

(1) Circumstances in the telecommunications market have changed dramatically since the auctioning of spectrum in the 700 megahertz band was originally mandated by Congress in 1997, raising serious questions as to whether the original deadlines, or the subsequent revision of the deadlines, are consistent with sound telecommunications policy and spectrum management principles.

(2) No comprehensive plan yet exists for allocating additional spectrum for third-generation wireless and other advanced communications services. The Federal Communications Commission should have the flexibility to auction frequencies in the 700 megahertz band for such purposes.

(3) The study being conducted by the National Telecommunications and Information Administration in consultation with the Department of Defense to determine whether the Department of Defense can share or relinquish additional spectrum for third generation wireless and other advanced communications services will not be completed until after the June 19th auction date for the upper 700 megahertz band, and long after the applications must be filed to participate in the auction, thereby creating further uncertainty as to whether the frequencies in the 700 megahertz band will be put to their highest and best use for the benefit of consumers.

(4) The Federal Communications Commission is also in the process of determining how to resolve the interference problems that exist in the 800 megahertz band, especially for public safety. One option being considered for the 800 megahertz band would involve the 700 megahertz band. The Commission should not hold the 700 megahertz auction before the 800 megahertz interference issues are resolved or a tenable plan has been conceived.

(5) The 700 megahertz band is currently occupied by television broadcasters, and will be so until the transfer to digital television is completed. This situation creates a tremendous amount of uncertainty concerning when the spectrum will be available and reduces the value placed on the spectrum by potential bidders. The encumbrance of the 700 megahertz band reduces both the amount of money that the auction would be likely to produce and the probability that the spectrum would be purchased by the entities that valued the spectrum the most and would put the spectrum to its most productive use.

(6) The Commission's rules governing voluntary mechanisms for vacating the 700 megahertz band by broadcast stations—

(A) produced no certainty that the band would be available for advanced mobile communications services, public safety operations, or other wireless services any earlier than the existing statutory framework provides; and

(B) should advance the transition of digital television and must not result in the unjust enrichment of any incumbent licensee.

SEC. 3. ELIMINATION OF STATUTORY DEADLINES FOR SPECTRUM AUCTIONS.

(a) FCC TO DETERMINE TIMING OF AUCTIONS.—Section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)) is amended by adding at the end the following new paragraph:

“(15) COMMISSION TO DETERMINE TIMING OF AUCTIONS.—

“(A) COMMISSION AUTHORITY.—Subject to the provisions of this subsection (including paragraph (11)), but notwithstanding any other provision of law, the Commission shall determine the timing of and deadlines for the conduct of competitive bidding under this subsection, including the timing of and deadlines for qualifying for bidding; conducting auctions; collecting, depositing, and reporting revenues; and completing licensing processes and assigning licenses.

“(B) TERMINATION OF PORTIONS OF AUCTIONS 31 AND 44.—Except as provided in subparagraph (C), the Commission shall not commence or conduct auctions 31 and 44 on June 19, 2002, as specified in the public notices of March 19, 2002, and March 20, 2002 (DA 02-659 and DA 02-563).

“(C) EXCEPTION.—

“(i) BLOCKS EXCEPTED.—Subparagraph (B) shall not apply to the auction of—

“(I) the C-block of licenses on the bands of frequencies located at 710-716 megahertz, and 740-746 megahertz; or

“(II) the D-block of licenses on the bands of frequencies located at 716-722 megahertz.

“(ii) ELIGIBLE BIDDERS.—The entities that shall be eligible to bid in the auction of the C-block and D-block licenses described in clause (i) shall be those entities that were qualified entities, and that submitted applications to participate in auction 44, by May 8, 2002, as part of the original auction 44 short form filing deadline.

“(iii) AUCTION DEADLINES FOR EXCEPTED BLOCKS.—Notwithstanding subparagraph (B), the auction of the C-block and D-block licenses described in clause (i) shall be commenced no earlier than August 19, 2002, and no later than September 19, 2002, and the proceeds of such auction shall be deposited in accordance with paragraph (8) not later than December 31, 2002.

“(iv) REPORT.—Within one year after the date of enactment of this paragraph, the Commission shall submit a report to Congress—

“(I) specifying when the Commission intends to reschedule auctions 31 and 44 (other than the blocks excepted by clause (i)); and

“(II) describing the progress made by the Commission in the digital television transition and in the assignment and allocation of additional spectrum for advanced mobile communications services that warrants the scheduling of such auctions.

“(D) RETURN OF PAYMENTS.—Within one month after the date of enactment of this paragraph, the Commission shall return to the bidders for licenses in the A-block, B-block, and E-block of auction 44 the full amount of all upfront payments made by such bidders for such licenses.”.

(b) CONFORMING AMENDMENTS.—

(1) COMMUNICATIONS ACT OF 1934.—Section 309(j)(14)(C)(ii) of the Communications Act of 1934 (47 U.S.C. 309(j)(14)(C)(ii)) is amended by striking the second sentence.

(2) BALANCED BUDGET ACT OF 1997.—Section 3007 of the Balanced Budget Act of 1997 (111 Stat. 269) is repealed.

(3) CONSOLIDATED APPROPRIATIONS ACT.—Paragraphs (2) and (3) of section 213(a) of H.R. 3425 of the 106th Congress, as enacted into law by section 1000(a)(5) of an Act making consolidated appropriations for the fiscal year ending September 30, 2000, and for other purposes (Public Law 106-113; 113 Stat. 1501A-295), are repealed.

SEC. 4. COMPLIANCE WITH AUCTION AUTHORITY.

The Federal Communications Commission shall conduct rescheduled auctions 31 and 44 prior to the expiration of the auction authority under section 309(j)(11) of the Communications Act of 1934 (47 U.S.C. 309(j)(11)).

SEC. 5. PRESERVATION OF BROADCASTER OBLIGATIONS.

Nothing in this Act shall be construed to relieve television broadcast station licensees of the obligation to complete the digital television service conversion as required by section 309(j)(14) of the Communications Act of 1934 (47 U.S.C. 309(j)(14)).

SEC. 6. INTERFERENCE PROTECTION.

