**CONGRESSIONAL BUDGET OFFICE**
**COST ESTIMATE**

June 8, 2018

# S. 2987
## John S. McCain National Defense Authorization Act for Fiscal Year 2019

*As reported by the Senate Committee on Armed Services on June 5, 2018*

## SUMMARY

S. 2987 would authorize appropriations totaling an estimated $709 billion for the military functions of the Department of Defense (DoD), for certain activities of the Department of Energy, and for other purposes. In addition, the bill 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 and necessary amounts would result in outlays of $686 billion over the 2019-2023 period.

The bill also contains provisions that would affect the costs of defense programs funded through discretionary appropriations in 2020 and future years. Those provisions mainly would affect force structure, compensation and benefits, the military health system, and various procurement programs. CBO has analyzed the costs of a select number of those provisions and estimates that they would, on a net basis, increase the cost of those programs compared to current law by about $22 billion over the 2020-2023 period. The net costs of those provisions in 2020 and beyond are not included in the total amount of outlays mentioned above because funding for those activities would be covered by specific authorizations in future years.

In addition, CBO estimates that enacting S. 2987 would increase direct spending by $325 million over the 2019-2028 period, primarily from extending and enhancing authorities that federal agencies can use to persuade civilian employees to voluntarily separate from federal service. Enacting the bill also would have an insignificant effect on revenues. Because enacting the bill would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting S. 2987 would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2029.

S. 2987 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate cost of the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($80 million and $160 million respectively in 2018, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 2987 are shown in Table 1. Almost all of the $708 billion authorized by the bill for 2019 would be for activities within budget function 050 (national defense).

Some authorizations, however, fall within other budget functions, including $113 million for a medical facility demonstration fund in function 700 (veterans benefits and services), $64 million for the Armed Forces Retirement Home in function 600 (income security), and additional amounts in other budget functions that contain spending related to civilian employees.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 2987 will be enacted near the start of fiscal year 2019 and that the authorized and estimated amounts will be appropriated each fiscal year.

### Spending Subject to Appropriation

For 2019, S. 2987 would authorize an estimated $708 billion, nearly all of which would be specifically authorized by the bill (see Table 2). Of that amount, $639 billion would, if appropriated, count against that year's defense cap set in the Budget Control Act (BCA), as amended. For costs largely related to Overseas Contingency Operations (primarily in and around Afghanistan, Iraq, and Syria), the bill would authorize $68 billion not subject to that cap. Another $0.2 billion for the Armed Forces Retirement Home and for a medical demonstration program in the Department of Veterans Affairs would count against the nondefense cap.

The total amount that would be specifically authorized for 2019 defense programs is an increase of $15.6 billion (or 2 percent) compared to amounts appropriated for 2018. Authorizations for three of the four major categories of DoD spending would increase: operation and maintenance by $9.9 billion (4 percent), military personnel by $4 billion (3 percent), and research and development by $3.3 billion (4 percent). Authorized funding for procurement would fall by $1 billion (1 percent) compared to the current level of funding, while authorizations for all other categories combined would decline by $0.6 billion (2 percent).

S. 2987 also contains provisions that would affect the cost of various discretionary programs in future years. Most of those provisions would affect end strength (the number of military personnel at the end of a fiscal year), compensation and benefits for service members and civilian employees of the federal government, the military health system, and authorities related to the acquisition of weapons systems. The estimated effects of some of those provisions are shown in Table 3 and discussed below. The following sections discuss how those provisions would affect the need for discretionary appropriations in future years.

**Force Structure.** The bill would affect the force structure of the various military services by setting end-strength levels for 2019. Under title IV, the authorized end strength in 2019 for active-duty personnel would increase by 6,961 to a total of 1,329,461, while the level for personnel in the selected reserves would remain unchanged at 816,900. Of those selected reservists, 81,816 would serve on active duty in support of the reserves, an increase of 3,190 compared with levels authorized under current law for 2019. The specified end-strength levels for 2019 for each component of the armed forces are detailed below with CBO's estimate of the effects of those changes on DoD's personnel and operation and maintenance costs.

*Active-Duty End Strengths*. Section 401 would authorize increases in active-duty personnel for all four services: 4,000 more for the Navy, 2,241 more for the Army, 620 more for the Air Force, and 100 more for the Marine Corps. CBO estimates that the net growth in active-duty personnel of 6,961 service members would cost $4.8 billion over the 2019 -2023 period, assuming appropriations are increased by that amount.

*Selected-Reserve End Strengths*. Under sections 411 and 412, the end strengths for all six reserve components would remain at the levels authorized under current law for 2019. However, the number of reservists in the Air Guard who would serve in full-time support positions would grow by 3,190 compared with current authorized end-strength levels for 2019. CBO estimates that increasing the portion of reservists who serve in those full-time positions would increase costs for selected reservists by $2.1 billion over the 2019-2023 period.

*Reserve Technicians End Strengths*. Section 413 would reduce by 166 the end strength 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. CBO estimates a decrease in costs for civilian salaries and expenses from 166 fewer dual status positions of $85 million over the 2019-2023 period. (Changing the number of dual-status technicians would not change the number of part-time reservists established in section 411, discussed above. Thus, the only budget effects would be the reduction in civilian compensation.)

**Compensation and Benefits.** S. 2987 contains several provisions that would affect compensation and benefits for uniformed personnel and civilian employees of DoD and other federal agencies. The bill would specifically authorize regular appropriations of $145.2 billion for the costs of military pay and allowances in 2019. For related costs resulting from overseas contingency operations (primarily in and around Afghanistan, Iraq, and Syria), the bill would authorize the appropriation of an additional $4.7 billion for 2019.

*Military Pay Raise.* Section 601 would authorize a 2.6 percent across-the-board increase in basic pay for members of the uniformed services effective on January 1, 2019—the same percentage increase that is authorized under current law. CBO estimates the increase will cost $1.8 billion in 2019, compared to no pay increase, but no incremental cost compared to current law.

*Expiring Bonuses and Allowances*. Section 611 would extend for another year DoD's authority to enter agreements to pay certain bonuses and allowances to military personnel. The authority to enter into such agreements is currently scheduled to expire on December 31, 2018. Some bonuses are paid as lump sums, while others are paid in annual or monthly installments over a period of obligated service. Based on DoD's budget request for fiscal year 2019, CBO estimates that extending that authority for one year would cost $8.0 billion over the 2019-2023 period.

*Temporary Duty Per Diem Allowance.* Section 632 would prohibit reduced per diem rates based on the duration of temporary duty assignments for service members and DoD civilian employees. The per diem allowance compensates travelers for the daily cost of lodging, meals, and incidental expenses. This section would repeal the per diem policy that the Secretary of Defense implemented on November 1, 2014, to pay a lower per diem rate for long-term temporary duty assignments in one location. Under the policy, the per diem allowance for travel lasting between 31 and 180 days is 75 percent of the locality rate; for trips lasting more than 180 days the rate is 55 percent. The section also would reverse similar per diem policies established by the Services, which are specific to travel for contingency operations. According to DoD, those two policies have reduced annual payments for per diem compensation by about $60 million and $20 million, respectively. On the basis of that information from the department, CBO estimates that implementing section 632 would cost $400 million over the 2019-2023 period.

