



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 22, 2009

H.R. 2647 **National Defense Authorization Act for Fiscal Year 2010**

*As reported by the House Committee on Armed Services
on June 18, 2009*

SUMMARY

H.R. 2647 would authorize appropriations totaling \$681 billion for fiscal year 2010 for the military functions of the Department of Defense (DoD), for certain activities of the Department of Energy (DOE), and for other purposes. That total includes \$130 billion for the cost of overseas contingency operations, primarily in Iraq and Afghanistan. In addition, H.R. 2647 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 outlays of \$671 billion over the 2010-2014 period.

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 an average of about \$16 billion annually from 2011 to 2014, assuming appropriation of the necessary amounts.

The bill contains one provision that would have a significant effect on direct spending. Section 422 would repeal section 1002 of Public Law 110-417, the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, which shifted 1 percent of military retirement payments scheduled to occur in September of 2013 to October 2013. CBO estimates that repeal of section 1002 would shift \$43 million in outlays from fiscal year 2014 to fiscal year 2013. That change would have no net effect on budget authority or outlays over the 2010-2014 period or the 2010-2019 period.

Enactment of the bill would not affect revenues.

H.R. 2647 contains both intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the costs of the intergovernmental mandates would not exceed the threshold established in UMRA (\$69 million in 2009, adjusted annually for inflation). CBO cannot determine whether the costs to the private sector would exceed the annual threshold (\$139 million in 2009, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2647 is summarized in Table 1. Almost all of the \$681 billion that would be authorized by the bill is for activities within budget function 050 (national defense). Other costs—some occurring beyond 2010—fall within other budget functions, including: authorizations of \$168 million for the Maritime Administration (function 400—transportation); \$134 million for the Armed Forces Retirement Home (function 600—income security); \$24 million for the Naval Petroleum Reserves (function 270—energy); and \$4.5 million annually through 2015 for the Sikes Act (function 300—natural resources and environment, and function 050—national defense).

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2647 will be enacted near the start of fiscal year 2010 and that the authorized amounts will be appropriated.

Spending Subject to Appropriation

The bill would specifically authorize appropriations totaling \$681 billion in 2010 (see Table 2). Of that amount, \$551.0 billion is for authorizations of regular (non-emergency) appropriations—\$534.1 billion for DoD, \$16.5 billion for atomic energy activities within DOE, and \$0.3 billion for other programs.

Compared to regular appropriations currently enacted for 2009, the 2010 level authorized for DoD would be an increase of \$20.7 billion (4.0 percent), while the level authorized for DOE would be an increase of \$0.6 billion (3.8 percent). The four largest categories of DoD spending would receive increases as follows: military personnel—\$10.8 billion (8.6 percent); operation and maintenance—\$6.5 billion (3.6 percent); procurement—\$5.1 billion (5.0 percent), and research and development—\$0.1 billion (0.1 percent).

TABLE 1. BUDGETARY IMPACT OF H.R. 2647, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2010

	By Fiscal Year, in Millions of Dollars					2010-2014
	2010	2011	2012	2013	2014	
SPENDING SUBJECT TO APPROPRIATION						
Authorization of Regular Appropriations for 2010, primarily for the Departments of Defense and Energy						
Authorization Level	550,962	5	5	5	5	550,980
Estimated Outlays	354,129	125,298	42,897	14,444	5,737	542,505
Authorization of Appropriations for 2010 for Overseas Contingency Operations						
Authorization Level	130,000	0	0	0	0	130,000
Estimated Outlays	66,601	42,418	14,243	3,986	1,283	128,531
Total						
Authorization Level	680,962	5	5	5	5	680,980
Estimated Outlays	420,730	167,716	57,140	18,430	7,020	671,036
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	0	0	0	43	-43	0

Notes: The authorization levels in this table reflect amounts specifically authorized by the bill. The bill also implicitly authorizes some activities in 2011 and future years; 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.

Numbers may not add to totals because of rounding.

The \$130 billion that would be authorized for overseas contingency operations—primarily for military operations in Iraq and Afghanistan—represents a decrease of about \$14 billion (roughly 10 percent) compared to the amount currently appropriated for 2009 for those operations. The decreases are primarily in accounts for military personnel and procurement.

The bill also contains provisions that would both increase or decrease the cost of defense discretionary programs in future years. Most of those provisions would affect end strength, military compensation, health benefits, and multiyear procurement authorities.