(a) INTERFERENCE WAIVERS.—In granting a request by a television broadcast station licensee assigned to any of channels 52-69 to utilize any channel of channels 2-51 that is

assigned for digital broadcasting in order to continue analog broadcasting during the transition to digital broadcasting, the Federal Communications Commission may not, either at the time of the grant or thereafter, waive or otherwise reduce—

(1) the spacing requirements provided for analog broadcasting licensees within channels 2-51 as required by section 73.610 of the Commission's rules (and the table contained therein) (47 CFR 73.610), or

(2) the interference standards provided for digital broadcasting licensees within channels 2-51 as required by sections 73.622 and 73.623 of such rules (47 CFR 73.622, 73.623),

if such waiver or reduction will result in any degradation in or loss of service, or an increased level of interference, to any television household except as the Commission's rules would otherwise expressly permit, exclusive of any waivers previously granted.

(b) EXCEPTION FOR PUBLIC SAFETY CHANNEL CLEARING.—The restrictions in subsection (a) shall not apply to a station licensee that is seeking authority (either by waiver or otherwise) to vacate the frequencies that constitute television channel 63, 64, 68, or 69 in order to make such frequencies available for public safety purposes pursuant to the provisions of section 337 of the Communications Act of 1934 (47 U.S.C. 337).

The amendment was ordered to be engrossed, the bill (H.R. 4560), as amended, was read the third time and passed.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2003

Mr. DASCHLE. Mr. President, I now ask unanimous consent the Senate proceed to Calendar No. 370, S. 2514, the Department of Defense authorization bill; that there be debate only on the bill during today's session; further, that the Senate resume consideration of the bill at 11 o'clock on Wednesday, June 19.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (S. 2514) to authorize appropriations for fiscal year 2003 for military activities of the Department of Defense, for military construction, for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. LEVIN. Mr. President, in behalf of the Armed Services Committee, I am pleased to bring the National Defense Authorization Act for Fiscal Year 2003 to the floor.

This bill would fully fund the fiscal year 2003 budget request of the administration of \$393.3 billion for the national security activities for the Department of Defense and the Department of Energy.

In the first 41 days of congressional session this year, the Armed Services Committee held 41 hearings to examine the administration's budget request and related issues. Last month, after meeting in markup for 3 days, the committee approved S. 2514, the National Defense Authorization Act for Fiscal Year 2003.

I thank all the members of committee for their hard work on this bill.

There were two close votes on two funding issues that caused a few of our members to vote against the bill at the end, which, of course, we regret. But except for those two issues, I think we probably would have had a unanimous vote on our committee.

As we take up this bill, America's Armed Forces are engaged around the world as never before. In the months since September 11, we have dispatched troops not only to Afghanistan but also to Pakistan, the Philippines, the countries of central Asia and the Persian Gulf. We called up the National Guard to assist in contingency operations and to assist in safeguarding our borders and protecting our airports.

All of this has been done without relieving our soldiers, sailors, airmen, and marines of ongoing deployments in Korea, the Balkans, Colombia, and elsewhere.

This year, as much as ever before, we owe it to our men and women in uniform to act on this bill with dispatch. The events following September 11 have once again shown that the U.S. military is the most capable fighting force in the world. The success of our forces in Afghanistan has been remarkable. Osama bin Laden—if he is alive—is on the run and in hiding. Many of his al-Qaida terrorists have been captured or killed. The Taliban regime that harbored them is no more, and a new government is in place. Nations around the world have been put on notice: America is determined to protect itself from more attacks and to bring terrorists to justice.

From Europe to the Persian Gulf to the Korean Peninsula, the presence of U.S. military forces and their contributions to regional peace and security continue to reassure our allies and deter potential adversaries. Over the last decade, U.S. forces have excelled in every mission assigned to them, including not only Operation Enduring Freedom, but also the 1999 NATO air campaign over Kosovo and ongoing enforcement of the no-fly zones over Iraq; humanitarian operations from Central America to Africa; and peacekeeping operations from the Balkans to East Timor.

The excellence behind that success was not built in months. The success of our forces in Afghanistan is a tribute to the men and women of the Armed Forces and the investments in national defense that Congress and the Department of Defense have made over many years. Future success on the battlefield will likewise depend upon the success of Congress and the Department in preparing, training, and equipping our military for tomorrow's missions.

The National Defense Authorization Act for Fiscal Year 2003 builds on the considerable strengths of our military forces and their record of success. The Armed Services Committee identified five priorities to guide us in preparing this bill. These were to:

No. 1, continue the improvements in the compensation and quality of life of the men and women in the Armed Forces, retirees and their families;

No. 2, sustain the readiness of the military services to conduct the full range of their assigned mission, including current and future operations against international terrorism;

No. 3, improve the efficiency of Defense Department programs and operations and apply the savings toward high-priority programs;

No. 4, improve the ability of the Armed Forces to meet nontraditional threats, including terrorism and weapons of mass destruction; and

No. 5, promote the transformation of the Armed Forces to meet the threats of the 21st century.

First, compensation and quality of life:

The bill reflects the committee's highest priority—ensuring that our men and women in uniform, retirees and their families receive the compensation and quality of life they deserve. Toward that end, we added more than \$1.2 billion to the budget request for pay and quality of life initiatives. Specifically, the bill includes a 4.1 percent across-the-board pay raise for all military personnel, with an additional targeted pay raise for the mid-career force; adds \$640 million above the budget request to improve and replace facilities on military installations; and authorizes a new assignment incentive pay of up to \$1,500 per month to reward military members who agree to serve in difficult-to-fill assignments.

The bill would also begin to address a longstanding inequity in the compensation of military retirees by authorizing the concurrent receipt of retired pay and veterans' disability compensation for military retirees with disabilities rated at 60% or more. During our markup, the committee approved a separate amendment that would authorize concurrent receipt of retired pay and veterans' disability compensation for non-disability retirement. Senator WARNER and I plan to offer this amendment on behalf of the committee at the earliest possible point in the debate of this bill.

With regard to readiness, we propose to set aside \$10 billion, as requested by the administration, to fund ongoing operations in the war against international terrorism during fiscal year 2003. The President requested that this money be reserved for the continuance of the war against international terrorism, and we believe that there is no more important purpose to which this funding could be dedicated.

However, the Department is not yet in a position to state how long the war on terrorism will continue, or in what form, or to specify the specific programs for which the requested funds would be used. For this reason, the provision recommended by the committee would authorize for appropriation the \$10 billion requested by the President

upon receipt of a budget request which: No. 1, designates the requested amount as being essential to the continued war on terrorism; and No. 2, specifies how the administration proposes to use the requested funds, consistent with the Authorization for the Use of Military Force, P.L. 107-40.

