Congressional Budget Office
Cost Estimate

July 6, 2022

At a Glance

H.R. 7900, National Defense Authorization Act for Fiscal Year 2023

As reported by the House Committee on Armed Services on July 1, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	*	*
Revenues	0	*	*
Increase or Decrease (-) in the Deficit	0	*	*
Spending Subject to Appropriation (Outlays)	0	810,095	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
		Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	> $5 billion	Contains private-sector mandate?	Yes, Under Threshold

* = between -$500,000 and $500,000.

The bill would

- Authorize appropriations in 2023 totaling $838.8 billion for the military functions of the Department of Defense and for the Department of Energy's atomic energy defense activities
- Authorize appropriations in 2023 totaling $1.4 billion for nondefense activities, mainly for the Maritime Administration
- Prescribe personnel levels for the U.S. Armed Forces and make changes to compensation and benefits for military personnel and their families
- Prescribe changes to various acquisition programs and authorities of the Department of Defense and Maritime Administration
- Require the Navy and the Air Force to privatize transient lodging
- Expand two existing private-sector mandates by prohibiting entities from collecting excess interest and fees on some debt held by military dependents and requiring reports on financial activity

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R.7900 would authorize appropriations totaling $840.2 billion for fiscal year 2023. Nearly all of that amount, $838.8 billion, would be specifically authorized for the military functions of the Department of Defense (DoD) and for the atomic energy defense activities of the Department of Energy. CBO estimates that appropriation of the authorized amounts would result in outlays of $810.1 billion over the 2023-2027 period.

In addition, CBO estimates that enacting H.R. 7900 would have insignificant effects on direct spending and revenues over the 2023-2032 period. One section affecting military lodging, effective 11 years after enactment, would increase direct spending by more than $5 billion in the 10-year period beginning in 2033.

Estimated Federal Cost

The estimated budgetary effects of H.R. 7900 are shown in Table 1. Of the $840.2 billion that would be authorized for 2023, nearly all—$838.8 billion—would be for activities within budget function 050 (national defense).

The other $1.4 billion would fall within budget functions 400 (transportation), 700 (veterans benefits and services); and 270 (energy).

Basis of Estimate

For this estimate, CBO assumes that H.R. 7900 will be enacted near the start of fiscal year 2023 and that the authorized amounts will be appropriated each fiscal year. Outlays for existing programs were estimated using historical spend-out rates.

Spending Subject to Appropriation

H.R. 7900 would specifically authorize appropriations totaling $840.2 billion for 2023.

The $838.8 billion that would be authorized for defense programs includes:

- $317.3 billion for operation and maintenance (including revolving funds);
- $174.5 billion for military personnel;
- $161.3 billion for procurement;
- $138.6 billion for research and development;
- $30.5 billion for atomic energy activities; and
- $16.5 billion for military construction and family housing.

In total, the amount that would be authorized for defense programs in 2023 is $33.8 billion (or 4 percent) more than the $805 billion appropriated to date for 2022. The amount appropriated for 2022 includes $34 billion in emergency funding—$26.6 billion provided in response to the situation in Ukraine and $7.4 billion provided to assist Afghan refugees and to respond to natural disasters.

Excluding that emergency funding, H.R. 7900 would authorize $67.9 billion more than was appropriated for 2022, an increase of 9 percent. Authorizations for all categories of spending would increase—military personnel by $7.7 billion (5 percent), operation and maintenance by $20.6 billion (7 percent), procurement by $16.4 billion (11 percent), research and development by $19.9 billion (17 percent), military construction and family housing by $1.6 billion (11 percent), and atomic energy activities by $1.7 billion (6 percent).

The $1.4 billion that would be authorized for nondefense programs includes the following amounts:

- $1,071 million for the Maritime Administration[1];
- $168 million for a medical facility demonstration fund that is jointly managed by the Department of Veterans Affairs and DoD;
- $152 million for the Armed Forces Retirement Home; and
- $13 million for the Naval Petroleum Reserves.