The estimated costs of those provisions are shown in Table 3 and discussed below. The following discussion does not address the timing of outlays from those estimated authorizations.

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

Title IV would authorize active and reserve end-strength levels for 2010 and would set the minimum end-strength authorization in permanent law.

Under title IV, the authorized end strengths in 2010 for active-duty personnel and personnel in the selected reserves would total about 1,410,000 and 855,000, respectively. Of those selected reservists, about 78,900 would serve on active duty in support of the reserves. In total, active-duty end strength would increase by about 40,200 and selected-reserve end strength would increase by about 6,400 when compared with levels authorized in 2009.

Also, this title would allow DoD to temporarily increase end strength for active-duty personnel in the Army by 30,000 in fiscal years 2011 and 2012 above the level authorized in this bill for 2010.

Active-Duty End Strength. Section 401 would authorize 15,000 additional active-duty personnel for the Army, 8,100 additional active-duty personnel for the Marine Corps, about 2,500 additional active-duty personnel for the Navy, and about 14,700 additional active-duty personnel for the Air Force—which CBO estimates would increase costs to DoD by \$31 billion over the 2010-2014 period. Those costs include the pay and benefits of the additional personnel, as well as costs for operation and maintenance. Costs for procurement and construction are included for the cost of additional personnel in both the Army and Marine Corps to support adding and reorganizing units as part of the Grow the Force initiative.

Army Temporary 30,000 Increase. Section 403 would allow the Secretary of Defense to temporarily increase the Army's active-duty end strength by 30,000 in 2011 and 2012 compared with the level authorized in section 401 for 2010. CBO estimates that the temporary increase in end strength for the Army would raise costs for salaries and other expenses by roughly \$2 billion in 2011, \$4 billion in 2012, and \$2 billion in 2013.

Reserve Component End Strengths. 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 increase in end strength of about 6,400, with the Navy Reserve and Air National Guard losing

personnel while the Army National Guard and Air Force Reserve would see an increase. On net, the number of full-time reservists who serve on active duty in support of the reserves would increase by about 170. 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 \$571 million in 2010 and about \$2 billion over the 2010-2014 period, compared with the authorized end-strength levels for 2009.

Reserve Technicians End Strengths. In addition, section 413 would authorize the minimum end-strength levels for dual-status 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 increase on net by 275 relative to the levels currently authorized. CBO estimates the costs in civilian salaries and expenses that would result from additional military technicians would total about \$120 million over the 2010-2014 period, compared with the minimum end-strength levels for technicians in 2009.

Coast Guard Reserve End Strengths. The bill also would authorize an end-strength level of 10,000 servicemembers in 2010 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.

Compensation and Benefits. H.R. 2647 contains several provisions that would affect military compensation and benefits for uniformed personnel. The bill would specifically authorize regular appropriations of \$135.7 billion for the costs of military pay and allowances in 2010. For related costs due to overseas contingency operations (primarily in Iraq and Afghanistan), the bill would authorize an additional \$13.6 billion for 2010.

Pay Raises. Section 601 would raise basic pay for all individuals in the uniformed services by 3.4 percent, effective January 1, 2010. CBO estimates the total cost of a 3.4 percent military pay raise would be about \$2.4 billion in 2010. Compared with current law (under which CBO estimates the across-the-board increase that will go into effect on January 1 will be 2.9 percent), this section would increase the pay raise in 2010 by an additional 0.5 percent. CBO estimates the incremental cost of this larger raise would be about \$350 million in 2010 and \$2.3 billion over the 2010-2014 period.