In addition, the bill would add funding to address shortfalls in a number of key readiness accounts and help lessen the burden on some of the Department's high demand, low density assets.

These funding increases include \$126 million to protect and enhance military training ranges; \$232 million for aircraft, ship, and Navy gun depot maintenance; \$176 million for improvements to Air Force and Army facilities; \$51 million for ammunition to meet new training requirements and supplement war reserve stocks; \$55 million to address the Army's aviation training backlog; \$110 million for the purchase of an additional EC-130J Commando Solo aircraft; and \$114 million for modifications to help improve the readiness of the EA-6B electronic warfare aircraft fleet.

Relative to combating terrorism, the bill before us would take a significant step towards addressing nontraditional threats by providing in excess of \$10 billion for combating terrorism initiatives, as requested by the Department, including more than \$2 billion for force protection improvements to DOD installations around the world.

In addition, the bill would provide increases of \$200 million to enhance the security of our nuclear materials and nuclear weapons in the Department of Energy, \$43 million in funding for the U.S. Special Operations Commands, and \$30 million for defense against chemical and biological weapons and other efforts to combat weapons of mass destruction.

We have also included two important legislative initiatives that would require the Department of Defense to take a more comprehensive approach to installation preparedness for weapons of mass destruction attacks and authorize the Secretary of Defense to expand cooperative threat reduction activities beyond the countries of the former Soviet Union.

Relative to transformation, the bill would provide significant funds to promote the transformation of the Armed Forces to meet the threats of the 21st century. In particular, the bill would add more than \$1.1 billion to the Navy's shipbuilding accounts to refuel a nuclear submarine and pay for advance procurement of an aircraft carrier, a *Virginia*-class submarine, a DDG-51 class destroyer, and an LPD-17 class amphibious transport dock.

Our bill would add \$105 million for funding for research and development on the Army's Future Combat System and more than \$100 million for science and technology needed to help the Army achieve its Objective Force.

It would fully fund the \$5.2 billion requested by the Department for the F-

22, the \$3.5 billion requested for continued research and development on the Joint Strike Fighter, and more than \$600 million requested for Air Force unmanned aerial vehicles.

It would add more than \$300 million to the Department's science and technology budget, bringing the Department closer to the Secretary's goal of devoting 3 percent of all defense funds to the programs that promise to bring us the revolutionary technologies that will be needed to prevail in future conflicts.

Relative to the Crusader Artillery System, in the middle of our committee markup of this bill the Secretary of Defense announced that he intended to terminate the Crusader Artillery System. This is a system which the Department of Defense had strongly supported until just a few days earlier. Because the committee had no opportunity to review the reasons for this sudden reversal, we did not address this issue in our markup. Instead, we scheduled a hearing with the Secretary of Defense and the Army Chief of Staff to consider the merits of the program.

At that hearing, the Secretary of Defense favored termination. The Army Chief of Staff testified that the system was very important and very necessary and, as a matter of fact, an important part of transformation. The Chief of Staff is a very strong supporter of transformation.

I think we all—as we perhaps will be debating the Crusader System—should recognize the contribution of the Army Chief of Staff to the transformation of the Army. He is not one who has resisted transformation. He has been a very strong supporter of transformation, and he views the Crusader Artillery System—or viewed this at the time he testified—as an important part of that transformation.

On June 13, the committee met to discuss the Crusader Artillery System. At that time, the committee voted 13 to 6 to recommend an amendment that would do two things. First, it would take the \$475 million out of the Crusader program and put the money into a separate funding line for future combat systems research and development. This is the Army's armored systems modernization line. Second, we would require the Army Chief of Staff, in our amendment, to conduct an analysis—or finish his analysis—of alternatives for the Army's artillery needs and to submit his findings to the Secretary of Defense no later than 1 month after the date of enactment of this act.

This approach would enable the Secretary of Defense to terminate the Crusader program following the receipt of the Army's analysis which was truncated. The Army, in late April, was told that it could complete its analysis by the end of this fiscal year. And then, in early May, it was told that it could have until the end of May to complete this analysis.

I emphasize the importance of this analysis. The Army's analysis is in-

tended to answer seven questions. I am not going to go through them all, but I am simply going to say these are important questions. These are important questions for the future well-being of the men and women in the Army. They are critical questions. They have to do with risk. What are the risks in proceeding? What are the risks in canceling?

These are questions which the Army was in the middle of analyzing when suddenly, a few days into May, despite the earlier decision to allow the completion of this analysis by the end of May, the Secretary of Defense simply said: We are going to terminate.

Seven questions were to be answered. And I emphasize, these are questions which can be life-and-death questions for the men and women in the future armies of this country. They were going to analyze these questions in six combat scenarios. They were going to look at four different alternatives. We believe the answers to those questions in that analysis should be completed. The amendment, which I will offer on behalf of the committee, as I promised to the committee I would offer early in this debate, was adopted, as I said, by a 13-to-6 vote.

We hope the Senate will approve this amendment. We think it is the correct balance. Not only should we have that information before we or the Defense Department—either one of us—finally decide on termination, that analysis is important as to how best to spend that money. Where should we jump to? Even if we, this Nation, decide to jump from Crusader, even if we take whatever risks are involved—and there are risks involved in that—the decision also involves. Where do we then allocate those funds? How do we allocate those funds? And that analysis is critically important to that issue as well. We hope our amendment will address both those issues in a rational, thoughtful way.

Congress has a responsibility also to ensure that the resources our taxpayers provide for national defense are spent wisely. The administration has not complied with statutory requirements to provide Congress with a national security strategy and an annual report outlining detailed plans for the size, structure, shape, or transformation of the military. In the absence of that planning, again, required by law, the Department of Defense is going to have difficulty establishing a clear vision for the future for our Armed Forces.

But a year ago, the Secretary of Defense testified before us saying: "We have an obligation to taxpayers to spend their money wisely." He said that he had "never seen an organization, in the private or public sector," to use his words, "that could not, by better management, operate at least five percent more efficiently if given the freedom to do so. Five percent of the DOD budget," he pointed out, "is over \$15 billion!"

He testified that that \$15 billion of savings from management efficiencies could be used to: increase ship procurement from six to nine ships a year; to procure several hundred additional aircraft annually rather than 189. He could meet the target of a 67-year facility replacement rate, and those savings could increase defense-related science and technology funding from 2.7 percent to 3 percent for the Department of Defense budget.

