CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 23, 2000

S. 2549

National Defense Authorization Act for Fiscal Year 2001

As reported by the Senate Committee on Armed Services on May 12, 2000

SUMMARY

S. 2549 would authorize appropriations totaling $310 billion for fiscal year 2001 and an estimated $4 billion for 2000 for the military functions of the Department of Defense (DoD) and the Department of Energy. It also 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 for 2000 and 2001 would result in additional outlays of $307 billion over the 2000-2005 period. In addition, the bill contains provisions that would raise the costs of discretionary defense programs over the 2002-2005 period by about $5 billion, assuming appropriation of the necessary sums.

The bill contains provisions that would increase direct spending by an estimated $2.0 billion over the 2001-2005 period and $2.1 billion over the 2001-2010 period. The bill would reduce revenues by $396 million over the 2001-2005 period and $1.2 billion over the 2001-2010 period as the result of a provision that would allow military personnel to participate in the Thrift Savings Plan (TSP). Because it would affect direct spending and receipts, the bill would be subject to pay-as-you-go procedures.

The bill contains private-sector and intergovernmental mandates; however, the costs of those mandates would not exceed the thresholds as specified in the Unfunded Mandates Reform Act (UMRA). The bill also contains other provisions that, while not mandates as defined by UMRA, could have significant financial implications for the private sector and for state, local, and tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2549, excluding discretionary costs for appropriations after 2001, is shown in Table 1.

TABLE 1. BUDGETARY IMPACT OF S. 2549 AS REPORTED BY THE SENATE COMMITTEE ON ARMED SERVICES

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Defense Programs						
Budget Authority[a]	289,218	0	0	0	0	0
Estimated Outlays	282,839	99,278	36,513	15,296	6,707	3,379
Proposed Changes						
Authorization of Supplemental Appropriations						
Estimated Authorization Level[b]	4,396	0	0	0	0	0
Estimated Outlays[b]	2,206	1,017	765	242	93	29
Authorization of Regular Appropriations						
Estimated Authorization Level	0	310,054	0	0	0	0
Estimated Outlays	0	199,118	65,820	24,247	9,333	4,599
Subtotal-Proposed Changes						
Estimated Authorization Level	4,396	310,054	0	0	0	0
Estimated Outlays	2,206	200,135	66,585	24,489	9,426	4,628
Spending Under S. 2549 for Defense Programs						
Estimated Authorization Level[a,b]	293,614	310,054	0	0	0	0
Estimated Outlays[b]	285,045	299,413	103,098	39,785	16,133	8,007
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	1,532	53	106	139	165
Estimated Outlays	0	253	582	635	360	165
CHANGES IN REVENUES						
Change in Income Tax Receipts	0	-20	-61	-83	-106	-126
ASSET SALES						
Estimated Budget Authority	0	0	0	0	-8	-22
Estimated Outlays	0	0	0	0	-8	-22

NOTE: Costs of the bill would fall within budget function 050 (national defense), except for certain items noted in the text.

a. The 2000 level is the amount appropriated for programs authorized by the bill.

b. The amounts shown here for the 2000 supplemental are the total amounts contained in Senate-reported supplementals, which also contain provisions that would shift certain payments from fiscal year 2001 into fiscal year 2000. The outlay estimate for 2001includes $2,270 million designated as emergency funding. Excluding emergency funds would lower total outlays in 2001 to $297,143 million.

Authorizations of Appropriations

The bill would authorize specific appropriations totaling $310 billion in 2001 (see Table 2) and such sums as may be necessary for supplemental appropriations in 2000. It would also authorize certain payments, which are due to be made in fiscal year 2001, to be paid instead in 2000. Most of those costs would fall within budget function 050 (national defense). S. 2549 would also authorize appropriations of $70 million for the Armed Forces Retirement Home (function 700).

The estimate assumes that the amounts authorized for 2001 will be appropriated by October 1, 2000, and that the authorization of supplemental appropriations would amount to $4 billion, the amount of funding reported in the Senate for 2000 supplementals. (All but $7 million of the supplemental funding is designated as an emergency.) Outlays are estimated based on historical spending patterns.

The bill also contains provisions that would affect various costs, mostly for personnel, that would be covered by the fiscal year 2001 authorization and by authorizations in future years. Table 3 contains estimates of those amounts. In addition to the costs covered by the authorizations in the bill for 2001, these provisions would raise estimated costs by $5 billion over the 2002-2005 period. The following sections describe the provisions identified in Table 3 and provide information about CBO's cost estimates.

Multiyear Procurement Programs. In most cases, purchases of weapon systems are authorized annually, and as a result, DoD negotiates a separate contract for each annual purchase. In a small number of cases, the law permits multiyear procurement; that is, it allows DoD to enter into a contract to buy specified annual quantities of a system for up to five years. In those cases, DoD can negotiate lower prices because its commitment to purchase the weapons gives the contractor an incentive to find more economical ways to manufacture the weapon, including cost-saving investments. Funding would continue to be provided on an annual basis for these multiyear contracts, but potential termination costs would be covered by an initial appropriation.

S. 2549 would authorize DoD to enter into new multiyear contracts for three weapons systems: Blackhawk (UH-60L) helicopters, Knighthawk (CH-60S) helicopters, and Bradley fighting vehicles. (The bill refers to the CH-60S as the Seahawk helicopter, but the Seahawk helicopter was an earlier model used for anti-submarine warfare missions and was designated the SH-60B. The newer Knighthawk model has been designated the CH-60S, and will be used for combat support missions. H.R. 4205, the House version of this bill, refers to the CH-60S as the Knighthawk helicopter.) The Blackhawk and Knighthawk helicopters would be purchased under one contact administered by the Army and covering five years of production beginning in 2002. The contract for the Bradley fighting vehicles would cover three years starting in 2001. S. 2549 would also extend the authorization of multiyear procurement of the Arleigh Burke class destroyer by two years through 2005.