TABLE 2. SPECIFIED AUTHORIZATIONS IN H.R. 2647

	By Fiscal Year, in Millions of Dollars					
	2010	2011	2012	2013	2014	2010-- 2014
Authorization of Regular Appropriations						
Department of Defense						
Military Personnel ^a						
Authorization Level	135,723	0	0	0	0	135,723
Estimated Outlays	129,480	5,700	68	14	0	135,262
Operation and Maintenance						
Authorization Level	185,571	0	0	0	0	185,571
Estimated Outlays	134,159	38,599	8,480	2,089	844	184,171
Procurement						
Authorization Level	106,759	0	0	0	0	106,759
Estimated Outlays	28,084	38,970	22,735	8,763	3,498	102,050
Research and Development						
Authorization Level	79,654	0	0	0	0	79,654
Estimated Outlays	43,499	28,670	4,903	1,172	362	78,606
Military Construction and Family Housing						
Authorization Level	23,261	0	0	0	0	23,261
Estimated Outlays	4,375	8,660	5,818	2,465	1,035	22,352
Revolving Funds						
Authorization Level	3,158	0	0	0	0	3,158
Estimated Outlays	2,415	467	147	86	43	3,158
General Transfer Authority						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	700	-150	-300	-150	-50	50
Subtotal Department of Defense						
Authorization Level	534,126	0	0	0	0	534,126
Estimated Outlays	342,712	120,916	41,851	14,439	5,732	525,650
Atomic Energy Defense Activities						
Authorization Level ^b	16,507	0	0	0	0	16,507
Estimated Outlays	11,151	4,327	1,029	0	0	16,507

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2010	2011	2012	2013	2014	2010-- 2014
Other Programs						
Authorization Level ^c	329	5	5	5	5	347
Estimated Outlays	266	55	17	5	5	347
Subtotal, Authorization of Regular Appropriations						
Authorization Level	550,962	5	5	5	5	550,980
Estimated Outlays	354,129	125,298	42,897	14,444	5,737	542,505
Authorization of Appropriations for Overseas Contingency Operations						
Military Personnel						
Authorization Level	13,586	0	0	0	0	13,586
Estimated Outlays	12,892	650	7	2	0	13,551
Operation and Maintenance						
Authorization Level	89,785	0	0	0	0	89,785
Estimated Outlays	48,839	29,964	7,571	1,953	668	88,995
Procurement						
Authorization Level	24,416	0	0	0	0	24,416
Estimated Outlays	4,225	10,932	6,194	1,903	573	23,827
Research and Development						
Authorization Level	410	0	0	0	0	410
Estimated Outlays	211	156	28	6	2	403
Military Construction						
Authorization Level	1,405	0	0	0	0	1,405
Estimated Outlays	145	567	436	145	61	1,354
Working Capital Funds						
Authorization Level	397	0	0	0	0	397
Estimated Outlays	149	189	47	9	3	397

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2010	2011	2012	2013	2014	2010--2014
Special Transfer Authority						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	140	-40	-40	-32	-24	4
Subtotal, Iraq and Afghanistan						
Authorization Level	130,000	0	0	0	0	130,000
Estimated Outlays	66,601	42,418	14,243	3,986	1,283	128,531
Total Specified Authorizations						
Authorization Level	680,962	5	5	5	5	680,980
Estimated Outlays	420,730	167,716	57,140	18,430	7,020	671,036

Notes: This table summarizes the authorizations of appropriations explicitly stated in the bill—in specified amounts. Various provisions of the bill also would authorize activities and provide authorities that would result in additional costs in 2011 and in future years. Because the bill would not specifically authorize appropriations to cover those costs (other than for the Sikes Act, as discussed below), they are not reflected in this table. Rather, Table 3 contains the estimated costs of a select number of those provisions.

Numbers may not add to totals because of rounding.

- a. For purposes of this estimate, CBO assumes that the authorization of appropriation in section 421 for military personnel includes \$10.7 billion for accrual payments for the TRICARE For Life program.
- b. This authorization is primarily for atomic energy activities within the Department of Energy.
- c. These authorizations are for the Maritime Administration (\$168 million), the Armed Forces Retirement Home (\$134 million), the Naval Petroleum Reserves (\$23.6 million), and the Sikes Act (\$4.5 million annually). The authorized level for the Maritime Administration does not include the amounts specified in the bill for maritime loan guarantees or payments to shipping companies under the maritime security program because those programs are authorized for 2010 by existing statute.

Expiring Bonuses and Allowances. Sections 611 through 616 and 662 would extend DoD’s authority to enter agreements to pay certain bonuses and allowances to military personnel. Those bonuses and allowances are scheduled to expire on December 31, 2009. The bonuses covered under sections 611 through 616 would be extended for an additional year, and the recruitment incentives covered under section 662 would continue for three more years. Some bonuses are paid in lump sum, while others are paid in annual or monthly installments over the period of obligated service. Based on DoD’s

budget submission for fiscal year 2010, CBO estimates that extending those authorities would cost \$1.7 billion in 2010 and \$2.8 billion over the 2010-2014 period.

