433
Estimated Outlays	200	50	58	50	51	52	53	54	15	0	410	583
ASSET SALES												
National Defense Stockpile:												
Estimated Budget Authority	−50	−70	−80	−110	−100	−70	−60	−43	0	0	−410	−583
Estimated Outlays	−50	−70	−80	−110	−100	−70	−60	−43	0	0	−410	−583
TOTAL CHANGES IN DIRECT SPENDING												
Total—Changes in Direct Spending:												
Estimated Budget Authority	0	−20	−22	−60	−49	−18	−7	11	15	0	−150	−150
Estimated Outlays	150	−20	−22	−60	−49	−18	−7	11	15	0	0	0

Notes.—Section 703 could lead to some direct spending savings by allowing DoD to lower costs under its pharmacy benefits program. CBO cannot estimate savings that might be realized by enactment of that section.
Numbers may not add up to totals because of rounding.

Special survivor indemnity allowance

Currently, servicemembers' survivors who are entitled to both Survivor Benefit Plan (SBP) benefits and Dependency and Indemnity Compensation (DIC) see their SBP benefit reduced dollar-for-dollar by the amount of the DIC payment they receive. Section 644 would provide a monthly allowance of $40 (or the amount offset from their SBP, whichever is less) to about 60,000 survivors. Because this provision would not take effect until fiscal year 2009 (and would terminate five months into fiscal year 2016), CBO estimates that enacting this provision would not affect direct spending in 2008, but would increase direct spending by $135 million over the 2009–2012 period and by $255 million over the 2009–2016 period.

Combat-related special compensation (CRSC)

Currently, disabled servicemembers who are allowed to retire with less than 20 years of service see their retirement annuity offset or reduced by any amount of disability compensation that they receive from VA. Retirees who have served 20 or more years in the service and whose VA-rated disability is related to combat, hazardous duty, or military training, are eligible to receive CRSC. This compensation replaces part or all of the portion of their retirement annuity that is offset by VA disability compensation. Section 645 would allow disability retirees with less than 20 (but more than 15) years of service to receive CRSC, as long as their VA disability rating is 60 percent or greater. Based on information from DoD, and because this provision would not take effect until 2009 (and would be terminated at the end of 2015), CBO estimates that enacting this provision would not affect direct spending in 2008, but would increase it by about $74 million over the 2009–2012 period and by about $128 million over the 2009–2016 period.

TRICARE pharmacy copayments

Section 702 would prohibit DoD from increasing the cost-sharing amounts that beneficiaries will pay for pharmaceutical drugs until 2009. Under current DoD plans, for medications obtained at retail pharmacies, beneficiaries will be charged copayments of $5 for a one-month supply of generic drugs and $15 for the same amount of brand-name drugs. Section 702 would keep those copayments at the current amounts of $3 and $9, respectively. Those copayment amounts apply to active-duty dependents and all retirees and their dependents. Retirees and their dependents age 65 and older are covered under TRICARE For Life, which is classified in the budget as a mandatory (i.e., direct spending) program, and is covered under this part of the estimate. Health care costs for active-duty dependents and retirees under age 65 and their dependents are discretionary costs. CBO's evaluation of the pharmacy costs for that group of beneficiaries is discussed in the "Spending Subject to Appropriation" section of the estimate.

Based on data provided by DoD, CBO estimates that in 2008 over 24 million prescriptions for a one-month supply of a drug will be filled at retail pharmacies for retirees and their dependents age 65 and older. CBO estimates that prohibiting the planned increases in copayments would reduce DoD collections by $102 million.

In addition to reduced collections, CBO estimates that DoD would also face higher spending for prescription drugs under this provision for two reasons. DoD's current plan to raise copayment amounts is expected to lead beneficiaries to purchase fewer prescription drugs and to shift some of those prescriptions to military hospitals and the TRICARE mail-order program, both of which are less expensive for DoD as well as for the beneficiaries. Banning the planned copayment increases would therefore prevent DoD from reaping expected savings that CBO estimates, based on information from DoD, will be $96 million in 2008.