TABLE 2. SPECIFIC AUTHORIZATIONS IN THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2001 AS REPORTED BY THE SENATE COMMITTEE ON ARMED SERVICES

	By Fiscal Year, in Millions of Dollars				
Category	2001	2002	2003	2004	2005
Military Personnel					
Authorization Level	75,632	0	0	0	0
Estimated Outlays	70,035	4,009	832	303	76
Operation and Maintenance					
Authorization Level	109,190	0	0	0	0
Estimated Outlays	80,843	20,862	4,085	1,965	701
Procurement					
Authorization Level	63,276	0	0	0	0
Estimated Outlays	14,331	20,059	14,433	5,685	3,345
Research, Development, Test, and Evaluation					
Authorization Level	39,331	0	0	0	0
Estimated Outlays	21,529	14,118	2,597	727	191
Military Construction and Family Housing					
Authorization Level	8,464	0	0	0	0
Estimated Outlays	2,510	3,063	1,699	689	292
Atomic Energy Defense Activities					
Authorization Level	12,845	0	0	0	0
Estimated Outlays	8,578	3,602	666	0	0
Other Accounts					
Authorization Level	1,224	0	0	0	0
Estimated Outlays	927	159	55	24	14
General Transfer Authority					
Authorization Level	0	0	0	0	0
Estimated Outlays	280	-60	-120	-60	-20
Total					
Authorization Level	309,962	0	0	0	0
Estimated Outlays	199,033	65,812	24,247	9,333	4,599

TABLE 3. ESTIMATED AUTHORIZATION OF APPROPRIATIONS FOR SELECTED PROVISIONS IN S. 2549 AS REPORTED

Category	By Fiscal Year, in Millions of Dollars 2001	2002	2003	2004	2005
MULTIYEAR PROCUREMENT					
Blackhawk and Knighthawk	0	-12	-9	-20	-45
Bradley Fighting Vehicle	-8	-29	-42	0	0
Arleigh Burke Destroyer	153	0	0	-192	-93
MILITARY ENDSTRENGTHS					
Department of Defense	-145	-299	-309	-319	-328
Coast Guard Reserve	75	0	0	0	0
Grade Structure	4	8	8	8	8
COMPENSATION AND BENEFITS (DOD)					
Expiring Bonuses and Allowances	358	266	145	106	71
Housing Allowances	319	606	909	1,228	1,563
Increases in Special Pays and Bonuses	204	202	197	197	199
Travel and Transportation Allowances	16	16	17	18	18
Involuntary Separation Pay	-29	-29	-31	-32	-33
TSP Contributions	1	6	11	18	26
Other Compensation Provisions	9	11	11	11	9
MILITARY HEALTH CARE					
Expansion of Pharmacy Program	49	87	137	161	189
Tricare Prime Remote	50	52	54	55	57
Copayments Under Tricare Prime	38	39	39	39	40
Increased Survivor Benefits	6	6	7	7	7
Chiropractic Care	13	33	35	36	37
Patient Safety	20	10	10	5	5
Other Health Care Provisions	0	-1	5	8	9
OTHER PROVISIONS					
Economic Assistance for Vieques	a	50	0	0	0
Naval Vessel Transaction Fund	60	0	0	0	0
Payments to Veterans of Bataan and Corregidor	17	16	16	2	2
Other Provisions	9	15	15	8	6
BILL TOTAL					
Estimated Authorization Level	1,219	1,053	1,225	1,344	1,747

NOTE: For every item in this table except two, the 2001 impacts are included in the amounts specifically authorized to be appropriated in the bill. Those amounts are shown in Table 2. Only the authorization of endstrength for the Coast Guard Reserve and the payment to veterans of Bataan and Corregidor are additive to the amounts in Table 2.

a. The bill would authorize the appropriation of $40 million in either 2001 or in a supplemental for 2000. Table 1 includes that amount in 2000.

CBO estimates that savings from buying the Blackhawk and Knighthawk helicopters under a multiyear contract would total $86 million or an average of about $22 million a year over the 2002-2005 period. Funding requirements would total just under $2.2 billion instead of the almost $2.3 billion needed under annual contracts. Similarly, CBO estimates that the Army would save $79 million, or about $26 million a year, through 2003 under a multiyear contract for Bradley fighting vehicles, which would cost about $0.9 billion over that period under current law. CBO estimates that extending the Arleigh Burke destroyer multiyear contract would save the Navy an additional $132 million between 2001 and 2005. Those estimates are based on actual savings from multiyear procurement of similar systems and the assumption that annual production will be at the levels planned by the Administration for each of these programs.

Endstrength. The bill would authorize active and reserve endstrengths for 2001. The authorized endstrengths for active-duty personnel and personnel in the selected reserve would total about 1,381,600 and 866,000, respectively. The bill would specifically authorize appropriations of $75.6 billion for military pay and allowances in 2001. The reduction in authorized personnel would decrease costs for salaries and other expenses by $145 million in the first year and about $320 million annually in subsequent years, compared to the authorized strengths for 2000.

Also, the bill would authorize an endstrength of 8,500 in 2001 for the Coast Guard Reserve. This authorization would cost about $75 million and would fall under budget function 400, transportation.

Section 415 would change the grade structure of active-duty personnel in support of the reserves. This change would not increase the overall strength, but would result in more promotions. The provision would cost $4 million in 2001 and $8 million a year in subsequent years.

Compensation and Benefits. S. 2549 contains several provisions that would affect military compensation and benefits.

Pay Raises. Section 601 would raise basic pay by 3.7 percent at a total cost of about $1.5 billion in 2001. Because this pay raise would be the same as the one projected under current law and assumed in its baseline projections, CBO estimates no incremental costs.

Expiring Bonuses and Allowances. Several sections would extend for one year DoD's authority to pay certain bonuses and allowances to current personnel. Under current law, these authorities are scheduled to expire in December 2000, or three months into fiscal year 2001. CBO estimates that the cost of these extensions would be as follows:

- Payment of reenlistment bonuses for active-duty personnel would cost $193 million in 2001 and $111 million in 2002; enlistment bonuses for active-duty personnel would cost $65 million in 2001 and $50 million in 2002.

- Various bonuses for the Selected and Ready Reserve would cost $48 million in 2001 and $55 million in 2002;

- Special payments for aviators and nuclear-qualified personnel would cost $44 million in 2001 and $47 million in 2002; and

- Authorities to make special payments to nurse officer candidates, registered nurses, and nurse anesthetists would cost $8 million in 2001 and $3 million in 2002.

Most of these changes would result in additional, smaller costs in subsequent years because payments are made in installments.

Housing Allowances. Sections 605 and 606 would increase housing allowances for servicemembers within the United States. The combination of these provisions would cost $319 million in 2001 and $4.6 billion over the 2001-2005 period.