Transportation Allowances. Sections 631 and 634 would improve transportation benefits for certain servicemembers when they make a permanent change of station. Under section 631 military members accompanied by dependents of driving age could ship an additional privately owned vehicle at government expense to or from nonforeign duty stations outside the continental United States. Military bases in Guam, Alaska, and Hawaii would be the primary duty stations affected by this provision. Section 634 would increase the amount of baggage and household goods servicemembers in grades E-5 through E-9 are allowed to move by up to 500 pounds. Based on information from DoD, CBO estimates that providing both those expanded benefits would cost \$50 million in 2010 and \$347 million over the 2010-2014 period.

Post-Deployment/Mobilization Respite Absence (PDMRA) Pay. The PDMRA program was enacted on January 19, 2007, as part of the National Defense Authorization Act for Fiscal Year 2007 (Public Law 109-364) and was fully implemented by October 1, 2007. Section 663 would authorize the Secretary of Defense to pay current and former servicemembers up to \$200 for each day of leave earned under the PDMRA program that was not credited because the program was not yet fully implemented.

The PDMRA program provides additional administrative leave when a member of the armed forces deploys more frequently than the rate specified by DoD rotation policy. Based on information from DoD, CBO estimates that under section 663 DoD would pay about 8,100 former and 14,000 current servicemembers \$200 per day for an average of 13 PDMRA days. Implementing this section would cost \$57 million in 2010. Because this authority would expire after one year, there would be no costs beyond 2010.

Proration of Imminent Danger Pay. Section 618 would allow the Secretary of Defense to prorate certain types of special and incentive pay. Based on information from DoD, CBO expects that DoD would use the authority to prorate imminent danger pay starting in 2011. Under current law, DoD pays \$225 per month to servicemembers who spend any part of a month in areas designated by DoD as qualifying for imminent danger pay. The authority in this section would allow DoD to pay servicemembers a prorated amount for that part of a month that members are in the designated area. CBO estimates that about 10,300 members of the armed forces would earn a partial month of imminent danger pay (i.e., about 4,700 would earn half a month and 5,600 would earn one quarter of a month, on average). Thus, CBO estimates that implementing this section would save \$21 million in 2011 and \$28 million annually over the 2012-2014 period.

**TABLE 3. ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS
IN H.R. 2647**

	By Fiscal Year, in Millions of Dollars					2010- 2014
	2010	2011	2012	2013	2014	
FORCE STRUCTURE						
Active-Duty End Strengths	8,145	7,351	5,513	5,269	5,148	31,426
Army Temporary 30,000 Increase	0	2,133	4,206	2,053	0	8,392
Reserve Component End Strengths	571	545	198	201	206	1,721
Reserve Technicians End Strengths	13	26	27	27	27	120
COMPENSATION AND BENEFITS (DOD)						
Pay Raises	351	481	493	503	511	2,339
Expiring Bonuses and Allowances	1,741	604	139	222	143	2,849
Transportation Allowances	50	71	74	75	77	347
PDMRA Pay	57	0	0	0	0	57
Proration of Imminent Danger Pay	0	-21	-28	-28	-28	-105
National Guard Youth Challenge Program	20	21	21	21	22	105
Other Military Compensation Provisions	22	23	33	33	34	145
DEFENSE HEALTH PROGRAM						
TRICARE Prior to Activation	92	83	63	53	56	347
Chiropractic Care	5	11	12	12	13	53
TRICARE for Grey-Area Retirees	10	5	0	0	0	15
Dental Care for Survivors	2	2	2	2	2	10
OTHER PROVISIONS						
Multiyear Procurement (F/A-18 E/F and EA-18G Aircraft)	2,725	2,907	2,034	0	0	7,666
Multiyear Procurement (DDG-51 Destroyers)	2,020	4,180	2,160	4,470	2,320	15,150
Wage Rates for Construction on Guam	2,100	2,700	2,600	2,500	300	10,200
Renewable Aviation Fuel	0	0	20	80	150	250
Hybrid and Electric Vehicles	30	27	24	20	16	117
School of Nursing	72	15	5	6	6	104
Decontamination of Culebra	0	25	0	0	0	25

Notes: For every item in this table, the 2010 levels are assumed to be included in amounts specifically authorized to be appropriated by the bill (and reflected in Tables 1 and 2). Amounts shown in this table for 2011 through 2014 are not included in Tables 1 or 2 because authorizations for those amounts would be covered by specific authorizations in future years.