To this date, it has been disappointing that the Department has identified less than \$150 million of the \$15 billion annual savings projected by the Secretary. Despite the largest proposed increase in defense spending in 20 years, the budget request would fund just 5 ships and 166 aircraft, way below the goals; replace facilities at a 122-year rate instead of the 67-year rate, which is desirable. It would leave the rate of defense-related science and technology unchanged at just 2.7 percent of the Department of Defense budget instead of the 3-percent target which is desirable.

In short, despite the proposed \$48 billion increase in defense spending, management efficiencies are needed now more than ever to ensure the taxpayers' money is well spent.

Our bill includes a number of provisions to help address this problem, including a major initiative, based on recommendations of the Defense Science Board and the DOD Director of Operational Test and Evaluation, to address budget shortfalls and organizational shortcomings in the Department's test and evaluation infrastructure that have led to inadequate testing of major weapons systems.

It would provide for a continuation of last year's initiative by the committee to improve the way in which the Department manages its \$50 billion of services contracts with resulting savings of \$850 million. We include a provision that would address the Department's inability to produce reliable financial information and achieve \$400 million of savings by deferring spending on new financial systems that would be inconsistent with a comprehensive financial management enterprise architecture currently being developed by the Department. We include a provision requiring the Department to establish new internal controls to address recurring problems with the abuse of purchase cards and travel cards by military and civilian personnel.

In the area of missile defense, the bill would reallocate \$812 million for missile defense expenditures that appear to be unjustified or duplicative to higher priority areas. The bill would transfer \$690 million from missile defense activities to fund advanced procurement of a second *Virginia*-class submarine as soon as fiscal year 2005; advanced procurement for a second LPD-17 amphibious transport dock in fiscal year 2004; and advanced procurement for a third DDG-51 *Arleigh Burke*-class destroyer in fiscal year 2004.

Every defense budget requires choices, as every other budget of every other Department. Even with more than \$390 billion to spend for national security activities, the administration was not able to fund every important national security priority. Each of the military services came to us with a long list of unfunded priorities, items not included in their budget, which they believe to be important to the national defense.

There was unanimous agreement among the members of the Armed Services Committee that the President's budget did not provide adequate resources to maintain the Navy's surface fleet or attack submarines. The committee received extensive testimony from DOD witnesses and numerous DOD and Navy reports indicating that the Navy should be building 8 to 10 ships per year to recapitalize its current fleet. A number of Navy witnesses, including the chief of naval operations, have indicated they believe that the Navy should be building a fleet with as many as 375 ships in order to meet the requirements the Navy faces today.

Two years ago, the Navy's shipbuilding plan called for 23 ships between 2003 and 2005. This year's plan calls for only 17 ships during that period.

The Department's proposed budget for missile defense was not even reviewed by the Joint Chiefs of Staff. Earlier this year, each of the four service chiefs testified before the Armed Services Committee that they had not been asked for their views on the funding for missile defense programs relative to other priorities in the budget—all those unmet requirements that they told us about. They were not asked to weigh the importance of the missile defense budget against those other needed items.

The committee, and the subcommittee chaired by Senator JACK REED, conducted an exhaustive examination of the proposed missile defense budget, holding two strategic subcommittee hearings alone on missile defense, reviewing 400 pages of missile defense budget documentation, and participating in more than 25 hours of staff briefings by the Department of Defense. Based on this lengthy review, the committee recommended funding the vast majority of the Department's missile defense requests, an amount that is sufficient to aggressively fund all of the specific systems that the Department has said it wants to develop.

However, at the same time the committee identified \$810 million of the missile defense request, which is 11 percent of the total request, that could not adequately be justified by the Department despite a detailed review of available documentation and repeated requests at hearings and in briefings.

For example, the budget request included \$1.1 billion in the ballistic missile defense program element. That is an increase of \$250 million over the current funding level. The major purpose

of this program element is to develop an integrated architecture of BMD systems. While this is an important goal, most of the systems that will comprise the BMD architecture are years away from being deployed, making the development and definition of a detailed BMD architecture impossible at this point.

After receiving more than \$800 million for this program element in fiscal year 2002, the Missile Defense Agency has yet to provide to Congress any indication what the overall ballistic missile defense architecture might be. In fact, the committee learned that of the \$800 million appropriated for that program element in fiscal year 2002, only \$50 million had been spent by the end of March, halfway through the fiscal year.

Because of this slow execution, the Missile Defense Agency informed us that \$400 million of these fiscal year 2002 funds will be available for expenditure in 2003. So half of the money that we appropriated in 2002 for that program element is not going to be spent. It is going to be available next year. Under those circumstances, it is hard to see why the Department would need a \$250 million increase in that program element in fiscal year 2003.

In short, we made a choice to make careful, well-justified reductions in missile defense programs to fund increases to the Department's shipbuilding accounts, and other critically important accounts, which are strongly supported by most members of the uniformed Navy and by members of the committee. The choice was the right one.

One of the things we used the money for, one of the important areas that we used that funding for, was greater security of our Department of Energy nuclear facilities. The greatest threat we face is a terrorist threat. Those facilities are not adequately protected. We found some additional money—about \$100 million—in those reductions in the missile defense accounts which we believed could not be justified, not just to build more ships, which are necessary, but also to give greater security to our Department of Energy nuclear facilities which are so critically important to be defended.

Secretary Rumsfeld has written us that the Department opposes these changes and he would recommend that the President veto the bill if this change in missile defense funding remains in the bill. But again, this veto threat not only is addressed at the funding cuts in the bill but, in effect, is addressed at the items that we added in the bill which are so important to the national security of this country.

We believe our bill would provide the Missile Defense Agency as much money as can reasonably be executed for the missile defense program in this year and would ensure that this money is expended in a sound manner.

Mr. President, finally, I wish to say a few words on two items that are not in-

cluded in this bill. First, the budget request of the administration included \$15 million in the Department of Energy to begin studying the feasibility of the new robust nuclear earth penetrator. We had doubts about the need for this new nuclear weapon, particularly at a time when we are trying to convince other countries to forgo the development of nuclear weapons, and we adopted an amendment deleting funding for the robust nuclear penetrator and instead we directed the Department of Defense, in consultation with the Secretary of Energy, to submit a report to Congress on the requirements for this new nuclear weapon—how it would be deployed, what categories of targets it would be used against, and whether conventional weapons could effectively address such targets.