Section 605 would revise the calculation of Basic Allowance for Housing (BAH) within the United States by no longer requiring that housing allowances be limited to 85 percent of the cost of adequate housing in the United States. DoD plans to gradually increase BAH over 5 years to reach 100 percent of that cost by 2005. Based on that plan, CBO estimates that higher BAH payments would cost $274 million in 2001 and $4.4 billion over the 2001-2005 period.

Section 606 would allow the Secretary of Defense to pay BAH to certain enlisted members without dependents in pay grade E-4, who are assigned to sea duty and who sleep aboard ship when it is in port and quarters on base are unavailable. Based on the Navy's plan to implement this authority, CBO estimates that paying BAH to these enlisted members would cost $45 million in 2001 and total $236 million over the 2001-2005 period.

Increases in Special Pays and Bonuses. Sections 619 through 621 would revise certain eligibility criteria and pay for personnel with special skills. Those provisions would raise maximum pay rates for servicemembers performing career sea duty and certain enlisted personnel performing special duty, including recruiters. Also, the bill would allow the Navy, Marine Corp, and Air Force to pay an enlistment bonus, up to $6,000, to certain personnel with critical skills who enlist for at least two years. Under current law, only the Army may offer this two-year enlistment bonus. Authority to pay this enlistment bonus would expire

December 31, 2001. These changes would cost $204 million in 2001 and about $200 million annually in subsequent years.

Travel and Transportation Allowances. Section 631 would eliminate the reimbursement for temporary lodging expenses currently authorized to certain enlisted members assigned to their first permanent duty station. CBO estimates that ending this authority would save about $25 million a year. Under section 651, the Secretary could reimburse recruiters and other military and civilian employees assigned to certain duties for parking expenses. CBO estimates that the cost of paying these parking fees would be $41 million in 2001 and similar amounts in subsequent years. On balance, CBO estimates that these provisions would cost $85 million over the 2001-2005 period.

Involuntary Separation Pay. Section 563 would reclassify as voluntary the discharges of military officers who refuse an offer of selective continuation after being twice passed over for promotion. Currently, such individuals receive involuntary separation pay of, on average, $55,000. CBO estimates that about 520 officers a year would lose separation pay under this provision for a savings in 2001 of $29 million. The five-year savings would be about $150 million.

TSP Contributions. Under section 643, the Secretary of Defense could make contributions to the TSP for military personnel in designated occupational specialties who commit to serve on active duty in that specialty for a period of six years. Based on DoD’s use of similar authority to award bonuses for enlistment or reenlistment, CBO estimates that the discretionary costs for the agency contributions to TSP would total $1 million in 2001 and about $60 million by 2005, based on an effective date of April 1, 2001.

Other Compensation Provisions. Section 616 would allow the Secretary of Defense to pay certain pharmacy officers between $3,000 and $12,000 a year in special pay, depending on their training and years of service. In addition, the provision would authorize a bonus of up to $30,000 for certain pharmacy officers who agree to serve for a period of at least four years. The authority to pay the accession bonus would expire September 30, 2004. CBO estimates that these new payments to pharmacy officers would cost $4 million in 2001 and total $26 million over the 2001-2005 period.

CBO estimates that under section 608 increases in allowances paid to officers for purchasing uniforms and equipment would cost $5 million a year.

Military Health Care. Title VII contains several provisions that would affect DoD health care and benefits. Tricare is the name of DoD's three-part health care program: Tricare Prime is a managed care option; Tricare Extra is a preferred provider program; and Tricare Standard is a fee-for-service program of other participating providers.

Expansion of Pharmacy Program. Under current law, pharmacy benefits are somewhat limited in scope for military beneficiaries who are eligible for Medicare. Retirees and survivors over age 64 who use military treatment facilities (MTFs) can have their prescriptions filled for free if the MTF pharmacy carries the pharmaceutical products. All beneficiaries over age 64 are eligible, but only retirees who live close to MTFs tend to use this pharmacy benefit intensively. Certain retirees over the age of 64 and who were affected by base closures have options to use a mail order program or DoD's network of pharmacies.

Section 731 would allow all retirees age 65 and over to use the national mail order pharmacy (NMOP) and any retail pharmacy that is part of the Tricare network. The bill would also allow DoD to charge copayments and fees for pharmaceuticals, but does not specify what those charges are to be. Currently, DoD charges $8 for a 90-day prescription from NMOP and 20 percent of DoD's cost for a 30-day prescription filled at a network pharmacy. CBO uses those cost assumptions in estimating the cost of this provision.

CBO estimates that this proposal would cost $49 million in 2001 and $623 million over the 2001-2005 period. Although this proposal would apply to all retirees and survivors over age 64, those who currently use MTFs to fill their prescriptions would be unlikely to use the benefit. Having one's prescription filled at an MTF is free, and current users would be unlikely to switch. Beneficiaries who lived near an MTF that was closed are already eligible for this benefit, often called the BRAC benefit (where BRAC is short for base realignment and closure), and are not counted in this estimate. Beneficiaries with health insurance that covers prescription drugs would be ineligible to participate, though some of those people would likely drop that portion of their health insurance in favor of the new benefit. After adjusting for MTF use patterns, those who already have prescription drug insurance, and those who do not use prescription drugs, CBO estimates that a little more than 360,000 additional people would use this benefit if S. 2549 became law.

CBO used survey data from DoD and information from the Office of Personnel Management on prescription drug use by Medicare-eligible annuitants to estimate how intensively new beneficiaries would use the new pharmacy benefit. We estimate that usage would initially be low: about two mail-order prescriptions and three network prescriptions per beneficiary in 2001. Because of rising prescription drug prices and increased familiarity with the program, CBO estimates that six mail-order and nine network prescriptions per beneficiary would be filled by 2010.

Tricare Prime Remote. Under current law, members of the armed forces on active duty who live far enough away from an MTF are eligible to participate in what DoD calls Tricare Prime Remote. This program allows such personnel to receive care without facing the co-insurance and deductibles that they would otherwise face if they used Tricare Standard. To implement the program, DoD either establishes a network of providers for the active-duty personnel, or it waives the copayments and deductibles when claims are filed under Tricare Standard. In many cases, where the cost of setting up networks is more costly than the cost of waiving such payments, DoD just waives the deductibles and co-insurance.