Figures shown here may not add to numbers in the text because of rounding; PDMRA = Post-Deployment/Mobilization Respite Absence.

National Guard Youth Challenge Program. Section 593 would authorize DoD to pay a larger share of the cost to operate the National Guard Youth Challenge Program, raising the maximum from 60 percent to 75 percent of the costs. CBO estimates that this change would cost \$20 million in 2010 and \$105 million over the 2010-2014 period.

Other Military Compensation Provisions. CBO estimates that other provisions in titles V and VI would increase DoD military compensation costs by \$145 million over the 2010-2014 period. Those other provisions would:

- Extend stabilization pay to officers who are reassigned to lower grades. Stabilization pay allows servicemembers to retain their existing level of pay when they change military fields and are reassigned to a lower-paying rank.
- Provide a monthly allowance for members with catastrophic injuries or illnesses that are combat related, to defray the cost of either a medical or personal attendant.
- Limit the collection of overpayments of pay and allowances paid in error to servicemembers.
- Extend for two years the expiring authority for a member of the armed forces to accumulate and carry over an additional 15 days of leave earned above the otherwise maximum statutory limit of 60.
- Increase the number of students who may participate in the Health Professionals Scholarship Program and reserve up to 300 scholarships for students in degree programs for mental health care.
- Grant permanent authority for the Secretary of Defense to allow children of members of foreign militaries to attend, tuition free, the schools in Mons, Belgium operated by the Defense Dependents' Education System.

Defense Health Program. Title VII contains several provisions that would affect the health care benefits provided by DoD.

TRICARE Prior to Activation. Section 706 would allow reserve component members and their dependents to receive the same TRICARE benefits as active-duty members for up to 180 days prior to being called-up for active service. Currently, such coverage is limited to 90 days. (Once a reserve member starts his active service, he receives the same pay and benefits as regular active-duty members.) Based on current reserve activation statistics, CBO estimates that in the first full year about 100,000 reserve component

members could benefit from the extra 90 days of TRICARE coverage. An analysis of reserve component survey data indicates that many of those reserve members have access to other health insurance. Based on this information, CBO estimates that only about two-thirds of them would actively use the benefit.

Based on cost data from current TRICARE programs, CBO estimates the cost to provide an additional 90 days of TRICARE benefits would be, on average, about \$2,000 for each participating reserve component member. After accounting for the time needed to issue new regulations, CBO estimates this expanded authority would cost about \$92 million in 2010. Annual costs would decrease over time because CBO assumes the number of activated reserve members will eventually decline. In total, CBO estimates section 706 would cost \$347 million over the 2010-2014 period.

Chiropractic Care. Section 702 would require DoD to provide chiropractic services to all current active-duty members. Currently, chiropractic care is only available to active-duty members at 60 military treatment facilities (MTFs). Based on an analysis of current military base population reports, CBO estimates that about 900,000, or roughly two-thirds, of the 1.4 million active-duty members are currently able to receive chiropractic services.

To estimate the cost of providing care to the rest of the active-duty population, CBO used information from the final report of DoD's chiropractic health care demonstration program, which took place between 1995 and 1999 (Birch and Davis Associates, Inc., 2000). Based on that information, with adjustments for both inflation and expected savings from reduced usage of other forms of health care, CBO estimates that extending chiropractic care to the remainder of the active-duty population would result in 160,000 additional visits to chiropractors each year, at a net cost of about \$55 per visit, or about \$9 million per year.

Section 702 also would authorize a demonstration program to provide chiropractic care to deployed forces. CBO estimates such a program would cost about \$12 million over a five-year period, based on cost data from previous DoD chiropractic demonstration programs. In total, CBO estimates that section 702 would cost \$53 million over the 2010-2014 period.

TRICARE for Grey-Area Retirees. Section 704 would establish a new TRICARE program for reserve component members who have completed 20 years of service but have not yet reached the age of 60 (so called "grey-area" retirees). The program would offer benefits and cost sharing similar to that offered as part of the TRICARE Standard health plan. However, to participate in the program beneficiaries would be required to pay premiums equal to the cost of the services provided. Because the collection of those premiums are

supposed to offset the added costs to DoD, CBO estimates the net cost to the government of this new program should be insignificant over the long-run. DoD would incur some start-up costs related to outreach and changes to personnel databases. CBO estimates those costs would total about \$15 million over the 2010-2011 period, based on start-up costs from the TRICARE Reserve Select Program.

