



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

Douglas W. Elmendorf, Director

May 21, 2010

Honorable Ike Skelton
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has completed a preliminary estimate of the direct spending and revenue effects of H.R. 5136, the National Defense Authorization Act for Fiscal Year 2011, as ordered reported by the House Committee on Armed Services on May 19, 2010. CBO's complete cost estimate for H.R. 5136, including discretionary costs, will be provided shortly.

Based on legislative language for H.R. 5136 that was provided to CBO on May 18 and May 19, CBO estimates that on net, enacting this bill would increase direct spending by about \$4 billion in 2011, and decrease such spending by \$15 million over the 2011-2015 period and by \$2 million over the 2011-2020 period. The largest budgetary effects over that 10-year period would result from changes in retirement programs and the requirement that certain funds in a Department of Defense revolving fund be transferred to the Treasury and deposited in a miscellaneous receipts account, where they could not be spent without an appropriation.

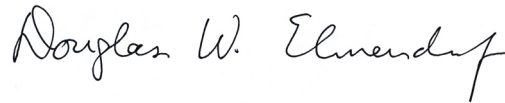
In addition, a shift in the payment dates for military annuitants would increase direct spending in fiscal years 2011 and 2016 by about \$4 billion each year and would decrease direct spending in subsequent years by identical amounts. (As a result, those changes would have no net impact over both the 2011-2015 period and the 2011-2020 period.)

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Enacting the bill would decrease revenues by \$2 million over the 2011-2020 period by allowing certain military retirees to receive a portion of their retirement pay tax-free. In total, CBO estimates that enacting H.R. 5136 would have no net effect on the deficit over the 2011-2020 period. For the purposes of this estimate, we assume that H.R. 5136 will be enacted near the beginning of fiscal year 2011.

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

Sincerely,

A handwritten signature in black ink that reads "Douglas W. Elmendorf". The signature is written in a cursive, flowing style.

Douglas W. Elmendorf
Director

Attachment

cc: Honorable Howard P. "Buck" McKeon
Ranking Member

PRELIMINARY: ESTIMATED IMPACT OF H.R. 5136 ON DIRECT SPENDING AND REVENUES

	By Fiscal Year, in Millions of Dollars										2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
CHANGES IN DIRECT SPENDING												
Pentagon Reservation Maintenance												
Revolving Fund												
Budget Authority	-77	0	0	0	0	0	0	0	0	0	-77	-77
Estimated Outlays	0	-8	-18	-16	-5	-3	-1	-1	0	0	-47	-52
Minimum Service for Retirement as an Officer												
Estimated Budget Authority	4	11	13	8	*	-2	-2	-2	-2	-3	36	25
Estimated Outlays	4	11	13	8	*	-2	-2	-2	-2	-3	36	25
National Defense Stockpile Sales												
Estimated Budget Authority	0	-10	-10	0	0	0	0	0	0	0	-20	-20
Estimated Outlays	0	-10	-10	0	0	0	0	0	0	0	-20	-20
Reserve Early Retirement Credit for Medical Holdovers												
Estimated Budget Authority	*	1	1	1	1	1	1	2	2	2	4	12
Estimated Outlays	*	1	1	1	1	1	1	2	2	2	4	12
Retired Pay for Reserve Members Wounded in Action												
Estimated Budget Authority	*	*	1	1	1	1	1	1	2	2	4	11
Estimated Outlays	*	*	1	1	1	1	1	1	2	2	4	11
TRICARE for Early Reserve Retirees												
Estimated Budget Authority	*	*	1	1	1	1	1	1	2	2	3	10
Estimated Outlays	*	*	1	1	1	1	1	1	2	2	3	10
Authority to Spend Civilian Landing Fees												
Estimated Budget Authority	1	1	1	1	1	1	1	1	1	1	5	10
Estimated Outlays	1	1	1	1	1	1	1	1	1	1	5	10
Retirement Age of Certain Medical Professionals												
Estimated Budget Authority	*	*	-1	-1	-1	-1	*	*	*	*	-3	-4
Estimated Outlays	*	*	-1	-1	-1	-1	*	*	*	*	-3	-4
Special Survivor Allowance												
Estimated Budget Authority	1	*	*	*	1	1	1	0	0	0	2	4
Estimated Outlays	1	*	*	*	1	1	1	*	0	0	2	4
Multiplier Cap for Disability Retirees With Over 30 Years of Service												
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	1	2
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	1	2

(Continued)

TABLE CONTINUED

	By Fiscal Year, in Millions of Dollars										2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
Payment Date for Retired Pay												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	3,967	-3,967	0	0	0	4,370	142	-4,512	0	0	0	0
Total Changes in Direct Spending												
Estimated Budget Authority	-71	3	7	12	4	2	3	3	5	5	-45	-27
Estimated Outlays	3,973	-3,972	-11	-4	-1	4,369	144	-4,510	5	5	-15	-2

CHANGES IN REVENUES

Multiplier Cap for Disability Retirees With Over 30 Years of Service	*	*	*	*	*	*	*	*	*	*	*	-2
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NET INCREASE OR DECREASE (-) IN THE DEFICIT

Estimated Deficit Impact ^a	3,973	-3,972	-11	-4	-1	4,369	144	-4,510	6	6	-15	0
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Notes: Numbers may not add up to totals because of rounding.

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

a. Negative numbers indicate a reduction in the deficit; positive numbers indicate the opposite.