In total, CBO estimates that implementing section 702 would increase mandatory spending by $198 million in 2008.

Discount drug pricing

Under current law, DoD is one of several federal agencies that receives from pharmaceutical makers a significantly reduced price for drugs on the Federal Supply Schedule (FSS). Through this program, DoD is able to procure at a discount the drugs that it provides to beneficiaries through its hospital pharmacies and mail-order program. However, under DoD's TRICARE programs, beneficiaries can also fill prescriptions at retail pharmacies. Many drug manufacturers have refused to provide discounted prices to DoD for medications provided to beneficiaries in that manner.

Section 703 would give DoD the authority to exclude from its pharmacy benefits program any drug that is not provided by the manufacturer at a discounted price. DoD has estimated that receiving FSS rates could provide annual savings of $365 million for prescriptions filled at retail pharmacies by beneficiaries in the TRICARE For Life program (generally, those people age 65 and over).

However, the authority provided in this section would not directly give DoD access to FSS prices on purchases covered by TRICARE at retail pharmacies. Furthermore, TRICARE has consistently maintained a relatively open formulary, providing beneficiaries and their doctors a choice of competing drugs. As a result, it is unclear whether or to what extent DoD would use the authority provided in section 703 to obtain savings. CBO expects that any savings under this provision would be significantly less than the projected savings based on FSS rates. (See the section under "Spending Subject to Appropriation" for CBO's evaluation of this provision on the discretionary TRICARE program.)

Transfer from the national defense stockpile fund

Section 423 would require the Secretary of Defense to transfer $150 million from the unobligated balances of the National Defense Stockpile Transaction Fund to the Miscellaneous Receipts Fund of the U.S. Treasury. The transfer would not affect federal spending because CBO estimates that those balances will not be spent over the 2008–2017 period under current law.

Death gratuity for Federal civilians

Section 1105 would authorize payments of $100,000 to the families of federal civilian workers who were killed either while serving with the armed forces or in terrorist acts. The benefit would apply to deaths that occurred on or after October 7, 2001. Because the

benefit would be retroactive, CBO considers those payments to be direct spending, since the relatives of those victims would be entitled to claim the gratuity upon enactment of the bill. Based on information from the Departments of Defense and State, CBO estimates that the families of about 20 federal employees would qualify for this benefit by the time this bill is enacted, at a cost of $2 million in 2008. In addition, there would be costs related to deaths that occur after the enactment of this bill, but CBO considers those costs to be discretionary because they would be paid from future appropriations.

Transfer of MGIB–SR from DoD to VA

Section 525 would transfer the Montgomery GI Bill-Selected Reserve (MGIBSR) program from DoD to VA. Because the transfer would change neither the existing benefits nor the incentives to use the program, CBO estimates that there would be no change in direct spending as a result of this provision.

Other provisions

The following provisions would have an insignificant budgetary impact on direct spending:

(1) Section 232 would authorize DoD to allow private companies to use the facilities and equipment at defense laboratories and research centers to promote accelerated development of critical technologies. The bill would allow DoD to charge fees for the use of those facilities and equipment, and to spend any amounts it collected.

(2) Section 342 would extend the period of eligibility for servicemembers who deployed to combat operations to seek the reimbursement for the purchase of helmet pads. To date, the Army and the Marine Corps have received a small number of claims for reimbursement of such items.

(3) Section 511 would set to 38 the maximum number of years of service for reserve officers in the grade of lieutenant general or vice admiral, aligning such limit with that for the active-duty force.

(4) Section 514 would allow the Secretary of the Air Force to defer retirements of some reserve technicians until the age of 60.

(5) Section 522 would increase from 416 to 424 the annual limit on certain Reserve Officer Training Corps (ROTC) scholarships for the Army Reserve and Army National Guard, thereby increasing usage of the MGIB–SR.