Second, less than a month before we began our markup, the Department of Defense sent us a legislative proposal to exempt certain military installations and activities from the Endangered Species Act, the Migratory Bird Treaty Act, the Marine Mammal Protection Act, the Clean Air Act, the Solid Waste Disposal Act, and the Comprehensive Environmental Response and Compensation Liability Act, or CERCLA.

We did not consider those proposals because all those statutes fall outside the jurisdiction of the Armed Services Committee. We did include two environmentally sound provisions in the Department's proposal that were in our committee's jurisdiction. These provisions authorize the Department of Defense to enter into agreements with non-Federal entities to manage lands adjacent to military installations and to create buffer zones between training areas and the surrounding population.

America's Armed Forces are ready to help keep the peace, to deter traditional and nontraditional threats to our security and our vital interests around the world, and to win any conflict decisively. Our bill builds on the considerable strength of our military forces and their record of success by preserving a high quality of life for U.S. forces and their families, sustaining readiness, transforming the Armed Forces to meet the threats and challenges of tomorrow.

I hope our colleagues will join us in supporting this important legislation.

Mr. President, the Congressional Budget Office is required to prepare a cost estimate for spending legislation reported by committees. The cost estimate for the bill reported by the committee, S. 2514, was not finished at the time the report on this bill was filed. The CBO cost estimate is now available. I ask unanimous consent that the Congressional Budget Office cost estimate for the Defense authorization bill reported by the Committee on Armed Services be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 21, 2002.

Hon. CARL LEVIN,
Chairman, Committee on Armed Services, U.S.
Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 2514, the National Defense Authorization Act for Fiscal Year 2003.

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

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

S. 2514—National Defense Authorization Act for Fiscal Year 2003

Summary: S. 2514 would authorize appropriations totaling \$392 billion for fiscal year

2003 and an estimated \$14 billion in additional funding for 2002 for the military functions of the Department of Defense (DoD) and the Department of Energy (DOE). It also 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 amounts for 2002 and 2003 would result in additional outlays of \$402 billion over the 2002–2007 period.

The bill also contains provisions that would raise the costs of discretionary defense programs over the 2004–2007 period. CBO estimates that those provisions would require appropriations of \$6.8 billion over those four years.

The bill contains provisions that would increase direct spending by an estimated \$5.6 billion over the 2003–2007 period and \$17.6 billion over the 2003–2012 period, primarily from the phase-in of concurrent payment of retire-

ment annuities with veterans' disability compensation to retirees from the military and the other uniformed services who have service-connected disabilities rated at 60 percent or greater. Because it would affect direct spending, the bill would be subject to pay-as-you-go procedures.

S. 2514 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of S. 2514 is shown in Table 1. Most of the costs of this legislation fall within budget function 050 (national defense).

TABLE 1.—BUDGETARY IMPACT OF S. 2514, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2003

	By fiscal year, in millions of dollars—					
	2002	2003	2004	2005	2006	2007
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Defense Programs:						
Budget Authority ¹	346,319	0	0	0	0	0
Estimated Outlays	346,900	116,372	38,931	13,267	5,535	2,723
Proposed Changes:						
Authorization of Supplemental Appropriations for 2002:						
Estimated Authorization Level ²	14,048	0	0	0	0	0
Estimated Outlays ²	5,345	5,782	1,941	660	174	79
Authorization of Appropriations for 2003:						
Estimated Authorization Level	0	391,543	0	0	0	0
Estimated Outlays	0	259,711	88,543	28,227	8,201	2,856
Spending Under S. 2514 for Defense Programs:						
Estimated Authorization Level	360,367	391,543	0	0	0	0
Estimated Outlays	352,245	381,865	129,415	42,154	13,910	5,658
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	359	674	1,081	1,533	1,936
Estimated Outlays	0	359	674	1,081	1,533	1,936

¹The 2002 level is the amount appropriated for programs authorized by S. 2514.

²The estimates shown for the 2002 supplemental are amounts contained in the Administration's supplemental request for defense programs. The outlay estimate for 2003 includes \$5,684 million of spending from funds requested as emergency appropriations. Excluding emergency spending would lower total outlays in 2003 to \$376,181 million.

Note.—This table excludes estimated authorizations of appropriations for years after 2003. (Those additional authorizations are shown in Table 3.)

Basis of estimate

Spending subject to appropriation

The bill would specifically authorize appropriations totaling \$391.5 billion in 2003 (see Table 2) and additional amounts as may be necessary for supplemental appropriations for defense in 2002, which CBO estimates would total \$14 billion based on the Administration's request. Most of those costs would fall within budget function 050 (national defense). S. 2514 also would specifi-

cally authorize appropriations of \$70 million for the Armed Forces Retirement Home (function 600—income security).

The estimate assumes that the estimated authorization amount for 2002 is appropriated by the end of June 2002, and that the amounts authorized for 2003 will be appropriated before the start of fiscal year 2003. Outlays are estimated based on historical spending patterns.

The bill also contains provisions that would affect various costs, mostly for per-

sonnel, that would be covered by the fiscal year 2003 authorization and by authorizations in future years. Table 3 contains estimates of those amounts. In addition to the costs covered by the authorizations in the bill for 2003, these provisions would raise estimated costs by \$6.8 billion over the 2004–2007 period. The following sections describe the provisions identified in Table 3 and provide information about CBO's cost estimates for those provisions.

TABLE 2.—SPECIFIC AUTHORIZATIONS IN S. 2514

Category	By fiscal year, in millions of dollars—				
	2003	2004	2005	2006	2007
Military Personnel:					
Authorization Level ¹	94,297	0	0	0	0
Estimated Outlays	89,205	4,432	283	94	0
Operation and Maintenance:					
Authorization Level	139,938	0	0	0	0
Estimated Outlays	103,010	28,058	6,279	1,395	478
Procurement:					
Authorization Level	72,818	0	0	0	0
Estimated Outlays	20,599	27,458	15,289	5,193	1,808
Research, Development, Test, and Evaluation:					
Authorization Level	55,686	0	0	0	0
Estimated Outlays	31,375	20,110	3,240	587	153
Military Construction and Family Housing:					
Authorization Level	10,129	0	0	0	0
Estimated Outlays	2,686	3,805	2,259	805	327
Atomic Energy Defense Activities:					
Authorization Level	15,895	0	0	0	0
Estimated Outlays	10,667	4,245	853	74	55
Other Accounts:					
Authorization Level	2,688	0	0	0	0
Estimated Outlays	1,736	501	174	128	60
General Transfer Authority:					
Authorization Level	0	0	0	0	0
Estimated Outlays	350	–75	–150	–75	–25
Total:					
Authorization Level ²	391,451	0	0	0	0
Estimated Outlays	259,628	88,534	28,227	8,201	2,856

¹This authorization is for discretionary appropriations and does not include \$55 million for mandatory payments from appropriations for military personnel.