Dental Care for Survivors. Section 703 would extend TRICARE dental benefits to the survivors of members who die on active duty until they reach the age of 21, or, if they are still enrolled in college, age 23. Currently, dental benefits for survivors cease three years after the death of the sponsor. Based on DoD casualty statistics, demographic information, and budget data, CBO estimates this section would allow about 7,000 additional survivors to receive dental benefits through the TRICARE program each year, at an annual cost of about \$300 per person. In total, CBO estimates this extended benefit would cost \$2 million per year.

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 a future Congress to pay for decisions made today.

Section 124 would authorize the Department of the Navy to enter into a multiyear procurement contract for F/A-18 E/F fighter/attack aircraft and EA-18G electronic attack aircraft. The department has not requested multiyear procurement authority, and its

acquisition plans for those aircraft are unclear after 2010. The President's budget includes a request for funding for nine F/A-18 E/Fs and 22 EA-18Gs for 2010, but does not provide information on procurement plans in subsequent years. In the 2009 budget, DoD planned to purchase a total of 89 of those two aircraft models over the 2010-2012 period. If the department enters a multiyear procurement contract to purchase 31 aircraft in 2010 and another 58 aircraft over the 2011-2012 period, costs would total \$7.7 billion, CBO estimates. Because the Navy procured F/A-18 E/F aircraft under two previous multiyear contracts, CBO estimates that new cancellation liabilities for a third such contract would likely be small.

Section 125 would authorize the Department of the Navy to enter into a multiyear procurement contract for DDG-51 Arleigh Burke-class destroyers. In place of continuing procurement of DDG 1000 class ships, the Department has requested funds for restarting DDG-51 production in 2010 (The Navy last purchased a DDG-51 ship in 2005). Based on information from the Defense Department, CBO estimates that the Navy would purchase a total of seven DDG-51 ships over the 2010-2014 period. CBO estimates that if the department used the authority in this section, it would enter a contract to acquire those seven ships at a total cost of about \$15.2 billion.

Wage Rates for Construction on Guam. DoD is realigning U.S. forces from Okinawa and the Japanese mainland to Guam, a process that will increase the number of active duty personnel on the island to about 19,000 from a current level of 6,400 and the number of military family members to about 19,000 from 7,700. That growth in population will require the construction of over \$10 billion worth of new facilities, family housing units, and utilities infrastructure, according to DoD. Section 2833 would require construction firms that get contracts for those projects to pay their workers wages consistent with the labor rates in Hawaii. According to data from the Joint Guam Program Office, wage rates in Hawaii are about 250 percent higher than wage rates on Guam. Because labor costs account for about 40 percent of project costs, increasing wage rates as required by section 2833 would double the cost of completing the construction projects necessary for the realignment of forces.

The costs of realigning forces to Guam is being shared by the U.S. and Japanese governments; DoD will contribute \$4.2 billion, the Japanese will contribute \$2.8 billion, and arrange for third parties to finance \$3.2 billion worth of family housing construction and utility system improvements. Although the cost of all projects would increase, CBO does not expect that the Japanese government would increase its share; thus, the U.S. government would need to provide the additional funds necessary to complete construction. The growth in labor costs that would result from enacting section 2833 would increase the need for discretionary appropriations by about \$10 billion over the 2010-2014 period, CBO estimates.

Renewable Aviation Fuel. Under section 334, DoD would establish a goal to procure from renewable sources, at least 25 percent of the aviation fuel it consumes in the continental United States. (Renewable fuels are produced from plant or animal matter, or from gas emitted from landfills, sewage, or decaying organic matter.) On the basis of its current consumption of aviation fuel, the department would need to procure 12 million barrels of renewable fuel each year to achieve that goal. It would take several years to select a source for such fuel and to conduct the testing necessary to confirm that such fuel would be suitable for use in military aircraft. Thus, CBO assumes that the department would begin purchasing small amounts of renewable aviation fuel in 2012, increasing the amount purchased each year by about a million barrels, until it meets the goal of an estimated 12 million barrels purchased annually by 2025.