*Civilian Voluntary Separation Incentive Pay.* Section 1123 would permanently increase, to $40,000, the maximum amount of lump-sum payments that federal agencies, including

DoD, can offer to employees as an incentive to separate voluntarily from federal service earlier than they otherwise would. In addition, that new maximum amount would rise annually with inflation, reaching $45,000 by 2023. Under current law, federal agencies are authorized to make separation payments of no more than $25,000. However, DoD has temporary authority—through 2021—to offer up to $40,000 for such payments. (DoD began using that temporary authority partway through 2017.) In CBO's estimation, the proposed changes would increase federal spending for voluntary separations by raising the costs of separations that would have occurred under current law and by inducing more people to voluntarily separate from federal service. CBO estimates that implementing section 1123 would cost $707 million over the 2019-2023 period—$321 million for DoD and $386 million for other federal agencies.

Section 1123 would increase the maximum buyout for DoD employees. The inflation adjustment would increase the average payment amount from $40,000 to $41,000 over the 2019 to 2021 period. After 2021, raising the cap, in combination with continuing to adjust for inflation, would increase the average payment amount from $25,000 to $43,000 in 2022 and $45,000 in 2023. Thus, CBO estimates the incremental increase in costs to DoD for each of the employees who would have taken a buyout under current law would average $1,000 between 2019 and 2021, $18,000 in 2022, and $20,000 in 2023.

In 2016 and 2017, an average of 2,100 civilian employees annually received voluntary separation incentive payments (sometimes called "buyouts") from DoD. Under current law and based on an analysis of information from DoD, CBO estimates that the number of such payments to DoD employees will increase to about 4,000 in 2019, and further rise to almost 6,000 by 2021. Then, after DoD's temporary authority expires, buyouts will fall to an average of roughly 4,500 a year. However, CBO estimates that raising the cap on the amount of such payments in 2022 and beyond would increase the number of DoD employees who would take those payments to the 2021 level of almost 6,000 annually.

The costs to DoD between 2019 and 2021 reflect higher average separation payments because those payments would be adjusted for inflation. The costs in 2022 and 2023 reflect higher payment amounts and additional payments from raising the cap and further inflation adjustments. CBO estimates that the cost to DoD for each of the additional 1,500 employees—those who would not have taken a buyout under current law—would be $43,000 in 2022 and $45,000 in 2023. In total, CBO estimates that implementing this section would cost DoD $321 million over the 2019 to 2023 period.

Section 1123 also would increase the maximum buyout for employees of nondefense agencies beginning in 2019. On the basis of available information from the Office of Personnel Management (OPM), CBO expects that nearly all employees who will receive a buyout under current law, which CBO estimates is about 2,000 a year, would see an increase in the amount of their payment ranging from about $15,000 in 2019 to about $20,000 in 2023. That increased maximum buyout amount also would induce about 1,000 additional nondefense employees to retire each year. The costs for each of those employees would start at about $40,000 and grow to $45,000 by 2023. CBO estimates that the incremental costs of buyouts paid to employees who would have separated under current law and the full cost of induced separations arising from the larger buyouts would cost all other federal agencies a total of $386 million over the 2019-2023 period.

Increasing spending on buyouts could have other effects on personnel costs. For example, if an agency hired lower paid employees to replace retirees, it might save on personnel costs, even after considering the costs of hiring and training those new employees. However, those potential savings could be offset by other personnel decisions, such as promoting current employees into vacated, higher-paying positions; hiring additional people to fill agency needs; or rewarding high-performing employees with bonuses.

Ultimately, section 1123 would not fundamentally alter any agency's mission or legal obligations. Potential personnel savings could be used to hire employees with different skill sets or to contract out work to better meet agency goals and requirements. Without a concomitant reduction in the amount of work required of an agency, CBO assumes agencies would shift any resources freed up by buyouts to boost the level of service it would otherwise be able to provide, instead of allowing those resources to lapse. Therefore, CBO does not estimate any changes in spending resulting from other personnel decisions related to employee buyouts.

In addition, CBO estimates that some of the federal civilian employees who would be enticed by larger buyouts to leave federal service would be eligible for retirement and would retire earlier than they otherwise would under current law. Because retirement benefits are mandatory, the effect of section 1123 on retirement payments would be to increase direct spending. Details about the effect of this provision on direct spending are provided below under the heading "Direct Spending and Revenues."

*Civilian Benefits in a Combat Zone.* Section 1124 would extend for one year the authority to grant certain benefits to federal civilian employees who perform official duty in a combat zone. Those benefits, which expire under current law on September 30, 2019, include death gratuities, paid leave and travel for one trip home, and up to three leave periods per year for rest and recuperation. On the basis of information from DoD and the Office of Personnel Management, CBO estimates that about 2,400 civilian employees of DoD and 500 employees of other federal agencies will work in a designated combat zone in 2020 and, under this provision, would receive an average benefit that would cost about $19,300 a year. Thus, CBO estimates that in 2020, section 1124 would increase the costs of civilian employees in DoD by $46 million and in other federal agencies by $10 million.

**Military Health System.** Title VII of S. 2987 would make several changes to health benefits for both active and retired military personnel and their families. In general, those changes would increase out-of-pocket costs for some TRICARE beneficiaries (thus decreasing costs for DoD), change the process for specialty care referrals under TRICARE Prime, increase the management of opioid prescriptions, and lower the out-of-pocket costs for contraception. On net, CBO estimates that if enacted, those provisions would lower federal health care costs by a total of about $1.8 billion over the 2019-2023 period. Some of those provisions also would affect direct spending for health care. Those effects are discussed below under the heading "Direct Spending and Revenues."

*TRICARE Cost Sharing*. The National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-328) made several changes to the TRICARE health benefit, including increasing annual enrollment fees and copayments for the households of military retirees.[1] Those higher out-of-pocket costs will apply only to those retirees who first join the armed forces beginning in 2018; with few exceptions, the higher cost-sharing amounts will not occur until the year 2038 or later, when that cohort would begin to retire. Section 701 would amend the law so that the higher enrollment fees and copayments would apply to most new and existing retirees beginning in 2020; the only exceptions would be those who retired because of disability and certain survivors. Out-of-pocket costs for those households would remain unchanged.[2]

The changes from this section would affect retiree households enrolled in both the TRICARE Prime and TRICARE Select health plans. Currently, about 600,000 retiree households rely on TRICARE Prime as the primary payer for their health care. Of those households, about 200,000 retirees enroll only themselves, and about 400,000 enroll both themselves and their family members. Under current law, CBO estimates that the average out-of-pocket costs for those who enroll only themselves in Prime will be about $670 in 2020 and the average out-of-pocket costs for those who enroll both themselves and their

1. TRICARE is the health benefits plan for members and retirees of the armed forces and their dependents. TRICARE benefits are provided through several different plans, of which the most popular are TRICARE Prime—a health maintenance organization—and TRICARE Select—a fee-for-service plan where beneficiaries can manage their own care but pay less out of pocket if they use providers that are in the TRICARE network. DoD also has separate benefit plans for members and former members of the Selected Reserve and for retirees, survivors, and their family members who are eligible for Medicare.

2. Section 701 sets an effective date of January 1, 2019, but after consulting with DoD, CBO assumes this legislation would not be enacted in time to affect the fees and enrollments for calendar year 2019.

family members will be about $1,670.[3] Under the proposed changes, CBO estimates those costs would increase to about $730 and $1,790, respectively.

Out-of-pocket costs also would increase for those retiree households who currently use TRICARE Select—about 450,000 households. Under current law, CBO estimates that the average out-of-pocket costs for those who use TRICARE Select only for themselves will be about $570 in 2020, and the average out-of-pocket costs for those whose family members also rely on TRICARE Select will be about $1,645. By applying the new fees to all retirees, those costs would increase to about $1,160 and $2,800 per year, respectively.