Other provisions in the bill would affect the costs of defense programs in 2024 and future years but would not specifically authorize appropriations for those years. CBO expects authorizations of appropriations for those provisions would be provided in subsequent defense authorization acts and have not estimated the costs of those provisions for this estimate.

Direct Spending and Revenues

Several provisions in H.R. 7900, described below, would affect direct spending and revenues. CBO estimates the net effects of those provisions would not be significant over the 2023-2032 period, generally because they would affect very few people, would have offsetting effects, or involve transactions of very small amounts.

- Section 524 would permanently prohibit DoD from discharging service members, solely based on their COVID-19 vaccination status, with a discharge characterization of anything except honorable or general under honorable conditions. Veterans must be honorably discharged to use certain education benefits from the Department of Veterans Affairs that are paid from mandatory appropriations.

1. H.R. 7900 specifically authorizes $1,449 million for the Maritime Administration in 2023. However, CBO excludes $378 million that would be specifically authorized for the Maritime Security Program and Tanker Security Program from the calculation above because that amount is already authorized under current law.

- Sections 535, 555, 778, 841, 1221, 1222, and 3512 would extend or modify agencies' authority to accept amounts from nonfederal entities for various purposes. In most cases, the amounts may be spent without further appropriation.
- Sections 705 and 706 would change payment rates and out-of-pocket costs for certain goods and services covered by the Military Health System, which would affect the cost of providing health benefits to retirees of the other uniformed services (U.S. Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service) and their dependents. Those benefits are paid from mandatory appropriations.
- Sections 541and 5701 would make it easier for service members and federal civilian employees to prove they were subjected to unlawful reprisal. Some of those people would receive retroactive pay and benefits. Section 806 could also increase the amount of administrative fees collected by the judiciary. Those fees are recorded as revenues and can be spent without further appropriation.
- Sections 581 and 582 would authorize awards of the Medal of Honor that would not occur under current law. Recipients who are living receive monthly pensions that are paid from mandatory appropriations.
- Section 641 would allow certain former spouses of service members to retain eligibility to shop at commissary stores, which would increase the number of credit and debit card transactions processed. The processing costs for those transactions are paid from mandatory appropriations.
- Section 624 would permit military retirees who have service-connected disabilities rated as totally disabling and who previously discontinued their enrollment in the Survivor Benefit Plan to reenroll. Based on information from DoD, CBO expects the net change in direct spending resulting from additional premiums paid by retirees and additional benefits paid to survivors would be insignificant.
- Sections 1211 and 5801 would expand eligibility for the Afghan Special Immigrant Visa program. CBO expects that all visas authorized under current law will be used. Therefore, the provisions might accelerate when visas are provided, but it would not increase how many are provided.
- Section 5204 would waive application fees for two immigration benefits if the applicant is the parent, spouse, or minor child of a service member who was awarded the Purple Heart.
- Section 5802 would allow qualified Portuguese nationals to be admitted into the United States as nonimmigrant (temporary) traders or investors. Those nonimmigrants would be eligible for health insurance subsidies from the federal government if they otherwise

qualify. Those subsidies are classified as either an increase in direct spending or a reduction in revenue.

- Section 362 would extend from 2023 to 2025 DoD's authority to use working capital funds for minor construction projects at military depots. Those funds are authorized to use contract authority, which is a form of direct spending that allows agencies to incur obligations in advance of appropriations.
- Section 3524 would authorize the government to seize property of individuals in violation of agreements to transport cargo on behalf of federal agencies. Proceeds from the sale of such assets are recorded as revenues, deposited into the Assets Forfeiture Fund, and later spent without further appropriation.
- Section 5301 would increase retirement benefits for some members of the U.S. Coast Guard. Those benefits are paid from mandatory appropriations.
- Sections 5601 through 5675 would amend the Inspector General Act of 1978. The changes would increase collections of fines and penalties, which are recorded as revenues, some of which can be spent without further appropriation. It would also increase fees collected and spent by some agencies that are financed with nonappropriated funds.
- Sections 2851, 2853, 2854, and 2855 would authorize the conveyance of several parcels of land to nonfederal entities. DoD could be reimbursed for administrative costs and could also receive cash compensation for the value of the property, which could be spent without further appropriation.