Section 711 would grant the Tricare Prime Remote benefit to dependents of members of the armed forces on active duty and to other members of the uniformed services (e.g., uniformed members of the Public Health Service) and their dependents. Using data from DoD, CBO estimates that roughly 71,000 people in remote locations already use Tricare Standard or Extra. DoD's only additional cost for those beneficiaries would come from waiving the co-insurance and deductibles. CBO expects that almost 4,000 people who do not currently use Tricare insurance would enroll in Tricare Prime Remote under the bill because of the lower out-of-pocket costs. Those beneficiaries would cost DoD significantly more per person. CBO estimates that establishing Tricare Prime Remote for the 75,000 new beneficiaries would cost $50 million in 2001 and $268 million over the 2001-2005 period.

Copayments Under Tricare Prime. Under current law, beneficiaries who use MTFs do not need to make any copayments, but beneficiaries enrolled in Tricare Prime, the military health care system's managed care option, are required to make copayments whenever they visit a civilian doctor. In 1999, dependents of active-duty personnel who are enrolled in Tricare Prime saw civilian doctors about 2.4 million times. Section 712 would eliminate the requirement for those copayments. (Beneficiaries who use Tricare Standard or Extra would still have to pay the applicable co-insurance amounts for each civilian visit.)

CBO estimates that this change would cost $38 million in 2001 and $195 million over the 2001-2005 period. Reimbursing Tricare insurance providers for lost revenue would compose about 70 percent of DoD's cost. The remaining 30 percent of the estimated cost results because the lack of cost sharing would likely increase the number of visits to civilian doctors.

Increased Survivor Benefits. Section 735 would extend the time certain survivors are eligible for medical and dental benefits from one year to three years. Using data from DoD, CBO estimates that about 1,500 people each year would be affected by this provision. Since each person has an additional two years of benefits, the effect is equivalent to adding 3,000 beneficiaries each year. The average cost to DoD for these people is $1,920 per person. CBO estimates that this provision would cost about $6 million in 2001 and $33 million over the 2001-2005 period.

Chiropractic Care. Section 737 would require DoD to provide chiropractic care to all Tricare Prime enrollees by October 1, 2001. CBO estimates that the provision would cost $13 million in 2001 and $154 million over the 2001-2005 period.

Patient Safety. Section 721 and section 739 would require DoD and the Department of Veterans Affairs (VA) to set up a joint process for tracking and reporting mistakes in the provision of health care that endanger patient safety. VA is already working on reporting and tracking medical mistakes, and CBO believes that those efforts would satisfy most of the requirements of this provision. DoD is also working on reporting and tracking medical mistakes, but is not as far along as VA. Simple reporting is part of DoD's current effort to improve services, but more complex reporting would likely require substantial investments in information technology. CBO estimates that this provision would cost DoD about $50 million over the 2001-2005 period, primarily for the purchase of computer equipment and software support.

Other Health Care Provisions. Title VII also contains several proposals that would cost relatively little over the 2001-2005 period, including some temporary authorities and demonstration projects. CBO estimates that implementing all of these additional health care provisions would save $1 million in 2001 and cost $16 million over the 2001-2005 period.

The Congress authorized a demonstration program, called Tricare Senior Supplement, at two sites during a period ending December 2002 where Tricare acts as second-payer to Medicare for those beneficiaries who have enrolled in the program. Enrollment for the demonstration program began in March of 2000. Enrollees must pay a fee and are no longer eligible to use MTFs. Section 701 would extend the demonstration program through the end of calendar year 2005. CBO estimates that this provision would cost $17 million over the 2003-2005 period and an additional $2 million in 2006. Those costs would be discretionary, but extending this demonstration program would also raise Medicare costs because better insurance tends to increase the use of health care. CBO estimates that the Medicare costs of Tricare Senior Supplement would be $3 million over the 2003-2005 period (and less than $500,000 in 2006).

Other health care provisions that would have discretionary budgetary effects are as follows:

- Section 704 would require DoD to lower the enrollment fee for a pilot pharmacy program. CBO estimates that this provision would cost $1 million a year over the 2001-2005 period, assuming that the enrollment fee would drop from $200 to $100.

- Section 732 would allow DoD to pay for domiciliary and custodial care for certain Medicare-eligible beneficiaries. CBO estimates that the cost of this proposal would be about $1 million a year.

- Section 733 would allow all recipients of the Medal of Honor and their dependents to have access to the military health system and would cost less than $500,000 a year.

- Section 734 would provide for free health examinations for children age 5 to 12 if required by a school as part of its enrollment process. CBO estimates that this provision would cost less than $500,000 a year.

- Section 736 would extend for two years the authority to employ physicians on a contract basis under certain conditions, including at entrance processing stations. CBO estimates that this provision would save $6 million over the two years.

Economic Assistance to Vieques, Puerto Rico. Title XIII would authorize economic assistance to the island of Vieques, Puerto Rico. It would authorize up to $40 million for 2000 or 2001. The bill would require a referendum, unless certain conditions are met, to determine whether the residents of Vieques approve or disapprove of continued use of the island for Naval training. Depending on the results of the referendum, the bill would authorize another $50 million in economic assistance. For the purposes of this estimate, CBO assumes that the full amounts will be appropriated over the 2000-2002 period.

Naval Vessel Transaction Fund. The bill would authorize the transfer of 17 naval vessels to foreign countries. The bill would authorize the sale of eight vessels by installments to be paid over a number of years. The other nine would be given away.

CBO estimates the transfers would not affect outlays because it does not expect any of the authorized sales to take place under the bill and because there would be no forgone receipts from giving away the other nine vessels. If the government did sell the eight ships in installments of more than 90 days, such sales would meet the definition of direct loans subject to the requirements of the Federal Credit Reform Act of 1990 and would require an appropriation for the cost of the subsidy, which the bill would authorize in such sums as would be necessary. CBO estimates that the subsidy authorization would amount to about $60 million based on information from the Department of Defense and military attaches that the asking price for the eight ships would be approximately $360 million. Because CBO expects that the countries would prefer that their ships be produced locally, we expect that the sales of those eight ships and consequent outlays and offsetting receipts would not occur. That is, we estimate no outlays from the $60-million authorization, and no collections of sales receipts.