The higher out-of-pocket costs for retiree households would have several effects. First, because DoD would be allowed to collect and spend the higher enrollment fees without further appropriation, CBO estimates the higher fees would reduce the amount of annual appropriations needed for the Defense Health Program. The change to copayments also would affect the cost of the overall TRICARE benefit. Most directly, higher copayments would result in TRICARE paying a lower amount for each provider claim than is currently the case. In addition, studies have shown that an increase in cost sharing leads to a decrease in the usage of health care.[4]

Higher cost sharing also would cause some retiree households to stop using TRICARE altogether. Many younger military retirees start second careers after they leave the uniformed services and have other options for health insurance. We estimate that by 2021 about 20,000 retiree households would stop using TRICARE under this proposal. While not large relative to the entire retiree population, their exit from the TRICARE program would result in significant savings for the federal government. CBO estimates that under current law, the weighted average cost to DoD of a typical retiree household enrolled in TRICARE Prime or Select as a “family” in 2021, and for whom TRICARE is their primary payer of health benefits, will total about $17,800. However, some of those who stop using TRICARE as the primary payer for their health care would migrate to other government-funded health care, and those costs would partially offset the savings to DoD. Many retirees go on to work for the federal government and have access to the

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3. All of the out-of-pocket costs per household discussed in this estimate represent the total costs faced by a household that uses TRICARE as the primary payer for their health benefits. Costs would be less for those who have other insurance and rely on TRICARE only as a second payer. Those second-payer costs are taken into account for the estimated costs. Likewise, the out-of-pocket costs for a family would vary depending on the size of a family. In the discussion above, the typical family size for a retiree with dependents is just under three individuals, including the retiree or other head of household.

4. CBO consulted several studies on this subject, in particular Joseph P. Newhouse and others, *Free for All?: Lessons From the RAND Health Insurance Experiment* (Harvard University Press, 1996).

Federal Employees Health Benefits Program. Others would increase their reliance on the Veterans Health Administration, and a small number would be eligible for Medicaid.

In total, CBO estimates that implementing section 701 would reduce DoD health care costs by about $2.8 billion over the 2020-2023 period, although that amount would be partly offset by a $320 million increase in costs for other federal agencies.

*TRICARE Prime Referrals*. Section 713 would require DoD to improve the process for referring TRICARE Prime beneficiaries to specialty care. CBO estimates that two of the specified changes, the elimination of the right-of-first-refusal, and the process for scheduling appointments with specialty care providers, would increase costs to DoD by a total of about $550 million over the 2019-2023 period.

The right-of-first-refusal allows military treatment facilities (MTFs) the ability to review referrals for specialty care and decide whether they will administer that care instead of assigning it to TRICARE's private network, assuming space is available and the MTF possesses the necessary capabilities. Eliminating that ability of MTFs would allow care managers to assign more specialty care and surgeries to TRICARE's private network. On net, this would increase costs to DoD because it would increase the cost of care provided by the private network with only minimal savings related to less care provided at the MTFs, which have costs that are largely fixed.

To estimate the cost to DoD of eliminating the right-of-first-refusal, CBO examined the number of specialty care encounters by non-active-duty beneficiaries at the MTFs, and estimated the number that would migrate away from the MTFs to the private network if the right-of-first-refusal were eliminated. On the basis of data from DoD, CBO estimates that non-active-duty beneficiaries enrolled in TRICARE Prime have about 4 million outpatient and 80,000 inpatient specialty encounters at the MTFs each year. Of those, CBO estimates about 6 percent of the outpatient encounters and 3 percent of the inpatient encounters would move to the private network because of this provision (about 240,000 and 2,000 respectively).That estimate is based on an analysis of MTF encounters that originate with a civilian care manager, which are the encounters most likely to move out of the MTFs if this provision is enacted. Active-duty service members are excluded from this analysis because all of their care is coordinated through military case managers, and it is less likely that they would be referred to the private network if the MTFs are able to provide the care.

To arrive at the total cost, CBO multiplied the number of encounters that would be affected by this provision by the cost of care in the private TRICARE network. On the basis of data from DoD, CBO estimates that in 2019 the weighted average cost of outpatient specialty care provided through the TRICARE private network will be about

$330 per encounter, and the average cost of an inpatient encounter will be about $9,950. When multiplied by the number of affected encounters, the total cost of this provision would be about $100 million per year. Costs would be lower in the first year because of the time needed to change regulations and issue guidance, and the costs of this provision would decline over time as the MTFs make adjustments to reduce some of their variable costs. However, this provision would still result in increased costs in the long run, CBO estimates. In total, CBO estimates that elimination of the right-of-first-refusal would increase DoD's health care costs by about $420 million over the 2019-2023 period.

Section 713 also would require care managers and providers to assume additional responsibility for scheduling specialty care appointments on behalf of beneficiaries who use the private network. On the basis of discussions with DoD, it is not clear how this language would be interpreted and carried out. Although care managers currently refer beneficiaries to specified providers, it is the responsibility of the beneficiary to call the provider and make the appointment. If it is incumbent on DoD to schedule the appointment on behalf of the beneficiaries, this would increase the administrative cost of the TRICARE program. On the basis of data from DoD, CBO estimates that DoD would assume scheduling duties for about 9 million medical appointments per year if this provision was enacted, which would require the hiring of an additional 2,500 personnel. At an average cost of about $53,000 per person per year, CBO estimates this provision could increase costs to DoD by about $70 million per year. However, because there is significant uncertainty about how this provision would be interpreted and implemented, CBO estimates the annual cost of scheduling those specialty care appointments would only be about half that amount, about $35 million per year.[5] Costs would be less in 2019 and 2020 because time would be needed to establish regulations and train additional employees, so that the total cost of this provision would be about $130 million over the 2019-2023 period.

*Opioid Management Pilot*. Section 704 would require DoD to establish a pilot program to monitor opioid prescriptions and identify potential opioid misuse among TRICARE beneficiaries and providers. It also would require DoD to supply in-home kits to dispose of excess opioid medications. The program would last for a minimum of three years, and DoD could extend the program indefinitely if it proves effective. The cost of this pilot program would depend in large part on its size and scope, which are not specified, although presumably the program would have to include a large enough sample of beneficiaries so that conclusions could be reached about the program's effectiveness.

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5. Depending on DoD's interpretation and implementation, the provision on scheduling specialty care could cost anywhere from zero to $70 million per year. When this level of uncertainty exists, CBO frequently uses the midpoint of the range of possible budgetary effects (50 percent) for its point estimate—the estimate used for the purpose of Congressional budget enforcement.

On the basis of discussions with DoD, CBO expects that the pilot program would cover one of the two TRICARE regions, or about half of the TRICARE population. Based on an analysis of the costs of other TRICARE demonstration and pilot programs, CBO estimates the cost of this pilot would be about $15 million per year, which would include the cost of contractor support, information technology modifications, in-home disposal kits, and studies. Costs would be less in 2019 because time would be needed to establish the appropriate procedures and methodology, and CBO estimates costs beyond 2022 because of the possibility that DoD would continue the pilot program indefinitely. In total, CBO estimates this provision would cost $60 million over the 2019-2023 period.

*Contraception Cost Sharing*. Section 703 would eliminate all cost sharing for contraceptive pharmaceuticals and devices for women who use TRICARE, beginning in 2020. On the basis of information from DoD, CBO estimates that women currently pay a total of about $10 million each year for various contraceptive drugs and devices. Under the proposal, that cost would be borne by DoD.