Although federal subsidies reduce their price, renewable fuels are more expensive than conventional petroleum products. Biodiesel prices averaged 55 cents more per gallon than conventional diesel over the 2006-2008 period. However, that difference includes the federal biodiesel tax credit and other subsidies that effectively reduce the price of biodiesel by \$1.00 per gallon. Because the federal government cannot benefit from the value of federal tax subsidies, the additional cost for biodiesel for government use over that period would have averaged \$1.55 more per gallon than regular diesel—a 50 percent premium. CBO assumes that DoD would pay a similar premium for renewable aviation fuel compared to the cost of conventional jet fuel.

CBO estimates that DoD would procure a total of 4.5 million barrels of aviation fuel from renewable sources over the 2012-2014 period, at an average of \$55 more per barrel, increasing expenditures on fuel by \$250 million. If DoD achieves the goal of procuring 25 percent of domestically consumed jet fuel from renewable source by 2025, it would expend about \$900 million more per year for fuel than if it relied solely on conventional jet fuel, CBO estimates.

Hybrid and Electric Vehicles. Under section 2842, DoD would increase its procurement or lease of electric or hybrid vehicles to the extent that such vehicles meet the department's needs and are reasonably comparable in cost to vehicles with internal combustion engines over the life of the vehicles. CBO assumes that 25 percent of the vehicles the department acquires in 2010 and after would be electric or hybrid vehicles.

According to information from GSA, the federal government replaces its vehicle fleet on a 10-year cycle. The Department of Defense owns and leases a total of about 190,000 vehicles, and replaces roughly 19,000 of those vehicles each year. Hybrid vehicles cost about \$7,000 more than a conventional vehicle of similar size. If 25 percent of the vehicles replaced each year were hybrid or electric, acquisition costs would increase by

about \$33 million annually compared to the cost of procuring a fleet of all conventional vehicles. The department would begin to realize some savings in fuel costs as hybrid vehicles were fielded, but initially those savings would be minimal because of the small number of hybrids and electric vehicles in the fleet. Over the 2010-2014 period, vehicle acquisition and operation costs would increase by \$117 million.

School of Nursing. Section 933 would establish a bachelor's degree program in nursing at the Uniformed Services University (USU). The school would be required to have 25 or more nurses in its first graduating class, 50 or more nurses in the second graduating class, and 100 or more in each subsequent class. DoD reports that USU does not have the facilities necessary to house the nursing program. CBO estimates that construction of a nursing facility would cost \$84 million. In addition, CBO estimates the cost to run the program over the 2010-2014 period would total \$20 million for faculty salaries, administrative costs, and other expenses. In total, section 933 would cost \$72 million in 2010 and \$104 million over the 2010-2014 period.

Decontamination of Culebra. Section 2815 would repeal a provision in the Military Construction Authorization Act, 1974, that prohibits the use of the former naval bombardment range on Culebra, Puerto Rico, for any purpose that would require decontamination and removal of expended ordnance. Lifting that prohibition would allow the Army Corps of Engineers to clean up the area at a cost of \$25 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Direct Spending

While several provisions in H.R. 2647 would affect direct spending, CBO estimates that, on net, that effect would be insignificant over the 2010-2014 period and the 2010-2019 period.

Shift of Military Retirement Payments. Section 422 would repeal section 1002 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (Public Law 110-417), which shifted 1 percent of military retirement payments from September 2013 to October 2013. Based on the amounts of current outlays for military retirement annuities, and taking into account expected inflation and changes in the number of retirees, CBO estimates that repeal of section 1002 would shift \$43 million in outlays from fiscal year 2014 to fiscal year 2013.

Stockpile Sales. Section 1412 would extend by two years the period to sell cobalt from the National Defense Stockpile as previously authorized in the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85 and most recently revised by Public Law 110-417). That authority is set to expire on September 30, 2009, and CBO

expects that all remaining cobalt will be sold by that date. Thus, CBO estimates that no additional receipts would be achieved by extending the sales through fiscal year 2011.

Other Provisions. The following provisions would have an insignificant effect on direct spending, primarily because they would affect few individuals or because they authorize both the collection and spending of funds so that the net budgetary impact would be quite small.