Payments to Veterans of Bataan and Corregidor. This bill would authorize the Secretary of Veterans Affairs to pay a gratuity of $20,000 to veterans who were held as prisoners of war (POWs) in the Bataan or Corregidor regions of the Philippines during World War II and sent to Japan to perform slave labor. Based on historical records and actuarial data about veterans, CBO estimates that in 2000 about 3,000 veterans and survivors would be eligible to receive the $20,000 benefit that S. 2549 would authorize. However, notifying veterans of the new benefit and adjudicating their claims would delay the award of benefits to eligible beneficiaries. Additional deaths during this delay would reduce the pool of eligible veterans and survivors and thus reduce the cost of the bill. CBO estimates that about 2,700 beneficiaries would collect benefits, resulting in a cost of $54 million over the 2001-2005 period. CBO estimates that each year during the 2001-2003 period, 30 percent of the eligible beneficiaries would receive the benefit. For 2004 and 2005, CBO assumes that 5 percent would receive a payment.

Other Provisions. The bill contains other provisions that would have smaller effects on discretionary costs.

Tuition Reimbursement for Civilians. Section 1104 would extend for five years a program to reimburse certain civilians in the acquisition workforce for tuition expenses. Based on recent funding levels for that program, CBO estimates that implementing section 1104 would cost about $6 million a year starting in 2002.

National Defense Panel. Section 904 would authorize the Secretary of Defense to establish a National Defense Panel in 2004 and every four years thereafter to recommend a 10- and 20-year defense plan. The panel would be comprised of a chairman and eight other individuals from the private sector who are recognized experts in national security matters. The chairman would have the authority to hire an executive director and staff. CBO estimates that implementing section 904 would cost $2 million in fiscal year 2004.

Special Pay for Foreign Language Proficiency. Section 1102 would allow the Secretary of Defense to provide special pay to persons with foreign language ability that is beneficial to national security interests. The special pay would only apply to those serving in designated positions, and CBO estimates the annual cost of this program would be about $500,000 beginning in 2001.

Western Hemisphere Institute for Professional Education and Training. Section 1204 would repeal the authority for the United States Army School of the Americas and authorize the Secretary of Defense to create a new school to be called the Western Hemisphere Institute for Professional Education and Training. CBO estimates that the budgetary impact would be insignificant because the new institute would occupy the same facilities and have similar functions as the School of the Americas, which CBO estimates to be about $5 million a year.

Nuclear Test Monitoring Equipment. Section 1206 would allow the DoD to give foreign governments equipment for monitoring nuclear test explosions, provided the foreign country agrees to accord the United States full and timely access to inspect and maintain the equipment and to the data it collects. CBO estimates that this provision would have no budgetary impact because it would not affect DoD's authority under current law to install or upgrade U.S. equipment in foreign countries and because giving equipment to a foreign country would not entail any additional receipts or spending. It is possible, however, that issues over ownership are preventing the Air Force from completing some installations on foreign soil. In that case, implementing the bill could lead to more spending to expand the number of detection sites.

Grants to the Red Cross. Section 1054 would authorize DoD to make grants of up to $9.4 million to the Red Cross in each year from 2001 to 2003 if the Red Cross certifies it will spend at least that much from other sources on the Armed Forces Emergency Services program.

Military Housing Privatization Initiative (MHPI). Section 2807 would extend from 2001 to 2004 special authorities to finance the construction and renovation of military family housing. It would authorize DoD to continue to use direct loans, loan guarantees, long-term leases, rental guarantees, barter, direct government investment, and other financial arrangements to encourage private-sector participation in building military housing. Funding for those activities is contained in the Family Housing Improvement Fund and would consist of direct appropriations to the fund, transfers from other accounts, receipts from property sales and rents, returns on any capital, and other income from operations or transactions connected with the program. The amounts in the fund would be available to acquire housing using the various techniques mentioned above, but the total value of budget authority for all contracts and investments undertaken would be limited to $1 billion.

The bill would not explicitly authorize appropriations for the fund, and based on how the Office of Management and Budget (OMB) has treated recent use of the authority, CBO does not estimate any budgetary impact from extending the authorities. However, CBO believes that OMB's current accounting for MHPI initiatives is at odds with government-wide standards for recording obligations and outlays. Those standards call for different treatments depending on the character of the transaction. The OMB accounting treats certain initiatives primarily as matters of credit reform that have relatively little cost in terms of recorded obligations and outlays. In contrast, CBO considers those initiatives as having the characteristics of lease-purchases, which call for recording higher levels of up-front obligations and outlays. The budgetary effect of the Administration's approach (compared to CBO's) is to allow DoD to obligate significantly more federal resources than the $1 billion allocated in the fund for such projects.

Government-Wide Accounting Principles. Some of the options available for use of the Family Housing Improvement Fund involve up-front commitments of government resources that would be spent over a long period of time. According to standard principles of federal accounting, obligations of the fund should reflect the full amount of the financial liability incurred when the government makes such a commitment. In the case of a long-term capital lease or rental guarantee, for example, obligations should equal the total amount of lease or rental payments over the life of the contract, and appropriations to cover the full amount of such obligations should be available before entering into the lease or guarantee. Some commitments could take the form of lease-purchases, which would require the recording of both obligations and outlays up front. For a direct loan or loan guarantee, obligations should equal the estimated present value of federal transactions with the public, excluding receipts from other federal budget accounts that depend on the availability of future appropriations.

Actual Accounting for Current DoD Projects. To date, DoD has signed contracts for four projects and will soon finalize 12 others. The common thread among the projects so far is that regular appropriations directly finance only a small portion of the construction costs; most costs initially are paid by developers, who borrow funds from private markets. The developers will repay the loans from the government and the private sector using rent received from servicemembers who pay their housing costs with their allowances, which are provided as part of appropriations for military personnel. If rents exceed the service-members' housing allowances, DoD can make up the difference. The four projects underway are as follows:

- Lackland Air Force Base (AFB), Texas: In exchange for the construction of 420 housing units, the Air Force provided the contractor with a long-term lease of federal land, a direct loan of $11 million, and a guarantee of a private-sector loan ($30 million) against base closure, downsizing, and substantial redeployment of units based at Lackland. The Administration recorded an obligation of $6 million for the transaction.

- Fort Carson, Colorado: For construction of 840 units and renovation of 1,800 others, the Army provided a long-term lease of federal land, title to existing housing, and a $220 million loan guarantee against base closure, downsizing, and substantial redeployment. The Administration recorded an obligation of $10 million for the transaction.