In addition, eliminating cost sharing would cause an increase in the use of brand-name drugs and a corresponding decrease in the use of generic drugs obtained through both retail pharmacies and the TRICARE national mail-order pharmacy, because beneficiaries would no longer face higher copayments for brand-name drugs obtained at those points of service. Currently, TRICARE beneficiaries receive about 850,000 generic prescriptions each year from retail pharmacies or the TRICARE Mail-Order Program (TMOP) (in 30-day equivalents). On the basis of an examination of various studies, CBO estimates that about 5 percent of those prescriptions would shift towards brand-name drugs under section 703. CBO estimates that the average cost to DoD for a 30-day prescription of a brand-name contraceptive is about $55 higher than the average generic prescription. Therefore, this substitution towards brand-name drugs would increase costs to DoD by about $3 million each year. In total, CBO estimates that eliminating contraceptive cost sharing for women would increase costs to DoD by $50 million over the 2020-2023 period.

*Military Health System (MHS) Organizational Framework*. Section 712 would require DoD to implement a new organizational framework for the MHS. Under the new framework, the continental United States would be divided into as many as three "health–readiness regions," and overseas medical commands would be divided into two such regions. A director appointed for each region would be responsible for maintaining the training and capabilities needed to support operational requirements. As part of the new organizational framework, the Army Medical Command, Bureau of Medicine and Surgery of the Navy, and the Air Force Medical Service would all be eliminated, and their personnel may be transferred to the Defense Health Agency or new service specific medical readiness organizations.

Section 712 could affect costs to DoD in several ways. The department could incur costs if the new organizational framework requires the physical relocation of assets, or if there are costs associated with separating or transferring employees from the service medical commands. On the other hand, there could be some savings if the reorganization results in fewer headquarters personnel and lower overhead costs. However, it is not clear how DoD would carry out the provisions of section 712, and CBO has no basis on which to estimate any associated costs or savings.

**Other Provisions.** Several other provisions also would affect spending subject to appropriation, primarily by making changes to DoD procurement programs.

*Multiyear Procurement Contracts.* The bill would authorize DoD to enter into multiyear procurement contracts (MYP) for five weapons systems. Multiyear procurement is a special contracting method authorized in current law 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 all years are not appropriated at the time the contracts are awarded. Contracts that would cost more than $500 million must be specifically authorized in law.

- Section 151 would authorize the Air Force to enter a multiyear contract beginning in fiscal year 2019 to purchase several variants of the C-130J aircraft for the Air Force and the Marine Corps. The C-130J is a medium-sized transport aircraft that performs a broad variety of airlift and support missions. CBO estimates that under such a contract, the Air Force would buy 29 aircraft for its squadrons and 23 aircraft for the Marines over the 2019-2023 period at a cost of $4.5 billion. The services estimate that a single multiyear contract would cost $580 million less than five annual contracts.

- Section 121 would authorize the Navy to enter a multiyear contract to purchase F/A-18E/F aircraft beginning in fiscal year 2019. The F/A-18E/F can combat enemy aircraft and strike targets on the ground. On the basis of information from the Navy, CBO estimates that under such a contract the service would buy 72 of those aircraft over the 2019-2021 period at a cost of $3.7 billion. The service estimates that a single multiyear contract would cost about $380 million less than five annual contracts.

- Section 122 would authorize the Navy to enter a multiyear contract beginning in fiscal year 2019 to purchase E-2D aircraft. The E2-D provides surveillance radar coverage for naval vessels and aircraft and can operate from aircraft carriers. On the basis of information from the Navy, CBO estimates that under such a contract the service would buy 24 of those aircraft over the 2019-2023 period at a cost of $3.5 billion. The service estimates that a single multiyear contract would cost about $336 million less than five annual contracts.

- Section 125 would authorize the Navy to enter into one or more multiyear contracts for the procurement of Standard Missile-6 interceptors starting in fiscal year 2019 at a rate of not more than 125 missiles a year. On the basis of information from the Navy, CBO estimates that it would use the multiyear contract authority to purchase a total of 625 missiles over the 2019-2023 period. CBO estimates that those purchases would require appropriations of about $2.4 billion over the 2019-2023 period, or about $4 million for each missile. The Navy estimates that purchasing those interceptors under multiple annual contracts would cost about $300 million more than a multiyear procurement contract.

- Section 1652 would authorize the Missile Defense Agency (MDA) to enter into one or more multiyear contracts for the procurement of Standard Missile-3 missiles starting in fiscal year 2019. On the basis of information from DoD, CBO estimates that the MDA would use the multiyear contract authority to purchase 204 missiles. CBO estimates that those purchases would require appropriations of about $2 billion over the 2019-2023 period, or about $10 million for each missile. MDA estimates that purchasing those interceptors under multiple annual contracts would cost about $200 million more than a multiyear procurement contract.

*Indo-Pacific Maritime Security Initiative.* Under the Southeast Asia Maritime Security Initiative, which is scheduled to expire September 30, 2020, DoD provides assistance to certain regional partners and allied countries in Southeast Asia with the goal of enhancing their ability to respond to shared transnational threats. Assistance authorized under the program includes the provision of equipment, supplies and defense services, training, and small-scale construction. The Congress appropriated $65 million in 2018 and DoD has requested almost $100 million for that purpose in 2019.

Section 1241 would extend that program through December 31, 2025, rename it as the Indo-Pacific Maritime Security Initiative, and add Bangladesh and Sri Lanka to the list of countries eligible to receive such assistance. The section also would add India to the list of countries eligible to receive assistance from DoD to cover certain training expenses for increasing awareness of activities and potential threats in the region. On the basis of information from DoD, CBO estimates that extending and expanding this authority would cost about $400 million over the 2019-2023 period.

*Committee on Foreign Investments in the United States.* Title 17 would modify the duties of the Committee on Foreign Investment in the United States (CFIUS)—an interagency organization that reviews proposed investments in U.S. companies by foreign entities.

The committee, which is chaired by the Department of the Treasury and includes representative from 15 other federal agencies, identifies any national security concerns that arise from the proposed transactions. CFIUS completes its review of most transactions within 30 days of receiving a notification from the companies involved. If the committee determines that the transaction would affect national security, it conducts a subsequent investigation, which can take up to 45 more days to complete. Title 17 would increase the total number of transactions that are reviewed by the committee and the portion of those transactions that would require lengthier, national-security investigations.

On the basis of information from the Office of Management and Budget, CBO estimates that those additional reviews and investigations would increase costs by $20 million annually and a total of $100 million over the 2019-2023 period. Approximately $25 million of those costs would be borne by the Department of Defense; the remaining expenses would be paid by the Department of Treasury, the Department of Homeland Security, and other nondefense agencies.

*Payments to Military Housing Privatization Initiative Lessors.* Section 604 would allow DoD to make monthly payments during calendar year 2019 to lessors of housing constructed under the Military Housing Privatization Initiative (MHPI). Under MHPI, the department leases land and conveys housing units to housing developers who renovate, construct and operate the properties for lease by military families. The developers collect monthly rental payments from service members, which the military departments limit to no more than the amount of the occupants' housing allowance. The National Defense Authorization Act for Fiscal Year 2016 (Public Law 114-92) authorized DoD to reduce housing allowances by up to 5 percent.

Under the authority provided in this section, DoD could pay MHPI lessors up to 2 percent of the average cost of specific types of housing in the areas around MHPI projects. The payments would partially make up for the loss of rental income resulting from the recent reduction in housing allowances. If DoD used the full authority to make payments equal to 2 percent of the average cost of housing, CBO estimates that those payments would total about $110 million in 2019 and $40 million in 2020.

However, on the basis of discussions with DoD, CBO expects that the department would not exercise the authority provided in this section. Thus, CBO estimates that section 604 would not affect defense costs.