- Section 503 would forbid any time spent by a member in the Seaman to Admiral program from counting towards the 20 years of service needed to earn a military retirement.
- Section 532 would increase the number of private-sector civilians who may attend the National Defense University. The university has the authority to collect and spend any tuition it receives.
- Section 641 would allow reserve retirees to have their annuities recalculated for any additional time served in an active status after the age of 60.
- Section 642 would allow certain active-duty members who are eligible for retirement and who join the selected reserves to have their retirement annuities recalculated at age 60.
- Section 704 would allow the Secretary of Defense to collect and spend premiums as part of a new health benefit for certain former members who are eligible for a reserve retirement.
- Section 904 would allow certain private-sector employees to attend the Defense Cyber Investigations Training Academy. Under this section, the Secretary of Defense would charge those students tuition and then retain and spend those funds.
- Section 912 would make permanent a pilot program that allows DoD to provide satellite tracking services to non-U.S. government entities. Under this program DoD is allowed to charge fees to cover the costs of providing such services and to spend such fees.

- Section 1303 would allow DoD to accept contributions from the private sector and foreign governments for use on activities associated with the Cooperative Threat Reduction program. Spending of amounts contributed would be subject to appropriations. The authority to accept contributions would expire on December 31, 2012. Any amounts not spent by December 31, 2015 would be returned to the donor.
- Section 2817 would authorize the Secretary of the Air Force to accept contributions from public and private entities to demolish facilities on the former Almaden Air Force Station in California and to restore that property to a natural state. Spending of contributions would be subject to appropriation. CBO estimates that the collections from such authority would not be significant.
- Section 3502 would increase outlays by authorizing the Maritime Administration to make lump-sum payments for unused leave to certain former employees of the U.S. Merchant Marine Academy.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2647 contains both intergovernmental and private-sector mandates as defined in UMRA. CBO estimates that the costs of the intergovernmental mandates would not exceed the threshold established in UMRA (\$69 million in 2009, adjusted annually for inflation). CBO cannot determine whether the costs to the private sector would exceed the annual threshold (\$139 million in 2009, adjusted annually for inflation).

Increasing the End Strength of Active Duty Forces and Expanding Protections under SCRA

Sections 401, 403, and 412 would increase the costs of complying with existing intergovernmental and private-sector mandates by increasing the number of service members and reservists on active duty. Specifically, the number of active-duty service members would increase by more than 40,000 in fiscal year 2010, with an additional increase of 30,000 for the army in fiscal years 2011 and 2012 combined.

Those additional service members would be eligible for existing protections under the Servicemembers Civil Relief Act (SCRA). SCRA includes 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' loan obligations to 6 percent when the acquisition of such obligations predate active-duty service, allows courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions, and precludes the use of a servicemember's personal assets to satisfy the member's trade or business liability while he or she is in military service. Also, section 582 would include additional service contracts, such as those for multichannel video programming and Internet access, in the SCRA provision that allows servicemembers who receive deployment or permanent change-of-station orders to cancel or suspend contracts without incurring early-termination fees.

Extending these existing and proposed protections would impose mandates and could result in lost revenues to government and private-sector entities. CBO estimates that the net impact of the residency provisions on the collection of state and local government income taxes would be small, with some additional costs associated with delayed collections. Because public utilities and other public entities that would be affected by the bill's limitation on fees rarely impose such fees, the costs of those provisions also would be small.

CBO does not have sufficient information to estimate precisely the increased costs on the private sector of complying with the provisions in SCRA. 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. While some of the SCRA protections might affect a greater number of servicemembers, the cost per person could be relatively small. On the other hand, other SCRA protections could have relatively high per-person costs even though they affect a small number of servicemembers. Because the proposed increase in authorized active-duty and reserve end strength is relatively larger than the increases in recent years, CBO cannot determine whether the costs to the private sector would exceed the annual threshold.

Changes to the Family Medical Leave Act

Section 585 would amend provisions of the Family and Medical Leave Act (FMLA) to extend employment benefits of that act to certain service members and veterans. Because governmental and private-sector employers are required to comply with FMLA, the provision would impose both intergovernmental and private-sector mandates. CBO estimates that the costs of those mandates would fall below the annual thresholds established in UMRA.

Preemption of State Law

Section 584 would expand existing protections for servicemembers related to child custody proceedings by prohibiting courts from changing custody orders while a servicemember is deployed and from considering a servicemember's deployment in determining the best interests of the child. CBO estimates the cost of complying with this mandate would be small.

Providing Benefits to State and Local Governments

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

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