²These amounts comprise nearly all of the proposed changes for authorizations of appropriations for 2003 shown in Table 1; they do not include the estimated authorization of \$92 million for the Coast Guard Reserve, which is shown in Table 3.

TABLE 3.—ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS IN S. 2514

Category	By fiscal year, in millions of dollars—				
	2003	2004	2005	2006	2007
MULTIYEAR PROCUREMENT					
C-130J Aircraft	15	-63	-121	-142	-162
FORCE STRUCTURE					
DoD Military Endstrengths	87	180	186	192	198
Coast Guard Reserve Endstrengths	92	0	0	0	0
COMPENSATION AND BENEFITS (DoD)					
Military Pay Raises	276	381	398	415	430
Expiring Bonuses and Allowances	706	796	417	234	152
Assignment Incentive Pay	1	14	32	0	0
Education and Training	3	5	9	13	11
Concurrent Receipt	0	588	610	631	650
National Call to Service Program	0	10	19	28	29
DEFENSE HEALTH PROGRAM					
TRICARE Prime Remote	4	4	4	5	5
Transitional Health Care	7	5	3	2	1
OTHER PROVISIONS					
Voluntary Separation and Early Retirement Incentives (DoD and DOE)	0	121	212	211	0
Federal Employees Health Benefits Program	0	2	3	3	3
School Impact Aid	(^a)	(^a)	(^a)	14	15
Arctic and Western Pacific Environmental Cooperation Program	7	8	6	5	3
Revitalizing DoD Laboratories	(^a)	(^a)	(^a)	(^a)	0
Contracting for Environmental Remediation	-2	-4	-5	-7	-9
TOTAL ESTIMATED AUTHORIZATIONS					
Estimated Authorization Level	1,196	2,047	1,773	1,605	1,326

^a Less than \$500,000.

Note.—For every item in this table except the authorization for the Coast Guard Reserve, the 2003 levels are included in the amounts specifically authorized to be appropriated in the bill. Those amounts are shown in Table 2. Amounts shown in this table for 2004 through 2007 are not included in Table 1.

Multiyear Procurement. In most cases, purchases of weapon systems are authorized annually, and as a result, DoD negotiates a separate contract for each annual purchase. In a small number of cases, the law permits multiyear procurement; that is, it allows DoD to enter into a contract to buy specified annual quantities of a system for up to five years. In those cases, DoD can negotiate lower prices because its commitment to purchase the weapons gives the contractor an incentive to find more economical ways to manufacture the weapon, including cost-saving investments. Annual funding is provided for these multiyear contracts, but potential termination costs are covered by an initial appropriation.

Section 131 would authorize the Secretary of the Air Force to enter into a multiyear contract to purchase C-130J aircraft beginning in 2003 after the Secretary certifies that the C-130J has been cleared for worldwide, over-water capability. Based on information provided by the Air Force, CBO assumes that DoD will procure 64 aircraft over the 2003-2008 period—40 CC-130J aircraft for the Air Force and 24 KC-130J aircraft for the Marine Corps. CBO also assumes that the CC-130J and KC-130J aircraft would be purchased under one contract administered by the Air Force and covering six years of production beginning in 2003. CBO estimates that savings from buying these aircraft under a multiyear contract would total \$473 million, or about \$95 million a year, over the 2003-2007 period. CBO also estimates that additional savings of \$182 million would accrue in 2008. Funding requirements to purchase these aircraft would total just under \$3.4 billion over the 2003-2007 period (instead of the almost \$3.9 billion that would be needed under annual contracts).

Multiyear procurement of C-130Js would raise costs in 2003 because the KC-130J did not receive advance procurement in 2002 in anticipation of multiyear procurement starting in 2003, and because the Air Force would need to provide advance procurement for the aircraft that it would purchase in 2004.

Military Endstrength. The bill would authorize active and reserve endstrength levels for 2003. The authorized endstrengths for active-duty personnel and personnel in the selected reserve would total about 1,390,000 and 865,000, respectively. Of those selected reservists, about 68,500 would serve on active duty

in support of the reserves. The bill would specifically authorize appropriations of about \$94 billion for the costs of military pay and allowances in 2003. The authorized endstrength represents a net increase of 2,200 servicemembers that would boost costs for salaries and other expenses by \$87 million in the first year and about \$190 million annually in subsequent years, compared to the authorized strengths for 2002.

The bill also would authorize an endstrength of 9,000 in 2003 for the Coast Guard Reserve. This authorization would cost about \$92 million and would fall under budget function 400 (transportation).

Section 402 would allow the Secretary of Defense to increase endstrength by 2 percent above the level authorized by the Congress. The provision would also allow an increase in endstrength equal to the number of personnel within the reserve components that are on active duty in support of a contingency operation. While there is the potential for increased costs, CBO believes that DoD would still have to manage their resources given the finite amount of money appropriated each year for military personnel. As such, CBO estimates that this provision would not significantly increase costs.

Compensation and Benefits. S. 2514 contains several provisions that would affect military compensation and benefits for uniformed personnel.

Military Pay Raises. Section 601 would raise basic pay by 4.1 percent across-the-board and authorize additional targeted pay raises, ranging from 0.9 percent to 4.4 percent, for individuals with specific ranks and years of service at a total cost of about \$2.3 billion in 2003. Because the pay raises would be above those projected under current law, CBO estimates that the incremental costs associated with the larger pay raise would be about \$276 million in 2003 and total \$1.9 billion over the 2003-2007 period.

Expiring Bonuses and Allowances. Several sections would extend DoD's authority to pay certain bonuses and allowances to current personnel. Under current law, most of these authorities are scheduled to expire in December 2002, or three months into fiscal year 2003. The bill would extend these authorities through December 2003. Based on data provided by DoD, CBO estimates that the costs of these extensions would be as follows:

Payment of reenlistment bonuses for active-duty personnel would cost \$327 million in 2003 and \$191 million in 2004; enlistment bonuses for active-duty personnel would cost \$133 million in 2003 and \$361 million in 2004;

Various bonuses for the Selected and Ready Reserve would cost \$99 million in 2003 and \$114 million in 2004;

Special payments for aviators and nuclear-qualified personnel would cost \$67 million in 2003 and \$72 million in 2004;

Retention bonuses for officers and enlisted members with critical skills would cost \$29 million in 2003 and \$19 million in 2004;

Accession bonuses for new officers with critical skills would cost \$14 million in 2003 and \$5 million in 2004; and

Authorities to make special payments and give bonuses to certain health care professionals would cost \$37 million in 2003 and \$34 million in 2004.