**Nondefense Spending.** Several provisions would affect spending subject to appropriation for both DoD and other federal agencies. Those provisions are listed below; the details of those provisions are discussed earlier. In total, CBO estimates that those provisions would increase costs to agencies other than DoD by $791 million over the 2019-2023 period (see Table 1).

- Section 1123 would increase the maximum amount that agencies can pay to civilian employees to entice them to voluntarily separate from federal service.

- Section 1124 would extend for one year the authority to grant certain benefits to civilian employees who perform official duty in a combat zone.

- Section 701 would make changes to the TRICARE health benefit, such as higher enrollment fees and copayments for current retirees and their families.

- Title XVII would increase the number of reviews and investigations conducted by the Committee on Foreign Investments in the United States.

**Direct Spending and Revenues**

Several provisions in S. 2987 would affect direct spending, which CBO estimates would increase by $325 million over the 2019-2028 period (see Table 4). In addition, changes that would be made to the Uniform Code of Military Justice and DoD's legislative jurisidiction over certain criminal offenses would have insignificant effects on revenues.

**Civilian Voluntary Separation Incentive Pay.** In total, CBO estimates that direct spending for annuities and health insurance premiums for retired federal employees would increase by $302 million under section 1123. (About half of that spending would be for retired employees of DoD.) As discussed under the heading of "Spending Subject to Appropriation," those costs arise because section 1123 would permanently increase the maximum amount of lump-sum payments that federal agencies can offer to employees to entice them to separate from federal service, which would, in CBO's estimation, induce employees to retire, on average, 1.5 years sooner than they otherwise would have.

On the basis of information from OPM and DoD, CBO estimates that over the 2022-2028 period, an annual average of about 400 employees of DoD would receive their retirement annuities sooner, and that, over the 2019-2028 period, an annual average of about 300 employees of nondefense agencies also would receive early annuities. However, the annuities of individuals who accept the buyout would be smaller than what those workers would have otherwise received, because retirement benefits are based on the number of years of service that the annuitant worked; that number would be somewhat lower as a result of the decision to accept an earlier retirement. Nevertheless, CBO estimates the net effect of those early retirements would increase spending for retirement annuities by $196 million over 2019-2028 period.

Federal employees also participate in the Federal Employees Health Benefits (FEHB) program. When those employees retire, the federal government pays a portion of their health insurance premiums; those payments are classified as direct spending. CBO estimates that the government's share of those premiums for each retiree will average $11,000 in 2019, rising to $17,000 by 2028. Because of the early retirements resulting from section 1123, the legislation also would increase the federal government's contributions for annuitants under the FEHB program. CBO estimates that those contributions would increase direct spending by $106 million over the 2019-2028 period.

**TRICARE Prime Referrals**. Section 713 would require DoD to improve the process for referring TRICARE Prime beneficiaries to specialty care. Implementing this section would increase direct spending because it would increase health care spending for retirees of the other uniformed services (Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service) and their dependents, whose health benefits are paid from mandatory appropriations. Those beneficiaries comprise about 2 percent of the individuals that would be affected by that provision. In total, CBO estimates that section 713 would increase direct spending by $23 million over the 2019-2028 period.

Implementing section 713 also would affect discretionary spending. Details of those effects, as well as additional details about the estimate in general, are discussed above, under the heading "Spending Subject to Appropriation."

**TRICARE Cost Sharing**. Beginning in 2020, section 701 would make several changes to the TRICARE health benefit, including higher enrollment fees and copayments for current retirees and their families. Health benefits for retirees of the other uniformed services and their family members are paid from mandatory appropriations, so any change to their benefits would affect direct spending. CBO estimates that because of those changes, government spending on health care for those beneficiaries would be reduced by $125 million over the 2020-2028 period. However, those savings would be partially offset by the costs associated with beneficiaries of DoD and the other uniformed services leaving TRICARE and using other mandatory federal health programs, including FEHB and Medicaid. On net, CBO estimates that enacting section 701 would reduce spending by $8 million over the 2020-2028 period.

**Opioid Management Pilot**. Section 704 would require DoD to establish a pilot program that, among other things, would require the department to supply TRICARE beneficiaries with in-home kits to dispose of excess opioid medications. The program would last for a minimum of three years, although DoD could extend the program indefinitely if it proves effective. Health care expenses for Medicare-eligible TRICARE beneficiaries are paid from the DoD Medicare-Eligible Retiree Health Care Fund, a mandatory account. For this pilot program, the disposal kits would most likely be dispensed with opioid prescriptions filled at the military treatment facilities (MTFs) or the TRICARE Mail Order Program.

In the most recent fiscal year for which data are available, Medicare-eligible TRICARE beneficiaries filled about 670,000 opioid prescriptions through those points of service. On the basis of discussions with DoD, CBO expects the pilot program would be carried out in one of the two TRICARE regions, and cover about half of the population. The cost of medication disposal kits is about $1.50 per kit (one kit per prescription). Therefore, the cost to provide those kits to Medicare-eligible TRICARE beneficiaries would exceed $500,000 for each year of the program, CBO estimates. Costs would continue beyond the initial three year duration of the pilot because of the possibility that DoD would continue the pilot indefinitely. In total, CBO estimates section 704 would increase direct spending by $5 million over the 2019-2028 period.

Implementing section 704 also would affect discretionary spending. Details of those effects, as well as additional details about the estimate in general, are discussed above, under the heading "Spending Subject to Appropriation."

**Contraception Cost Sharing**. Section 703 would eliminate all cost sharing for contraceptive pharmaceuticals and devices for women enrolled in TRICARE beginning in 2020. Implementing this section would increase direct spending because it would lower the out-of-pocket costs for retirees of the other uniformed services and their dependents, whose health benefits are paid from mandatory appropriations, and instead shift those costs to the government. In total, CBO estimates that section 703 would increase direct spending by $2 million over the 2020-2028 period.

Implementing section 703 also would affect discretionary spending. Details of those effects, as well as additional details about the estimate in general, are discussed above, under the heading "Spending Subject to Appropriation."

**Energy Incentives Fund**. DoD is authorized to participate in programs in which the department agrees to reduce its energy use during periods of peak demand in exchange for cash or reductions to the department's utility bills. DoD primarily takes consideration as credits on utility bills in programs run by electric utilities or operators of electrical distribution systems; in programs run by third parties, cash is usually the only form of consideration provided. Any cash received is deposited in a receipt account and is available to the extent provided in appropriation acts. Section 311 would allow DoD to spend any cash received without further appropriation.

The department has not received any cash under current law, but CBO expects that it would collect some payments over the next 10 years. Thus, by appropriating those amounts, section 311 would increase direct spending. Those amounts would be insignificant in each year and would total $1 million over the 2019-2028 period, CBO estimates.

**Other Provisions.** Several provisions in S. 2987 would have insignificant effects on direct spending or revenues, generally because very few people would be affected or because the proposal would allow the spending of new receipts so that the net effect would be small.

- Sections 501 through 511 would make a series of changes to the military's personnel policies for officers, including allowing certain officers to remain in the military who, under current law, would be forced to retire based on grade and years of service. Under those provisions, certain officers would retire later, delaying their receipt of retirement benefits. However, their pay at retirement would be based on more years of service and a higher base salary relative to current law.

- Section 516 would allow officers who are under investigation to retire with a conditional determination of their retired grade. The department could change that conditional determination after the officer's retirement, if the investigation resulted in adverse findings. Currently, those officers would usually remain on active duty until the investigation was completed. Thus, section 516 could lead to officers who are under investigation retiring sooner, accelerating their receipt of retirement benefits. However, their pay at retirement would be based on fewer years of service and a lower base salary relative to current law.