(6) Sections 551 through 555 would award medals of honor to several servicemembers who performed acts of bravery in prior conflicts. Those members that are still living would be eligible to receive a pension of $1,000 per month.

(7) Section 571 would extend for three years the authority of the Secretaries of the Army, the Navy, and the Air Force to accept gifts on behalf of members of the armed forces and civilian employees of DoD who are injured in the line of duty.

(8) Section 576 would establish a program to commemorate the 50th Anniversary of the Vietnam War. This provision would authorize the establishment of a fund and allow the Secretary of Defense to accept and spend donations from private parties.

(9) Section 641 would require pre-trial periods of confinement to be counted towards retirement when determining eligibility for retired pay that would be paid to dependents.

(10) Section 643 would require that any amounts paid under the Survivor Benefit Plan that were not appropriately offset against Dependency and Indemnity Compensation to be recouped from survivors only to the extent that they exceed any SBP premiums to be refunded to those same survivors.

(11) Sections 672 and 673 would change the treatment of overseas residence relating to certain immigration benefits for military spouses and children.

(12) Section 843 would require DoD to license military designations and likenesses of weapons systems to toy and hobby manufacturers, and would allow DoD to charge fees to offset the administrative costs of providing such licenses and to spend such fees.

(13) Section 1045 would authorize the DoD to provide nonfederal researchers with small amounts of chemical agents to facilitate research efforts to develop defenses against those chemical agents.

(14) Section 1049 would prohibit DoD from selling parts for the F–14 fighter aircraft, except to museums or to other organizations in the United States that work to preserve F–14 fighter aircraft for historical purposes. (DoD can spend the proceeds from any such sales without future appropriation action.)

(15) Section 1107 would allow some retiring civil service personnel to begin receiving annuities the day after they retire.

(16) Section 1420 would require that the medical condition of servicemembers on the Temporary Disabled Retired List (TDRL) be judged permanent and stable before the members' removal from the TDRL, in cases where the servicemember has completed fewer than 20 years of service and has disabilities rated less than 30 percent.

(17) Section 1625 would clarify the mandatory retirement ages for certain generals and admirals.

Asset sales-National Defense Stockpile

Enacting the bill would lead to increased receipts from the sale of material in the National Defense Stockpile. Those additional sales would reduce direct spending by $410 million over the 2008–2012 period and by $583 million over the 2008–2015 period.

Section 3302 would increase by $130 million the target contained in the National Defense Authorization Act for Fiscal Year 2000 (Public Law 106–65; later revised by Public Laws 108–136 and 109–163) for continual sales of chromium and beryllium from the National Defense Stockpile. CBO estimates that the additional sales would begin in 2010 and that there would be sufficient quantities of those materials in the stockpile to complete those additional sales by 2012. Thus, CBO estimates that this section would increase receipts from stockpile sales by $130 million over the 2010–2012 period.

Section 3302 also would increase by $453 million the target contained in the National Defense Authorization Act for Fiscal Year 1999 (Public Law 105–261; later revised by Public Laws 106–398, 107–107, 108–375, 109–163, and 109–364) for continual sales of tungsten from the National Defense Stockpile, and it would extend sales through fiscal year 2015. CBO estimates that there would be

sufficient quantities of tungsten in the stockpile to achieve additional receipts of $50 million in 2008, $280 million over the 2008–2012 period, and $453 million over the 2008–2015 period.

Revenues

Sections 571 and 576 would allow DoD to accept and spend gifts. Such donations are classified as revenues. CBO expects, however, that enactment of those sections would not have a significant effect on revenues.

Intergovernmental and Private-Sector Impact: Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any legislative provisions that enforce the constitutional rights of individuals. CBO has determined that section 1054 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 H.R. 1585 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).