Most of these changes would result in additional, smaller costs in subsequent years because payments are made in installments.

Assignment Incentive Pay. Section 617 would authorize a new incentive pay to servicemembers who volunteer for difficult-to-fill jobs or less-than-desirable locations. The authority would expire three years after the enactment date of this bill. Based on information from DoD, CBO expects that only the Navy would use this authority. Based on information provided by the Navy, CBO assumes that the special incentive pay would average \$300 a month and that 11,250 servicemembers would receive this special pay by 2005. Given expected personnel turnover, CBO estimates that this provision would cost \$1 million in 2003 and \$46 million over the 2003-2005 period.

Education and Training. Section 521 would allow the military services to increase the number of students at each of the service academies from the current ceiling of 4,000 to 4,400 students. Based on information from DoD, CBO expects that only the Navy would significantly increase its service-academy strength and that it would bring on about 100 extra academy students a year, so that the student body would increase, after several years, to about 4,400 students. Based on information provided by DoD, CBO assumes the other service academies would each increase their enrollments by an insignificant number of students a year.

According to DoD, the additional cost to bring on 400 extra students at the Naval

Academy would be about \$29,000 per student each year. These additional students would not be used to increase overall officer endstrength, but rather to offset a desired draw down in the number of officers commissioned through the Officer Candidate School (OCS) program, according to the Navy. Thus, the actual cost of the increase for the academy students would be offset somewhat by the cost of the OCS graduates they would replace. Because the OCS program lasts less than one year, the offsetting costs would not begin to affect net outlays until 2007, when the first of the additional academy students would graduate and be commissioned. CBO estimates the cost of implementing this provision would be \$1 million in 2003 and \$31 million over the 2003–2007 period, assuming appropriation of the necessary amounts.

Section 652 would extend the period during which eligible reservists may use their education benefits from 10 years to 14 years. In 2001, over 82,000 reservists trained under this program and received an average annual benefit of \$1,653. These benefits are paid by the Secretary of Veterans Affairs from the DoD Education Benefits Fund. Each month, DoD pays into the fund the net present value of the education benefit granted to each person who enlisted in the previous month. Based on information from DoD about current contributions to the fund and expected accessions, CBO estimates implementing section 652 would increase payments into the fund by about \$2 million each year. (CBO estimates that there also would be direct spending of about \$24 million over the 2003–2012 period for increased outlays from the fund. CBO's estimate of those costs is discussed below under the heading of "Direct Spending.")

Concurrent Receipt. Section 641 would phase in over five years total or partial concurrent payment of retirement annuities together with veterans' disability compensation to retirees from the uniformed services who have service-connected disabilities rated at 60 percent or greater. The uniformed services include all branches of the U.S. military, the Coast Guard, and uniformed members of the Public Health Service (PHS) and the National Oceanic and Atmospheric Administration (NOAA).

Under current law, disabled veterans who are retired from the uniformed services cannot receive both full retirement annuities and disability compensation from the Department of Veterans Affairs (VA). Because of this prohibition on concurrent receipt, such veterans forgo a portion of their retirement annuity equal to the nontaxable veterans' benefit. This section would phase in concurrent receipt of both benefits so that, beginning in 2007, individuals who have significant service-connected disabilities and have a retirement annuity based on years of service, would receive both benefits in full without the reduction called for under current law. Individuals whose retirement pay is based on their degree of disability would continue to forgo retirement pay equal to the VA compensation payment, but only to the extent that their disability had entitled them to a larger retirement annuity than they would have received based on years of service.

The military retirement system is financed in part by an annual payment from appropriated funds to the military retirement trust fund, based on an estimate of the system's accruing liabilities. If this provision is enacted, the yearly contribution to the military retirement trust fund (an outlay in budget function 050) would increase to reflect the added liability from the expected increase in annuities to future retirees. Using information from DoD, CBO estimates that implementing this provision would increase such payments by \$588 million in 2004

and \$2.5 billion over the 2004–2007 period. Because the phase-in of concurrent receipt benefits would not take effect until January 1, 2003, the accrual payment for fiscal year 2003 would not be affected. CBO estimates that there also would be direct spending of about \$17.3 billion over the 2003–2012 period for increased outlays from the fund. CBO's estimate of those costs is discussed below under the heading of "Direct Spending."

National Call to Service. Section 541 would give the Secretary of Defense authority to establish an enlistment program in which a participant, in exchange for a specified incentive, would enlist in the armed forces for a period of 15 months plus training time followed by service in the reserves, the Peace Corps, Americorps, or another national service program. The specified incentives would consist of either a cash bonus of \$5,000, payment of student loans not to exceed \$18,000, or education benefits similar to those provided for in the Montgomery GI Bill (MGIB) education program.

Based on information from DoD, CBO estimates that DoD would seek to recruit about 1 percent of annual enlisted accessions (an average of about 2,000 enlistees a year) under the National Call to Service program. CBO assumes that all (or nearly all) participants would choose the \$5,000 cash bonus option since DoD has indicated that the amount it would probably offer for the repayment of student loans would be less than or equal to \$5,000. Moreover, while the education benefits offered under this program would be worth more than \$5,000, CBO believes that few enlistees would choose these benefits because a participant who selected the cash bonus would also have the potential to be eligible for active-duty or reserve MGIB benefits. Thus, CBO estimates that the cost for providing the cash bonus to participants who enlist under the National Call to Service program would be about \$10 million a year once the program was implemented. Based on information provided by DoD, CBO assumes that it would take about one year for DoD to implement this program.

CBO also estimates that there would be an additional cost associated with administering this program. Since servicemembers who would enlist under the National Call to Service program would leave the military one year sooner than the average enlisted member who leaves after his or her initial obligation is fulfilled, DoD would need to induct more people into the military to maintain endstrength. CBO estimates that DoD would need to induct 1,000 additional enlistees a year to make up for the accelerated loss in personnel. With an average training period of about six months, DoD would need to add these enlistees about half a year earlier. Thus, the first bonuses would not be paid out until 2004 and the first replacements would not have to be inducted until 2005.