- Sections 541 and 542 would establish domestic violence as a specified offense under the military justice system and amend the offense of aggravated assault to also include an assault by strangulation or suffocation, respectively. Additional penalties collected as a result of those provisions would be classified as revenues.

- Section 621 would accelerate by one month the time when cost-of-living adjustments (COLAs) are first applied to the Special Survivor Indemnity Allowance (SSIA). Under that change, about 65,000 SSIA recipients would receive an additional $7 in January 2019 under section 621.

- Section 715 would increase payments by DoD to state vaccination programs. A small number of the beneficiaries receiving vaccines through those programs are dependents of retirees of the other uniformed services, whose health care costs are paid from mandatory appropriations.

- Section 1035 would require DoD to relinquish, to the maximum extent possible, jurisdiction of criminal offenses committed by juveniles on military installations so that the states, commonwealths, territories, or possessions concerned would have concurrent jurisdiction over such offenses. Certain minor criminal offenses committed by juveniles on military installations that are exclusively under federal jurisdiction are currently prosecuted in U.S. courts. The fines collected as a result of those proceedings are recorded as revenues, deposited in the Crime Victims Fund, and later spent. Relinquishing jurisdiction could reduce the amount of fines collected.

- Sections 1221, 1222, 1424, and 1634 would extend or add to authorities to accept and spend contributions from nonfederal entities for various purposes. Because agencies might not spend all the contributions they receive, those sections could reduce direct spending.

- Section 1269 would prohibit DoD from transferring the title for any F-35 aircraft to the Government of Turkey until DoD submits the report required by that section. That delay could affect the timing of Foreign Military Sales transactions.

- Sections 1422 and 1425 would affect, in two offsetting ways, the amount of fees paid by residents of the Armed Forces Retirement Home (AFRH); those fees are recorded as mandatory receipts. Section 1422 would increase the number of people who are eligible to live in the AFRH. CBO expects that the Home's occupancy rate—currently at 80 percent—would rise as a result. The gain in fee income from additional residents would reduce direct spending. Section 1425 would limit a planned increase in fees so that current residents would not have their fees increased by more than 50 percent. That cap would reduce mandatory receipts compared with the amounts that will be collected under the AFRH's plan for fees, thus increasing direct spending. CBO estimates that the two changes would largely offset each other.

- Section 2821 would authorize the Air Force to exchange land in Arizona with the Tuscon Airport Authority. The Authority would be required to pay for the cost to relocate Air Force facilities from the land that the department would convey.

- Section 2831 would require the Army to grant Arlington County, Virginia, an easement on a small parcel of Arlington National Cemetery for the purpose of commemorating Freedman's Village. The county would be required to reimburse the Army for any related costs.

- Section 3502 would make permanent the authority to allow the federal government to insure without premium, private entities that transport U.S. cargo and personnel by sea in the event that the private vessels are damaged in an act of war. Currently, that authority is set to expire in 2020. CBO estimates that the probability of paying claims on such insurance would be negligible.

## PAY-AS-YOU-GO CONSIDERATIONS

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 that are subject to those pay-as-you-go procedures are shown in the following table.

**CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS OF S. 2987 AS REPORTED BY THE SENATE COMMITTEE ON ARMED SERVICES ON JUNE 5, 2018**

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2018-2023 | 2018-2028 |
| **NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT** | | | | | | | | | | | | | |
| Statutory Pay-As-You-Go Impact | 0 | 7 | 17 | 21 | 28 | 41 | 45 | 43 | 41 | 41 | 38 | 115 | 325 |

## INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 2987 would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2029.

## PREVIOUS CBO ESTIMATE

On May 18, 2018, CBO transmitted a cost estimate for H.R. 5515, the National Defense Authorization Act for Fiscal Year 2019, as reported by the House Committee on Armed Services on May 15, 2018. For fiscal year 2019, S. 2987 would authorize the appropriation of an estimated $708.0 billion—$0.5 billion less than the $708.5 billion that would be authorized by H.R. 5515. In addition, S. 2987 would increase direct spending by an estimated $325 million over the 2019-2028 period, while H.R. 5515 would not significantly affect such spending over those 10 years.

## MANDATES

S. 2987 contains intergovernmental and private-sector mandates as defined in UMRA. CBO estimates that the aggregate cost of the mandates on public and private entities would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($80 million and $160 million respectively in 2018, adjusted annually for inflation).

### Mandate that Applies to Public and Private Entities

Section 401 would increase the costs of complying with existing intergovernmental and private-sector mandates by increasing the number of service members on active-duty by about 7,000 relative to currently authorized levels. Those additional service members would be eligible for existing protections under the Service members Civil Relief Act (SCRA). Protections under SCRA require public and private entities to grant active-duty personnel various allowances for business and tax transactions and court procedures.

For example, SCRA allows service members to maintain a single state of residence for paying state and local personal income taxes and to request deferrals for certain state and local fees. CBO estimates that the additional cost of those mandates on state and local governments would be small.

SCRA also requires creditors to charge no more than 6 percent interest rate on service members' loan obligations when the acquisition of such obligations predates active-duty service, and it allows courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions. The Act also precludes the use of a service member's personal assets to satisfy the member's trade or business liability while he or she is in military service.

Under the bill, the number of active-duty service members covered by SCRA would increase by less than 1 percent, CBO estimates. Service members' utilization of the various provisions of the SCRA depends on a number of uncertain factors, including how often and how long they are deployed. However, the increase in the number of active-duty service members covered by SCRA would be small, so CBO estimates that the incremental cost of compliance for public or private entities also would be small.

### Mandates that Apply to Public Entities Only

Some provisions in the bill would impose intergovernmental mandates, as defined in UMRA, by preempting state information disclosure laws that could otherwise cause government agencies working with DoD to disclose information to the public. Specifically:

- Section 1639 would preempt disclosure of any information provided by an IT contractor to DoD about whether its products or services have been accessed by foreign persons or governments or whether the contractor is under any obligation to foreign entities with respect to those products or services.

- Section 1640 would preempt disclosure of any information that is contained in a registry created by DoD using information collected under Section 1639.

Although the preemptions would limit the application of state laws, CBO estimates that it would impose no duty on those governments that would result in additional spending or a loss of revenue.

**Mandates That Apply to Private Entities Only**

Title XVII would impose a private-sector mandate as defined in UMRA by requiring certain transactions between foreign and domestic entities to be reviewed by the Committee on Foreign Investment in the United States (CFIUS). Under current law, foreign entities seeking to acquire a U.S. business or its assets may request CFIUS to review the transaction to determine whether the acquisition raises national security concerns. S. 2987 would make a CFIUS review mandatory in certain cases, such as transactions where a significant portion of the acquiring entity is owned by a foreign government. Because the cost of the CFIUS review would be borne primarily by the foreign buyers, CBO estimates that the cost to domestic entities to comply with the mandate would be small.