- Naval Station Everett, Washington: For construction of 185 units and a share of proceeds and equity, the Navy provided an equity investment of $6 million and funds the difference between the rent and the member's housing allowance. Occupants have the right to purchase the units at below-market prices during the last five years of the 10-year partnership. The recorded obligation totaled $9 million from the equity investment ($6 million) and the differential lease payments ($3 million).

- Corpus Christi, Texas: In exchange for 404 units of off-base housing and a share of proceeds and equity, the Navy provided an equity investment of $10 million and funds the difference between the rent and the member's housing allowance. The recorded obligation amounted to $19 million from the equity investment ($10 million) and the differential lease payments ($9 million).

Thus, for these four projects DoD obtained about $320 million worth of housing at the expense of $44 million in up-front obligational authority. Because servicemembers will make monthly housing payments using funds appropriated to the military personnel accounts, the Administration's accounting will also result in a budgetary cost of $320 million, although such costs will occur over a much longer time frame. That is, the Administration is choosing to record the costs of the projects incrementally over time, rather than up front, as required by the scorekeeping guidelines. In contrast, CBO's approach would record such costs up front. In future years, this approach would reduce the amount of budget authority and outlays the Administration would need to record each year in the military personnel accounts, since such costs were already recorded.

MHPI Under Government-Wide Accounting Principles. The principles guiding the accounting for programs like the MHPI are defined in the conference report to the Balanced Budget Act of 1997 (H. Rept. 105-217, pages 1007-1012). CBO believes that the four listed projects meet the criteria stated in the scorekeeping guidelines for a lease-purchase with substantial government risk. Although current MHPI projects employ tools like direct loans, they are more fundamentally projects that achieve the practical effects of government ownership of the properties. Thus, up-front scoring of obligations and outlays is more appropriate than the methods of credit reform.

In CBO's view, those guidelines require the up-front accounting of obligations and outlays for those four projects and for other similar projects this bill would make possible. First, the construction is occurring on federal land for at least two of the four projects. Second, the private-sector market for the housing will be sharply constrained. On-base housing will probably be restricted to military personnel for security and other such reasons. Off-base housing must first be offered to servicemembers over civilians, and since demand for on-base housing exceeds supply, the practical effect would likely be the same as for a federally constructed facility. Third, although DoD is not providing an open-ended guarantee of third-party financing, it is essentially committing itself to providing tenants. Finally, DoD is providing the developers with significant portions of their up-front equity, including direct loans and cash investments.

In sum, the lease-purchase criteria clearly apply to the two projects on government property (Lackland AFB and Fort Carson). The proper treatment of the other two projects is less clear, but on balance, CBO believes that they too are the equivalent of lease-purchases with substantial government risk because the housing units will be built or renovated for governmental purposes and would be based on a significant financial commitment by the government. On that basis, the true, up-front obligations and outlays from current projects are higher than were recorded, as would be the obligations and outlays from future projects if they are recorded the same way.

Table 4 shows how CBO believes these projects should be recorded in the budget, compared to the approach used by the Administration.

TABLE 4. ILLUSTRATIVE SCORING OF MHPI AUTHORITIES FOR FOUR PROJECTS

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
Administration Approach to Scoring						
Estimated Obligation	44	0	0	0	0	0
Estimated Outlays	24	7	4	1	1	1
CBO Approach to Scoring						
Estimated Obligation	320	0	0	0	0	0
Estimated Outlays	100	160	50	1	1	1

SOURCE: Congressional Budget Office based on information from the Department of Defense.

NOTE: This table illustrates the approach that the Administration uses for recording obligations and outlays for four MHPI projects compared to the approach that CBO believes would be in keeping with government-wide accounting principles. The four projects are family housing initiatives at Lackland AFB, Ft. Carson, Naval Station Everett, and Corpus Christi. For illustrative purposes, we assume the obligations for the four projects occur in 2000 even though actual obligations occurred in other years.

Direct Spending

The bill contains several provisions that would affect direct spending. We estimate that the direct spending from provisions of S. 2549 would total about $2.0 billion over the 2001-2005 period (see Table 5).

TABLE 5. ESTIMATED DIRECT SPENDING IN S. 2549 AS REPORTED

	By Fiscal Year, Outlays in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN DIRECT SPENDING						
Aircraft Carrier Overhaul	0	221	529	529	221	0
Medicare Subvention	0	20	35	45	60	80
FEHB Demonstration (Premium Payments)	0	7	11	48	63	67
FEHB Demonstration (Medicare)	0	1	1	4	6	6
Tricare Senior Supplement (Medicare)	0	0	0	1	1	1
Lease Payments	0	1	2	4	5	6
Commissary Funding	0	2	2	2	2	2
Reserve Retirement	0	1	1	1	1	1
Utility Reimbursement	0	a	1	1	1	1
Total	0	253	582	635	360	165

NOTE: FEHB = Federal Employee Health Benefits Program.

a. Less than $500,000.

Nuclear Aircraft Carrier Refueling. Section 125 would authorize appropriations of $703 million for a program to refuel and overhaul a nuclear aircraft carrier (CVN-69), but it would also authorize the Secretary of the Navy to enter into a contract for the full cost of that program before full funding is available. CBO estimates that second provision would constitute contract authority (a form of direct spending) for the full cost of the program, about $1.5 billion. Despite the authorization of appropriations for 2001, the estimated impact on direct spending would be the full $1.5-billion cost because the bill would not limit the Navy's authority to obligate that entire amount, which it might do if discretionary funding were not provided.

Medicare Subvention. DoD provides health care to almost 350,000 retirees and survivors who are over age 64 and eligible for Medicare. This health care is provided at MTFs on a space-available basis and includes some services that Medicare does not cover, primarily prescription drugs. Under current law, DoD cannot bill Medicare for the cost of providing health care to those beneficiaries over age 64 except in a demonstration project.

The Congress authorized a demonstration project at up to six sites beginning in January 1998 and ending in December 2000. Under that demonstration, DoD provides care to Medicare-eligible beneficiaries and is reimbursed under certain conditions by the Health Care Financing Administration (HCFA), which administers Medicare. The most important condition is the requirement that DoD maintain a level of effort; any additional care is reimbursable by HCFA up to a cap set in law. This care and reimbursement procedure is known as Medicare subvention. To date, however, HCFA has not reimbursed DoD for any care provided under this program.

