CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

December 7, 2020

Honorable John Yarmuth
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Re: Statutory Pay-As-You-Go Effects of H.R. 6395, the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021

Dear Mr. Chairman:

The Congressional Budget Office has completed the enclosed estimate of the statutory pay-as-you-go effects for H.R. 6395, the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, as posted on the website of the House Document Repository on December 3, 2020. CBO estimates that over the 2021-2030 period, enacting H.R. 6395 would increase direct spending by $8.2 billion and increase revenues by $0.3 billion. On net, the legislation would increase the deficit by about $8 billion (see Table 1).[1]

Those effects mainly arise from section 9109 and Division F. Section 9109 would add Parkinsonism, bladder cancer, and hypothyroidism to the list of conditions that are presumed to be associated with exposure to Agent Orange, a blend of herbicides used by the Department of Defense. Veterans who served in the Republic of Vietnam during the Vietnam War who have those conditions would be eligible for disability compensation from the Department of Veterans Affairs. CBO estimates that provision would increase direct spending by almost $8 billion over the 2021-2030 period. That estimate is based on the number of Vietnam War veterans, prevalence rates for the added conditions, the propensity of veterans to apply for disability compensation, and the likelihood that those veterans have other disabilities for which they receive compensation.

Division F would affect both direct spending and revenues. It would require federal banking regulators to take several actions to help reduce money laundering, extend the statute of limitations for recouping amounts from

1. All figures in this letter and the tables are on-budget effects. We estimate H.R. 6395 would not significantly affect off-budget direct spending or revenues.

violators of securities laws, and reduce the maximum allowable size of the Federal Reserve Surplus fund in 2021. CBO estimates that over the 2021-2030 period, Division F would increase direct spending by $283 million and increase revenues by that same amount; thus, the net effect on the deficit would be negligible over that period.

Other provisions in this act would affect direct spending and revenues by small or insignificant amounts.

Because the bill would affect direct spending and revenues, statutory pay-as-you-go procedures apply.

CBO estimates that enacting H.R. 6395 would increase on-budget deficits by more than $5 billion in at least one of the four consecutive 10-year periods beginning in 2031.

H.R. 6395 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The legislation would, among other things, preempt state and local laws, increase the authorized end strength for active-duty personnel, impose maritime regulations, and prohibit certain business transactions. It also would require corporations or limited-liability corporations formed under state or tribal laws to annually report the identity of beneficial owners to the Financial Crime Enforcement Network. Because of the large number of businesses affected and the additional resources needed to file new reports, CBO estimates that the cost of complying with that mandate would be substantial. In total, CBO estimates the cost of the mandates on private-sector entities would exceed the threshold established in UMRA ($168 million in 2020, adjusted annually for inflation). The mandates on state, local, and tribal governments would be more limited in scope, and CBO estimates the costs of those mandates would fall below the threshold established in UMRA ($84 million in 2020, adjusted annually for inflation).

Section 4 of UMRA excludes from the application of that act any legislative provision that would establish or enforce statutory rights prohibiting discrimination. CBO has determined that subtitle B of title XI falls within that exclusion because it would enforce protections for federal employees against discrimination on the basis of race, color, religion, sex, national origin, age, or handicapped condition. Section 4 of UMRA also excludes any provision that enforces Constitutional rights. CBO has determined that section 1086 falls within that exclusion because it would enforce the right of citizens to vote.

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

Sincerely,

Phillip L. Swagel
Director

Enclosure

cc: Honorable Steve Womack
Ranking Member

Honorable Adam Smith
Chairman
Committee on Armed Services

Honorable Mac Thornberry
Ranking Member

Honorable Mark Takano
Chairman
Committee on Veterans' Affairs

Honorable Phil Roe
Ranking Member

Honorable Maxine Waters
Chairwoman
Committee on Financial Services

Honorable Patrick McHenry
Ranking Member

Identical letter sent to the Honorable Mike Enzi, Chairman, Senate Committee on the Budget; Honorable Bernie Sanders, Ranking Member; Honorable James M. Inhofe, Chairman, Senate Committee on Armed Services; Honorable Jack Reed, Ranking Member; Honorable Jerry Moran, Chairman, Senate Committee on Veterans' Affairs; Honorable Jon Tester, Ranking Member; Honorable Mike Crapo, Chairman, Senate Committee on Banking, Housing, and Urban Affairs; and Honorable Sherrod Brown, Ranking Member.

Table 1.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 6395, The William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, as posted on the website of the House Document Repository on December 3, 2020.
https://docs.house.gov/floor/Default.aspx?date=2020-12-07

	By Fiscal Year, Millions of Dollars											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021-2025	2021-2030
	Net Increase in the Deficit											
Pay-As-You-Go Effects	589	825	652	771	815	836	838	849	859	870	3,651	7,901
Memorandum:												
Increases in Outlays	650	868	697	791	835	855	857	868	878	888	3,840	8,184
Increases in Revenues	61	43	45	20	20	19	19	19	19	18	189	283

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those procedures are shown here.

Components may not sum to totals because of rounding.

The pay-as-you-go effects for H.R. 6395 primarily arise from two sources. Section 9109 would add additional conditions to the list of those that are presumed to be associated with exposure to Agent Orange for the purposes of obtaining disability compensation from the Department of Veterans Affairs. CBO estimates that provision would increase direct spending by almost $8 billion over the 2021-2030 period. Division F would require federal banking regulators to take several actions to help reduce money laundering, would extend the statute of limitations for recouping amounts from violators of securities laws, and reduce the maximum allowable size of the Federal Reserve Surplus fund in 2021. CBO estimates that over the 2021-2030 period, Division F would increase direct spending by $283 million and increase revenues by that same amount; thus, the net effect on the deficit would be negligible over that period. Other provisions in this act would affect direct spending and revenues by small or insignificant amounts.

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