## ESTIMATE PREPARED BY

Federal Costs:
Civilian Personnel—Dan Ready and Dawn Regan
Defense Authorizations—Kent Christensen
Military Construction—David Newman
Military Health Care—Matthew Schmit
Military Personnel—Dawn Regan
Military Retirement—David Rafferty
Operation and Maintenance—William Ma
Procurement—Raymond Hall and David Newman

Mandates: Jon Sperl

## ESTIMATE REVIEWED BY

Sarah Jennings
Chief, Defense, International Affairs, and Veterans' Affairs Cost Estimate Unit

Susan Willie
Chief, Public and Private Mandates Unit

Leo Lex
Deputy Assistant Director for Budget Analysis

**TABLE 1. BUDGETARY EFFECTS OF S. 2987, THE JOHN S. MCCAIN NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2019**

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2019-2023 |
| **INCREASES IN SPENDING SUBJECT TO APPROPRIATION** | | | | | | |
| Authorization Levels for Appropriations Subject to the BCA Caps | | | | | | |
| Defense | | | | | | |
| Specified Authorizations for the Departments of Defense and Energy | | | | | | |
| Authorization Level[a] | 639,271 | 0 | 0 | 0 | 0 | 639,271 |
| Estimated Outlays | 367,289 | 148,615 | 58,940 | 30,190 | 13,334 | 618,368 |
| Nondefense | | | | | | |
| Specified Authorizations for Various Departments and Agencies | | | | | | |
| Authorization Level[a,b] | 177 | 0 | 0 | 0 | 0 | 177 |
| Estimated Outlays | 144 | 24 | 2 | 0 | 0 | 170 |
| Estimated Authorizations for Various Departments and Agencies[c] | | | | | | |
| Estimated Authorization Level | 86 | 169 | 172 | 175 | 189 | 791 |
| Estimated Outlays | 83 | 161 | 171 | 174 | 187 | 776 |
| Subtotal | | | | | | |
| Estimated Authorization Level | 639,534 | 169 | 172 | 175 | 189 | 640,239 |
| Estimated Outlays | 367,516 | 148,800 | 59,113 | 30,364 | 13,521 | 619,314 |
| Specified Authorizations for Defense Appropriations not Subject to the BCA Caps[d] | | | | | | |
| Authorization Level[a] | 68,485 | 0 | 0 | 0 | 0 | 68,485 |
| Estimated Outlays | 36,389 | 18,034 | 7,548 | 3,062 | 1,172 | 66,205 |
| Total | | | | | | |
| Estimated Authorization Level | 708,019 | 169 | 172 | 175 | 189 | 708,724 |
| Estimated Outlays | 403,905 | 166,834 | 66,661 | 33,426 | 14,693 | 685,519 |
| **INCREASES IN DIRECT SPENDING[e]** | | | | | | |
| Estimated Budget Authority | 7 | 17 | 21 | 28 | 41 | 115 |
| Estimated Outlays | 7 | 17 | 21 | 28 | 41 | 115 |

Except as discussed in footnote c below, the authorization levels in this table reflect amounts that would be specifically authorized by the bill (as reflected in Table 2). Some provisions in the bill also would affect the costs of defense programs in 2020 and future years; estimates for a select number of those provisions are shown in Table 3, but are not included with the defense authorizations above because specified authorizations in future NDAAs would reflect funding for those activities.

Numbers may not add to totals because of rounding; BCA = Budget Control Act; NDAA = National Defense Authorization Act; DoD = Department of Defense. Enactment of S. 2987 would have an insignificant effect on revenues.

a. Amounts that would be specifically authorized by the bill.
b. Authorizations for the Department of Veterans Affairs ($113 million) and the Armed Forces Retirement Home ($64 million).
c. These are the estimated costs to departments and agencies other than DoD for title XVII and sections 701, 1123, and 1124.
d. Primarily for military operations and related activities in and around Afghanistan, Iraq, and Syria.
e. In addition to the changes in direct spending shown here (an increase of $115 million over the 2019-2023 period), S. 2987 would have effects beyond 2023. CBO estimates that over the 2019-2028 period, S. 2987 would increase outlays by $325 million (see Table 4).

**TABLE 2. SPECIFIED AUTHORIZATIONS OF APPROPRIATIONS IN S. 2987**

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2019-2023 |
| Specified Authorization Levels for Appropriations Subject to the BCA Caps | | | | | | |
| Defense | | | | | | |
| Military Personnel | | | | | | |
| Authorization Level | 145,160 | 0 | 0 | 0 | 0 | 145,160 |
| Estimated Outlays | 134,928 | 8,281 | 192 | 40 | 0 | 143,441 |
| Operation and Maintenance | | | | | | |
| Authorization Level | 235,087 | 0 | 0 | 0 | 0 | 235,087 |
| Estimated Outlays | 149,094 | 58,914 | 13,746 | 5,030 | 1,878 | 228,662 |
| Procurement | | | | | | |
| Authorization Level | 132,993 | 0 | 0 | 0 | 0 | 132,993 |
| Estimated Outlays | 25,277 | 39,736 | 31,370 | 18,117 | 8,267 | 122,767 |
| Research and Development | | | | | | |
| Authorization Level | 92,217 | 0 | 0 | 0 | 0 | 92,217 |
| Estimated Outlays | 41,699 | 33,095 | 9,228 | 4,904 | 2,195 | 91,121 |
| Military Construction and Family Housing | | | | | | |
| Authorization Level | 10,531 | 0 | 0 | 0 | 0 | 10,531 |
| Estimated Outlays | 852 | 2,206 | 2,994 | 2,041 | 1,000 | 9,093 |
| Revolving Funds | | | | | | |
| Authorization Level | 1,542 | 0 | 0 | 0 | 0 | 1,542 |
| Estimated Outlays | 965 | 308 | 186 | 78 | 5 | 1,542 |
| General Transfer Authority | | | | | | |
| Authorization Level | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 113 | -45 | -34 | -23 | -11 | 0 |
| Subtotal, Department of Defense | | | | | | |
| Authorization Level | 617,529 | 0 | 0 | 0 | 0 | 617,529 |
| Estimated Outlays | 352,928 | 142,495 | 57,682 | 30,187 | 13,334 | 596,626 |
| Atomic Energy Defense Activities | | | | | | |
| Authorization Level[a] | 21,742 | 0 | 0 | 0 | 0 | 21,742 |
| Estimated Outlays | 14,361 | 6,120 | 1,258 | 3 | 0 | 21,742 |
| Subtotal, Defense | | | | | | |
| Authorization Level | 639,271 | 0 | 0 | 0 | 0 | 639,271 |
| Estimated Outlays | 367,289 | 148,615 | 58,940 | 30,190 | 13,334 | 618,368 |
| Nondefense | | | | | | |
| Other Departments and Agencies | | | | | | |
| Authorization Level[b] | 177 | 0 | 0 | 0 | 0 | 177 |
| Estimated Outlays | 144 | 24 | 2 | 0 | 0 | 170 |
| Subtotal (subject to caps) | | | | | | |
| Authorization Level | 639,448 | 0 | 0 | 0 | 0 | 639,448 |
| Estimated Outlays | 367,433 | 148,639 | 58,942 | 30,190 | 13,334 | 618,538 |

(Continued)

**TABLE 2. CONTINUED**

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2019-2023 |
| Specified Authorization Levels for Defense Appropriations not Subject to the BCA Caps[c] | | | | | | |
| Military Personnel | | | | | | |
| Authorization Level | 4,661 | 0 | 0 | 0 | 0 | 4,661 |
| Estimated Outlays | 4,297 | 307 | 3 | 1 | 0 | 4,608 |
| Operation and Maintenance | | | | | | |
| Authorization Level | 48,763 | 0 | 0 | 0 | 0 | 48,763 |
| Estimated Outlays | 28,409 | 13,158 | 3,884 | 1,304 | 500 | 47,255 |
| Procurement | | | | | | |
| Authorization Level | 12,886 | 0 | 0 | 0 | 0 | 12,886 |
| Estimated Outlays | 3,009 | 3,951 | 3,315 | 1,497 | 550 | 12,322 |
| Research and Development | | | | | | |
| Authorization Level | 1,308 | 0 | 0 | 0 | 0 | 1,308 |
| Estimated Outlays | 575 | 505 | 129 | 58 | 25 | 1,292 |
| Military Construction | | | | | | |
| Authorization Level | 852 | 0 | 0 | 0 | 0 | 852 |
| Estimated Outlays | 0 | 145 | 242 | 220 | 106 | 713 |
| Working Capital Funds | | | | | | |
| Authorization Level | 15 | 0 | 0 | 0 | 0 | 15 |
| Estimated Outlays | 11 | 3 | 1 | 0 | 0 | 15 |
| Special Transfer Authority | | | | | | |
| Authorization Level | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 88 | -35 | -26 | -18 | -9 | 0 |
| Subtotal (not subject to caps) | | | | | | |
| Authorization Level | 68,485 | 0 | 0 | 0 | 0 | 68,485 |
| Estimated Outlays | 36,389 | 18,034 | 7,548 | 3,062 | 1,172 | 66,205 |
| Total Specified Authorizations | | | | | | |
| Authorization Level | 707,933 | 0 | 0 | 0 | 0 | 707,933 |
| Estimated Outlays | 403,822 | 166,673 | 66,490 | 33,252 | 14,506 | 684,743 |