Section 702 would increase the number of sites where HCFA reimburses DoD for care to include all major medical centers, and would extend the demonstration project for five more years, through the end of 2005. In the current demonstration project, enrolled beneficiaries use substantially more care than civilians enrolled in Medicare managed care plans. Because these enrollees have a high priority for care in MTFs, Medicare-eligible beneficiaries who now receive space-available care at MTFs and choose not to enroll in the subvention program would not be able to use the MTFs as frequently as they otherwise would. Instead, they would obtain more of their care in the private sector, thus raising costs for the Medicare program because Medicare would be paying for some services that would otherwise be provided at MTFs. CBO estimates that these provisions would cost $20 million in 2001 and $240 million over the 2001-2005 period.

FEHB Demonstration Program. Under current law, military retirees under the age of 65 are eligible to either enroll in DoD's managed care program (Tricare Prime) or use one of its insurance programs (Tricare Standard or Extra). Those who use Tricare Standard or Extra may also seek care at an MTF on a space-available basis. Once retirees turn age 65, they are no longer eligible to use Tricare, though they may continue to seek care at an MTF when space is available. The same eligibility rules apply to survivors, who are primarily widows and widowers.

Section 723 would extend a current demonstration project by three years (through December 2005), increase the number of eligible sites, and allow new or extended enrollment in all sites. The demonstration allows up to 66,000 people to enroll in the Federal Employee Health Benefits Program (FEHB) at up to 10 sites, though only about 2,000 people are currently enrolled. Because there would be more sites and increased familiarity with the program, CBO estimates that the program would eventually cover a total of about 13,000 people—10,000 in existing sites and 3,000 in new sites under S. 2549. Expanding coverage to new sites would cost $18 million over 2001 and 2002, and extending the demonstration project for three more years would cost an additional $178 million over fiscal years 2003 through 2005. The government's contribution toward FEHB premiums for beneficiaries under S. 2549 would be direct spending because the bill would add an entitlement benefit.

In addition, extending the demonstration would tend to raise Medicare costs because better insurance coverage often leads to greater use of health care services. That increase would cost an estimated $18 million over the 2001-2005 period.

Tricare Senior Supplement. This program involves Tricare Standard and Extra in a demonstration project for retirees over age 64 and their dependents. The costs to DoD for those programs are treated as discretionary, but expanding them to cover beneficiaries of Medicare would raise direct spending by $3 million over the 2003-2005 period (and by less than $500,000 in 2006). Other costs of Tricare Senior Supplement are discussed above with other spending subject to appropriation.

Lease Payments. Section 2812 would expand DoD's ability to substitute in-kind payments for cash from the lease of its property. It would also allow it to spend all cash receipts it will receive after 2005. The provision would raise direct spending because either offsetting receipts would be forgone or spending would occur without further appropriation. (Offsetting receipts are a credit against direct spending.)

Under current law, DoD can receive in-kind payment for a lease only when the in-kind payment (such maintenance or protective services) is provided at the installation where the property is leased. As a result, in-kind leasing opportunities are limited, and most leases are cash-based arrangements that result in deposits to the Treasury totaling about $12 million annually. Under current law the spending of those receipts is subject to appropriation.

Under the bill, in-kind payment would not be limited to the installation where the property is leased; it could occur at any installation under the control of the Secretary. As a result, DoD's use of in-kind arrangements would increase at the expense of cash-based arrangements, resulting in a loss of offsetting receipts to the Treasury. Thus, the provision would have an immediate impact on direct spending. Because some payments from existing contracts will continue for several years, the loss of receipts in the near term is smaller than in later years. CBO estimates that forgone receipts will total about $1 million in 2001 and increase to $6 million by 2005. After 2005, when the bill would allow DoD to spend all receipts, direct spending would rise to the extent that in-kind payments did not totally replace cash receipts.

Commissary Funding. Section 368 would allow the Secretary of Defense to invest portions of the Commissary Trust Revolving Fund in public debt securities and to spend the proceeds without further appropriation. CBO estimates that spending of the interest earned by the securities would total about $2 million a year.

Reserve Retirement. Section 644 would allow individuals who serve in the reserves after retiring from active duty to have their annuity recomputed when they reach age 60 to reflect current pay tables, any increase in grade or rank, and additional years of service. Based on information from DoD, CBO expects that this provision would affect fewer than 50 current retirees at an annual cost of about $1 million.

Utility Reimbursements. Section 2806 would allow DoD to spend reimbursements for providing utilities and other services at privatized housing units on military installations. Under current law, those receipts will be deposited in the Treasury. CBO estimates forgone receipts would total about $1 million annually.

Timing of Contract Payments. Section 1006 would authorize certain payments on contracts to be made in 2000 instead of 2001. If the bill were enacted soon enough, about $1.2 billion in outlays would shift from 2001 into 2000 with no net effect over the two-year period. CBO assumes that S. 2549 would be enacted too late to have an effect on direct spending. However, S. 2521, a Senate-reported bill containing supplemental appropriations for 2000, has a similar provision, and the outlay effects on discretionary spending of section 1006 are shown in Table 1 along with other outlay effects of the supplemental that would be authorized by S. 2549.

Property Transactions. Title XXVIII contains a variety of provisions that would authorize DoD to convey land to nonfederal entities. These transactions would affect both large and small properties.

Section 2853 would waive payment for a former naval training center conveyed to the state of Maryland. Under current law, the state must pay fair market value for the property, which based on information from the Navy would total less than $500,000. This provision would thus result in forgone receipts.

Section 2854 would convey about 263 acres containing a naval station to the state of Maine or other nonfederal entity. Under current law, the Navy will soon declare this property excess and transfer it to General Services Administration (GSA) for disposal. If GSA does not transfer it to another federal agency or give it to a nonfederal entity for a public use, it will be sold. The Navy has not appraised the property; thus, CBO cannot estimate the extent of any potential forgone receipts.

CBO has not received any information from the Administration on other parcels specified in the bill. Because CBO has no basis for knowing whether these parcels have been or will be declared excess and sold under current law, CBO cannot estimate the extent of any forgone receipts.

Other Provisions. CBO estimates that the following provisions would have little or no budgetary impact:

- Section 1056 would allow DoD to collect and spend fees from the public for providing historical information from its archives.

