



December 7, 2020

Honorable Mike Enzi
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

*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.

Honorable Mike Enzi

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Sincerely,



Phillip L. Swagel
Director

Enclosure

cc:

Honorable Bernie Sanders
Ranking Member

Honorable James M. Inhofe
Chairman
Committee on Armed Services

Honorable Jack Reed
Ranking Member

Honorable Jerry Moran
Chairman
Committee on Veterans' Affairs

Honorable Jon Tester
Ranking Member

Honorable Mike Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs

Honorable Sherrod Brown
Ranking Member

Identical letter sent to the Honorable John Yarmuth, Chairman, House Committee on the Budget; Honorable Steve Womack, Ranking Member; Honorable Adam Smith, Chairman, House Committee on Armed Services; Honorable Mac Thornberry, Ranking Member; Honorable Mark Takano, Chairman, House Committee on Veterans' Affairs; Honorable Phil Roe, Ranking Member; Honorable Maxine Waters, Chairwoman, House Committee on Financial Services; Honorable Patrick McHenry, 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 | | | | | | | | | | 2021-2025 | 2021-2030 |
|-----------------------|-------------------------------------|------|------|------|------|------|------|------|------|------|-----------|-----------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 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.

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.

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