



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

Douglas W. Elmendorf, Director

June 15, 2009

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

Dear Mr. Chairman:

As you requested, the Congressional Budget Office (CBO) has estimated the cost of several proposals that would increase annuities and health benefits for military retirees and their survivors. The estimated annual costs, as well as the five and 10-year totals, for each of the initiatives can be found on the attached table.

Two of the initiatives would expand the population of those eligible to receive both full military retirement annuities and, concurrently, disability compensation from the Department of Veterans Affairs (VA). The first of these is S. 546, the Retired Pay Restoration Act of 2009, as introduced on March 9, 2009. That bill would expand concurrent receipt to all military retirees without regard to their disability rating or years of service. CBO estimates that enacting S. 546 would increase direct spending by \$28.9 billion over the 2010-2019 period.

The second “concurrent receipt” proposal would extend concurrent receipt to all those who were originally retired from the military because of service-connected disabilities. That proposal was contained in the President’s budget request for fiscal year 2010, and CBO has based its cost estimate on authorizing language submitted by the Department of Defense (DoD) to the Congress on May 12, 2009. CBO estimates that proposal would increase direct spending by \$5.1 billion over the 2010-2019 period. Note that the Administration’s proposal would extend concurrent receipt to a subset of the population addressed by S. 546. Hence, the cost estimates for this proposal and S. 546 should not be added together.

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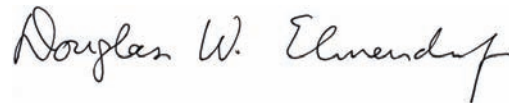
Legislation has also been introduced in the current Congress that would eliminate the requirement for survivors of deceased military retirees to have their survivor benefit payments reduced dollar for dollar by the amount of dependency and indemnity compensation they receive from VA (often referred to as the "SBP-DIC offset"). The two similar proposals are H.R. 775, the Military Spouses Surviving Equity Act, as introduced on January 28, 2009, and S. 535, as introduced on March 5, 2009. CBO estimates that enacting either bill would increase direct spending by \$7.0 billion over the 2010-2019 period.

You also requested that CBO provide a cost estimate for H.R. 972 as introduced on February 10, 2009. That bill would allow retired reserve members to receive health benefits from DoD before reaching age 60 if they are also entitled to receive military retirement annuities. CBO estimates that enacting H.R. 972 would increase direct spending by \$8 million and would require the appropriation of \$495 million over the 2010-2019 period.

In accordance with section 311 of the Concurrent Resolution on the Budget for Fiscal Year 2009 (S. Con. Res. 70), CBO estimates each of the proposals listed in the attached table, with the exception of H.R. 972, would increase projected deficits by more than \$5 billion in at least one of the four consecutive 10-year periods following 2019.

If you wish further details on these estimates, we will be pleased to provide them. The CBO staff contact is Mathew Schmit.

Sincerely,

A handwritten signature in dark ink, reading "Douglas W. Elmendorf". The signature is fluid and cursive, with the first name "Douglas" being the most prominent.

Douglas W. Elmendorf
Director

Attachment

cc: Honorable Paul Ryan
Ranking Member

Honorable John M. Spratt Jr.

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Honorable Ike Skelton
Chairman, House Committee on Armed Services

Honorable John M. McHugh
Ranking Member

Honorable Solomon P. Ortiz

Honorable Joe Wilson

Honorable Kent Conrad
Chairman, Senate Committee on the Budget

Honorable Judd Gregg
Ranking Member

Honorable Carl Levin
Chairman, Senate Committee on Armed Services

Honorable John McCain
Ranking Member

Honorable Bill Nelson

Honorable Harry Reid
Majority Leader, United States Senate

ESTIMATED COSTS OF CERTAIN LEGISLATIVE INITIATIVES RELATED TO MILITARY RETIREMENT AND MILITARY RETIREE HEALTH CARE

	By Fiscal Year, in Millions of Dollars											2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019	
S. 546, THE RETIRED PAY RESTORATION ACT OF 2009													
Direct Spending ^a													
Estimated Budget Authority	3,386	2,323	2,519	2,686	2,815	2,931	3,041	3,112	3,132	3,150	13,729	29,095	
Estimated Outlays	3,205	2,320	2,508	2,678	2,807	2,923	3,032	3,107	3,131	3,149	13,518	28,860	
ADMINISTRATION PROPOSAL FOR EXPANSION OF CONCURRENT RECEIPT TO DISABILITY RETIREES^b													
Direct Spending ^a													
Estimated Budget Authority	165	304	418	522	579	602	614	630	644	660	1,988	5,138	
Estimated Outlays	152	295	410	515	575	600	613	629	643	659	1,947	5,091	
H.R. 775/S. 535, MILITARY SURVIVING SPOUSES EQUITY ACT													
Direct Spending ^a													
Estimated Budget Authority	598	607	622	641	661	689	759	817	846	875	3,129	7,115	
Estimated Outlays	550	606	620	639	660	687	751	815	844	873	3,075	7,045	
H.R. 972, ELIMINATION OF THE AGE REQUIREMENT FOR HEALTH CARE BENEFITS FOR NONREGULAR SERVICE RETIREES													
Spending Subject to Appropriation													
Estimated Authorization Level	11	17	24	31	38	46	58	72	89	109	121	495	
Estimated Outlays	10	17	23	30	38	46	57	71	88	108	118	488	
Direct Spending													
Estimated Budget Authority	*	*	*	*	1	1	1	1	1	2	2	8	
Estimated Outlays	*	*	*	*	1	1	1	1	1	2	2	8	

Notes: Components may not sum to totals because of rounding; * = less than \$500,000; all estimates assume enactment near the start of fiscal year 2010.

In accordance with section 311 of the Concurrent Resolution on the Budget for Fiscal Year 2009 (S. Con. Res. 70), CBO estimates each of the proposals listed in this table, with the exception of H.R. 972, would increase projected deficits by more than \$5 billion in at least one of the four consecutive 10-year periods following 2019.

- a. In addition to the direct spending displayed here, S. 546, the Administration's concurrent receipt proposal, and both H.R. 755 and S. 535 would require increased contributions to the military retirement fund for accrual costs realized in each year. Those contributions are recorded as intragovernmental transactions and would have no net impact on the federal budget. In the case of S. 546 and the Administration's concurrent receipt proposal those contributions would be made by the Treasury, and would total about \$19.3 billion and \$3.8 billion respectively over the 2010-2019 period. In the case of H.R. 775 / S. 535 those contributions would be paid from funds appropriated for military personnel and would total about \$3.8 billion over the 2010-2019 period. H.R. 972 would require an increase in accrual contributions to the Medicare-Eligible Retiree Health Care Fund. However, the required increase in contributions would not be significant.
 - b. This estimate is based on language contained in section 621 of the Department of Defense authorization proposals submitted to the Congress on May 12, 2009. Note that this proposal would extend concurrent receipt to a subset of the population addressed by S. 546. Therefore, the cost estimates for this proposal and S. 546 should not be added together.
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