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. CBO estimates that the net effects of H.R. 7900 on direct spending and revenues would be insignificant over the 2023-2032 period.

Increase in Long-Term Deficits

Section 2814 would require the Navy and the Air Force to privatize transient military lodging facilities within the United States over a 4-year period beginning 11 years after enactment. CBO considers military lodging run by private entities to be a governmental activity that uses a private-sector financial intermediary to serve as an instrument of the federal government. In CBO's view, investments by those entities to improve the lodging facilities should be treated as governmental expenditures because most of the income for the project would be paid from appropriated funds such as per diem payments to service members. Because those investments would not be contingent on the availability of appropriated funds at the time they are made, CBO classifies them as direct spending.

Using information on the reported costs to improve privatized Army lodging, CBO estimates that enacting section 2814 would increase direct spending by more than $5 billion in the 10-year period beginning in 2033.

Mandates

H.R. 7900 would impose private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the total cost of the mandates on private entities would not exceed the annual threshold established in UMRA for private-sector mandates ($184 million in 2022, adjusted annually for inflation). The bill would not impose intergovernmental mandates as defined in UMRA.

Servicemembers Civil Relief Act

Section 5101 would limit the rate of interest that may be assessed on the debt of military dependents, an expansion of an existing mandate. Under current law, private entities in the United States are prohibited from collecting more than six percent in interest, fees, and other charges on debt held by service members and their spouses, including some reservists who are activated. The prohibition applies to credit card and loan debt incurred prior to the start of military service and remains in effect while the service member is on active duty. The protection on mortgage interest and fees continues for one year after active-duty service.

Under the bill, military dependents also would receive the same protections. Dependents generally include adult children under 23 years of age who are pursing post-secondary coursework and other adult dependents, such as parents, grandparents, former spouses, siblings, and disabled older children. CBO estimates that about 8,000 dependents of active-duty service members, most of whom are parents, grandparents, and older adult children, could become eligible for protections under the Act. Dependents of reservists who are activated also could become eligible. However, because the protections are generally limited to periods of active-duty service, dependents of reservists who are activated would receive limited benefits during peacetime.

The cost of the mandate would be any revenue lost as a result. CBO expects this will most directly affect private entities holding debt that historically carries interest rates of more than 6 percent. That would include credit card debt, motor vehicle loans, and private student loans. CBO estimates private entities would forgo several millions of dollars each year in uncollectable interest, fees, and other charges as a result of expanding interest rate protections for military dependents.

Expansion of the Bank Secrecy Act

Section 5104 would require certified public accountants, art dealers, auction houses, and attorneys and notaries involved in financial activity to comply with reporting requirements of the Bank Secrecy Act. CBO estimates that the cost for those mandated entities to comply would be small because under existing federal and state laws several affected entities are already adhering to some provisions of the Bank Secrecy Act. Further, entities can meet reporting requirements under the Act (specifically for cash transactions exceeding $10,000) through a free electronic system maintained by the federal government.

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Table 1.
Estimated Budgetary Effects of H.R. 7900, as Reported by the House Committee on Armed Services on July 1, 2022

	By Fiscal Year, Millions of Dollars						
	2022	2023	2024	2025	2026	2027	2022-2027
	Increases in Spending Subject to Appropriation						
Specified Authorizations for Defense Appropriations							
Authorization Level	0	838,789	0	0	0	0	838,789
Estimated Outlays	0	484,281	206,029	68,655	34,954	14,960	808,879
Specified Authorizations for Nondefense Appropriations							
Authorization Level	0	1,404	0	0	0	0	1,404
Estimated Outlays	0	416	148	162	229	261	1,216
Total Changes							
Authorization Level	0	840,193	0	0	0	0	840,193
Estimated Outlays	0	484,697	206,177	68,817	35,183	15,221	810,095

The amounts shown here would be specifically authorized by the bill. Some provisions in the bill would affect the costs of programs in 2024 and future years but would not specifically authorize appropriations for those years. CBO did not estimate the costs of those provisions, although we expect authorizations of appropriations for those provisions would be provided in subsequent defense authorization acts.