Increasing the end strength of the armed services

Sections 401 and 412 would increase the costs of complying with existing intergovernmental and private-sector mandates as defined in UMRA, by increasing the number of servicemembers and reservists on active duty. Those additional servicemembers would be eligible for protection under the Servicemembers Civil Relief Act (SCRA) including the right to maintain a single state of residence for purposes of state and local personal income taxes and the right to request a deferral in the payment of certain state and local taxes and fees. SCRA also requires creditors to reduce the interest rate on servicemembers' obligations to 6 percent when such obligations predate active-duty service and allows courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions. Extending these existing protections would constitute intergovernmental and private-sector mandates and could result in additional lost revenues to government and private-sector entities.

The number of active-duty servicemembers covered by SCRA would increase by less than 1 percent in fiscal year 2008. CBO expects that relatively few of these servicemembers would take advantage of the deferrals in certain state and local tax payments; the lost revenues to those governments would be insignificant.

CBO does not have sufficient information to estimate precisely the increase in costs of existing private-sector mandates. Servicemembers' utilization of the various provisions of the SCRA depends on a number of uncertain factors, including how often and how long they are deployed. Nonetheless, because the increase in the number of active-duty servicemembers covered by SCRA would be less than 1 percent, CBO expects that the increased costs to the private sector caused by those new servicemembers utilizing SCRA would be small and below the threshold for private-sector mandates ($131 million in 2006, adjusted annually for inflation).

Prohibiting DoD sale of parts for F–14 fighter aircraft

Section 1049 contains a private-sector mandate as defined by UMRA, because it would prohibit the sale of any parts of the F–14 aircraft by the Department of Defense. It also would prohibit the United States government from issuing an export license for sale of F–14 aircraft parts. Those prohibitions would be a mandate upon U.S. persons or entities that purchased F–14 parts legally from the Department of Defense with intention to resell the aircraft parts.

The cost of the mandate to the private sector, if any, would be the amount certain U.S. persons and entities have already paid to purchase the F–14 parts from the Department of Defense added to the forgone profit attributable to the prohibition of resale of the F–14 parts. From April 2006 to December 2006, F–14 parts were sold for a total of $38,000. As a result, CBO estimates that the cost, if any, to comply with that mandate would be minimal.

Providing benefits to state and local governments: This bill 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.

Previous CBO estimates: On March 14, 2007, CBO transmitted a cost estimate for H.R. 1362, the Accountability in Contracting Act, as ordered reported by the House Committee on Armed Services on March 13, 2007. On March 12, 2007, CBO transmitted a cost estimate for H.R. 1362 as ordered reported by the House Committee on Oversight and Government Reform on March 8, 2007. The version reported by the House Committee on Oversight and Government Reform would authorize additional appropriations for contract management, which CBO estimates would increase the need for discretionary appropriations by $20 billion over the next four years. The version reported by the Committee on Armed Services, which is similar to the provisions in title VIII, subtitle C, of H.R. 1585, would not have a significant effect on discretionary spending.

On March 23, 2007, CBO transmitted a cost estimate for H.R. 1538, the Wounded Warrior Assistance Act of 2007, as ordered reported by the House Committee on Armed Services on March 20, 2007. Title 14 of H.R. 1585 is similar to H.R. 1538, and the estimated costs are the same for both provisions except for the section on the establishment of an information technology system to share medical data between DoD and VA. Section 1421 of H.R. 1535 would require a much less comprehensive system than what would be required under H.R. 1538.

On April 12, 2007, CBO transmitted a cost estimate for H.R. 1441, the Stop Arming Iran Act, as ordered reported by the House Committee on Foreign Affairs on March 27, 2007. Section 1049 of H.R. 1585 is similar to H.R. 1441 and the estimated costs are the same for both provisions.

Estimate prepared by: Federal Costs: Defense Outlays: Kent Christensen. Military Construction and Multiyear Procurement: David Newman. Military and Civilian Personnel: Matthew Schmit. Military Retirement and Education: Mike Waters. Operation and

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Impact on state, local, and tribal governments: Melissa Merrell.

Impact on the private sector: Victoria Liu.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

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