This table reflects 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 affect costs in 2020 and in future years. Because the bill would not specifically authorize appropriations to cover those costs, they are not reflected in this table. Rather, Table 3 contains the estimated costs of some of those provisions.

Numbers may not add up to totals because of rounding; BCA = Budget Control Act.

a. Primarily for atomic energy defense activities of the Department of Energy.
b. Authorizations for the Department of Veterans Affairs ($113 million) and the Armed Forces Retirement Home ($64 million).
c. Under S. 2987, funding provided for 2019 pursuant to the authorizations in titles XV and XXIX would not be subject to the BCA cap on defense appropriations for that year. Most of those authorizations would be for costs related to Overseas Contingency Operations—primarily military operations and related activities in and around Afghanistan, Iraq, and Syria.

**TABLE 3. ESTIMATED COSTS FOR SELECTED PROVISIONS IN S. 2987**

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2019-2023 |
| **FORCE STRUCTURE** | | | | | | |
| Active-Duty End Strengths | 506 | 1,023 | 1,046 | 1,082 | 1,116 | 4,773 |
| Selected-Reserve End Strengths | 213 | 438 | 453 | 467 | 482 | 2,053 |
| Reserve Technicians End Strengths | -9 | -18 | -19 | -19 | -20 | -85 |
| **COMPENSATION AND BENEFITS** | | | | | | |
| Expiring Bonuses and Allowances | 2,867 | 2,026 | 1,404 | 1,342 | 364 | 8,003 |
| Temporary Duty Per Diem Allowance | 80 | 80 | 80 | 80 | 80 | 400 |
| Civilian Voluntary Separation Incentive Pay | | | | | | |
| DoD | 2 | 7 | 14 | 146 | 152 | 321 |
| Other Agencies | 71 | 74 | 77 | 80 | 84 | 386 |
| Civilian Benefits in a Combat Zone | | | | | | |
| DoD | 0 | 46 | 0 | 0 | 0 | 46 |
| Other Agencies | 0 | 10 | 0 | 0 | 0 | 10 |
| **MILITARY HEALTH SYSTEM** | | | | | | |
| TRICARE Cost Sharing | | | | | | |
| DoD | 0 | -620 | -710 | -700 | -740 | -2,770 |
| Other Agencies | 0 | 70 | 80 | 80 | 90 | 320 |
| TRICARE Prime Referrals | 50 | 120 | 130 | 130 | 120 | 550 |
| Opioid Management Pilot | 5 | 15 | 15 | 15 | 10 | 60 |
| Contraception Cost Sharing | 0 | 9 | 13 | 14 | 14 | 50 |
| **OTHER PROVISIONS** | | | | | | |
| Multiyear Procurement Contracts | | | | | | |
| C-130J Cargo Aircraft | 1,027 | 1,152 | 762 | 786 | 764 | 4,491 |
| F/A-18E/F Aircraft | 1,241 | 1,261 | 1,232 | 0 | 0 | 3,734 |
| E-2D Aircraft | 722 | 648 | 586 | 712 | 817 | 3,485 |
| Standard Missile-6 Missiles | 616 | 500 | 470 | 450 | 410 | 2,446 |
| Standard Missile-3 Missiles | 480 | 430 | 370 | 330 | 380 | 1,990 |
| Indo-Pacific Maritime Security Initiative | 20 | 20 | 120 | 120 | 120 | 400 |
| Committee on Foreign Investment in the United States | | | | | | |
| DoD | 5 | 5 | 5 | 5 | 5 | 25 |
| Other Agencies | 15 | 15 | 15 | 15 | 15 | 75 |

Amounts shown in this table for 2019—for costs that would be incurred by DoD—are included in the amounts that would be specifically authorized to be appropriated by the bill (as reflected in Table 2 and summarized in Table 1). Associated amounts shown in this table for 2020-2023 would not be specifically authorized by the bill (and therefore are not reflected in Tables 1 and 2); rather, those amounts would be covered by specified authorizations in future National Defense Authorization Acts.

For agencies other than DoD, the bill would not authorize appropriations (in specified amounts) to cover costs shown above. Table 1 summarizes CBO's estimate of those costs.

Numbers may not add to totals because of rounding; DoD = Department of Defense

**TABLE 4. CHANGES IN DIRECT SPENDING UNDER S. 2987**

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2019-2023 | 2019-2028 |
| **INCREASES AND DECREASES IN DIRECT SPENDING** | | | | | | | | | | | | |
| Civilian VSIP | | | | | | | | | | | | |
| Estimated Budget Authority | 6 | 14 | 17 | 25 | 39 | 43 | 42 | 40 | 39 | 37 | 101 | 302 |
| Estimated Outlays | 6 | 14 | 17 | 25 | 39 | 43 | 42 | 40 | 39 | 37 | 101 | 302 |
| TRICARE Prime Referrals | | | | | | | | | | | | |
| Estimated Budget Authority | 1 | 2 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 12 | 23 |
| Estimated Outlays | 1 | 2 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 12 | 23 |
| TRICARE Cost Sharing | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | * | * | -1 | -1 | -1 | -1 | -1 | -1 | -2 | -2 | -8 |
| Estimated Outlays | 0 | * | * | -1 | -1 | -1 | -1 | -1 | -1 | -2 | -2 | -8 |
| Opioid Management Pilot | | | | | | | | | | | | |
| Estimated Budget Authority | * | 1 | 1 | 1 | * | * | * | * | 1 | 1 | 3 | 5 |
| Estimated Outlays | * | 1 | 1 | 1 | * | * | * | * | 1 | 1 | 3 | 5 |
| Contraception Cost Sharing | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | * | * | * | * | * | * | * | * | * | 1 | 2 |
| Estimated Outlays | 0 | * | * | * | * | * | * | * | * | * | 1 | 2 |
| Energy Incentives Fund | | | | | | | | | | | | |
| Estimated Budget Authority | * | * | * | * | * | * | * | * | * | * | * | 1 |
| Estimated Outlays | * | * | * | * | * | * | * | * | * | * | * | 1 |
| Total Changes in Direct Spending | | | | | | | | | | | | |
| Estimated Budget Authority | 7 | 17 | 21 | 28 | 41 | 45 | 43 | 41 | 41 | 38 | 115 | 325 |
| Estimated Outlays | 7 | 17 | 21 | 28 | 41 | 45 | 43 | 41 | 41 | 38 | 115 | 325 |

Other provisions in S. 2987 would, as discussed under the Direct Spending and Revenues heading of this estimate, have insignificant effects on the federal budget.

Numbers may not add up to totals because of rounding; VSIP = Voluntary Separation Incentive Payments; * = between -$500,000 and $500,000.