- Section 1206 would allow DoD to accept contributions from a foreign government and use those funds to install, operate, repair, or maintain monitoring equipment in the United States or foreign territories. The funds would be deposited in an account established by DoD and would be available until expended by DoD for contracts, grants, or other forms of acquisition.

- Sections 372 and 373 would authorize DoD to charge fees for the use of military airfields by civilian aircraft, but it would also allow the department to spend the amounts it would collect.

- Section 3301 would codify certain practices related to oil sales at the Naval Petroleum Reserve.

- Section 375 would extend authority to sell surplus aircraft to state and local governments for wildfire suppression. This authority has existed since 1996 and to date no aircraft have been sold under this law. CBO does not estimate any future receipts.

- Section 642 would increase participation in the Reserve Component Survivor Benefit Plan by requiring certain reservists to obtain spousal consent to waive participation. Spousal consent is already required for reservists over 60 years of age. This provision would make that requirement effective when the reservist is first notified that he or she has completed the years of service required for retirement eligibility. CBO estimates the provision would create a negligible increase in payments to annuitants.

- Section 645 would authorize payment of military retirement to federal judges who are otherwise eligible for military retirement pay. The pay would be retroactive to October 1, 1999. Current law prohibits federal judges on active service from receiving military retirement pay. Based on information from the Department of Justice, CBO believes this provision would apply to 8 individuals and would cost $1 million in 2001. The cost would be less than $500,000 in subsequent years.

- Section 331 would codify and expand a program to encourage private firms to use armament facilities owned by the government; to the extent that the provision would prevent excess property from being sold it would result in forgone receipts.

Revenues

Section 643 would allow members of the uniformed services on active duty and members of the Ready Reserve in any pay status to participate in the Thrift Savings Plan. Contributions would be capped at 5 percent of basic pay. In addition, servicemembers would be able to contribute income they receive in the form of special or incentive pay to the extent allowable under the Internal Revenue Code. This provision would become effective April 1, 2001, assuming an enactment date of October 1, 2000. The Joint Committee on Taxation estimates that the revenue loss caused by deferred income tax payments would total $20 million in 2001 and $1.2 billion over the 2001-2010 period.

Asset Sales

The bill would increase by $30 million the targets contained in the National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261) for stockpile sales through 2005. CBO estimates that there will be sufficient quantities of materials in the stockpile to achieve that objective. Under the Balanced Budget Act of 1997, proceeds from a nonroutine asset sale may be counted for purposes of pay-as-you-go scoring only if the sale would entail no net financial cost to the government. CBO estimates that the nonroutine asset sales that would result from enacting S. 2549 would generate a net savings to the government, and therefore that the proceeds would be counted for pay-as-you-go purposes. Thus, the amounts shown in Table 6 include the proceeds from enacting this bill.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in direct spending and governmental receipts that would result from S. 2549 are shown in Table 6. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains both intergovernmental and private-sector mandates, including one preemption of state law. None of the mandates would impose significant costs; therefore, their costs would not exceed the thresholds established by UMRA ($55 million for intergovernmental mandates and $109 million for private-sector mandates in 2000, adjusted annually for inflation). The bill also contains other provisions that, while not mandates as defined by UMRA, could have significant financial implications for the private sector and for state, local, and tribal governments.

TABLE 6. ESTIMATED IMPACT OF S. 2549 ON DIRECT SPENDING AND RECEIPTS

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	253	582	635	352	143	53	15	17	18	19
Changes in receipts	0	-20	-61	-83	-106	-126	-135	-145	-153	-162	-171

Intergovernmental and Private-Sector Mandates

Title 7 of the bill would extend and expand a provision in current law that contains intergovernmental and private-sector mandates. Specifically, it would require insurers, under certain circumstances, to issue medigap policies to Medicare enrollees who chose to drop coverage from DoD's Federal Employees Health Benefits demonstration program. The bill also would prohibit insurers from discriminating in the pricing of such policies based on an individual's health status or use of care, or from using coverage exclusions for preexisting conditions as long as any lapse in coverage was no more than 63 days. However, because of the relatively limited number of people that could be affected by the provisions, the direct costs of the mandates would be small.

A provision in title 5 would require secondary schools, both public and private, to provide military recruiters with access to students and to student information in the same manner that such access and information is provided to employers and institutions of higher education. However, the governing boards of those schools may vote to deny such access. The requirement to either provide access and information or to opt out of the requirement would be a mandate as defined by UMRA. The costs of complying with that mandate, however, would be minimal.

Other mandates in the bill would affect only state and local governments. The first, a preemption, would give legal effect to military testamentary instruments regardless of the provisions of state law. A testamentary instrument is a version of a will, a document intended to take effect after the death of the person who executes it. Although this provision would preempt state laws, it would impose no costs on state governments.

Title 10 of the bill would modify and expand an existing mandate that requires state and local criminal justice agencies to provide criminal history information to a number of federal agencies. It would allow federal agencies to request information in a greater number of circumstances and it would remove a requirement that fingerprints be submitted to state and local criminal justice agencies for matching purposes. The combination of these changes would increase the number of searches performed by criminal justice agencies and also would increase the number of matches provided to federal agencies. However, criminal justice agencies would be allowed to charge fees that do not exceed the reasonable cost of providing such information through automated name searches. CBO assumes that the majority of federal requests can be fulfilled by doing automated name searches and that the reasonable fees allowed by the bill would cover most of the costs imposed by expanding the mandate.

Other Impacts

Other provisions of the bill would also have a significant impact on state, local and tribal governments, but because they are either conditions of assistance or because the provisions govern federal and not state or local actions, they would not be considered intergovernmental mandates.

Title 3 would require the Department of Defense to seek Congressional authorization before paying environmental fines or penalties that either exceed $1.5 million or are based on the application of economic benefit or size of business criteria. Such fines or penalties can be levied by state and local governments as well as by federal agencies. By requiring specific authorization before any payments are made, this provision could make it more difficult for states and local governments to negotiate for compliance with environmental laws. In any event, it would delay the payment of such fines or penalties.

Finally, a provision in title 5 would deny institutions of higher education federal funds for financial aid to students if military recruitment activities or the operation of the Senior Reserve Officer Training Corps are not allowed on campus. Such conditions of assistance are not considered mandates as defined by UMRA.

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