Based on information from DoD, CBO estimates that the average cost for each additional enlistee would be about \$16,250 in fiscal year 2003, which includes the cost of providing new uniforms, travel expenses, and six months of salary and benefits during training. After adjusting for inflation and assuming that new participants are brought into the program evenly throughout the first year, CBO estimates that the cost of these additional accessions would be \$9 million in 2005 and an average of \$20 million per year thereafter.

Therefore, CBO estimates that the total costs for the National Call to Service program would be \$10 million in 2004, \$19 million in 2005, and about \$85 million over the 2004–2007 period.

Defense Health Program. Title VII contains several provisions that would affect DoD health care and benefits. Tricare is the

name of DoD's health care program; Tricare Prime and Tricare Prime Remote are managed care programs, and Tricare Standard is a fee-for-service program.

Tricare Prime Remote. Section 703 would affect dependents of servicemembers on active duty who live in a remote area, which is defined as roughly a one-hour-or-more driving distance from a military treatment facility. Under certain conditions, this section would allow dependents of personnel on active duty who live in a remote area to participate in Tricare Prime Remote if the servicemember is transferred to a different duty station and is not allowed to bring his or her family. Under current law, dependents of personnel on active duty living in remote areas must reside with the active-duty member to participate in Tricare Prime Remote. If the active-duty servicemember is transferred to a duty station where he or she cannot bring family members, the family can no longer participate in the Tricare Prime Remote program.

Based on information provided by DoD, CBO estimates that about 27,000 dependents of personnel on active duty would be affected by this provision. According to DoD, about 40 percent of those dependents who would be eligible for Tricare Prime Remote under this section already participate in Tricare Standard. Based on data provided by the department, CBO estimates that the additional incremental cost of providing Tricare Prime Remote to those individuals would be \$113 per person. In addition, CBO estimates that the new benefit would attract about 1,350 dependents to Tricare Prime Remote who had not previously used any Tricare program at an estimated annual cost of \$1,900 per person. Thus, CBO estimates that the cost of providing Tricare Prime Remote to more individuals would be \$4 million in 2003 and \$22 million over the 2003–2007 period, assuming appropriation of the estimated amounts.

Transitional Health Care. Under section 707, family members of reservists who were called to active duty for more than 30 days would be eligible for health care coverage under Tricare for 60 days after the reservist is released from active duty. Under current law, only the reservist is eligible for health care coverage under Tricare for the 60 days after he or she is released from active duty. While there are currently more than 80,000 reservists on active duty, CBO assumes for this estimate that the number of reserves will fall to about 65,000 in 2003 and 10,000 by 2006. If the number of reservists remains at current levels over the 2003–2007 period, the estimated costs would be correspondingly higher.

Based on data from DoD and the General Accounting Office, CBO estimates that about 50 percent of the reservists have families and that about 40 percent of those families would use the transitional health care. CBO further estimates that providing an additional 60 days of health care coverage to those families would cost, on average, about \$600 per family. After accounting for inflation and the assumed decline in the level of reservists called to active duty, CBO estimates that this provision would cost \$7 million in 2003, and \$18 million over the 2003–2007 period, assuming appropriation of the estimated amounts.

Voluntary Separation and Early Retirement Incentives. S. 2514 contains several provisions that would allow DoD and the Department of Energy to offer voluntary retirement incentives to their civilian employees. Taken together, CBO estimates implementing these provisions would cost \$121 million in 2004 and \$544 million over the 2004–2006 period.

Section 1102 would provide DoD with the authority to offer voluntary retirement incentives of up to \$25,000 to its civilian employees who voluntarily retire or resign through September 30, 2006. Current buyout authority for DoD is scheduled to expire on September 30, 2003. Based on discussions with DoD staff, CBO assumes that about 16,500 DoD employees would participate in the buyout program in 2004 through 2006. CBO estimates that the buyout payments would cost \$88 million in 2004 and \$414 million over the 2004–2006 period, assuming appropriation of the estimated amounts. DoD also would be required to make a payment to the Civil Service Retirement and Disability Fund (CSRDF) for every employee who takes a buyout. The payments would equal 15 percent of the final basic pay of each employee and come out of the agency's appropriated funds. Assuming an average final salary for the affected workers of \$45,000, CBO estimates these payments would cost DoD \$24 million in 2004 and \$118 million over the 2004–2006 period. (CBO estimates that enacting this section also would increase direct spending for federal retirement and retiree health care benefits by a total of \$188 million over the 2004–2012 period. CBO's estimate of those outlays is discussed below under the heading of "Direct Spending.")

Section 3163 would provide DOE with authority to offer voluntary retirement incentives of up to \$25,000 to employees who voluntarily retire or resign in calendar year 2004. Current buyout authority for DOE is scheduled to expire on December 31, 2003. Based on information from DOE, CBO assumes that about 350 DOE employees would participate in the buyout program in calendar year 2004. CBO estimates that the cost of the buyout payments would total \$6 million in 2004 and \$2 million in 2005. DOE would also be required to make a payment to the CSRDF for every employee who takes a buyout. The payments would equal 15 percent of the final pay of each employee and come out of the agency's appropriated funds. Assuming an average final salary for the affected workers of \$75,000, CBO estimates these payments would cost DOE \$3 million in 2004 and \$1 million in 2005. (CBO estimates that enacting this section also would increase direct spending for federal retirement and health care benefits by a total of \$8 million over the 2004–2012 period. CBO's estimate of those outlays is discussed below under the heading of "Direct Spending.")

Federal Employees Health Benefits (FEHB) Program. Section 1103 would extend a provision of law into fiscal year 2007 that allows DoD and certain Department of Energy employees whose employment is terminated because of a reduction-in-force action to continue to participate in the FEHB health insurance program and only pay the regular employee's share of the insurance premium. The respective departments would be responsible for paying the normal employer's share of the premium. Under current law, this provision expires in fiscal year 2004. Based on information from DoD and the Office of Personnel Management, CBO estimates that this provision would affect about 500 people a year at an average annual cost of \$5,500 per person over the 2003–2007 period. CBO estimates that extending this provision into fiscal year 2007 would cost \$2 million in 2004, and \$11 million over the 2004–2007 period, assuming appropriation of the estimated amounts.

School Impact Aid. Section 1064 would allow school districts with a large percentage of children from military families to continue to receive heavy impact aid when military families are temporarily relocated. Heavy impact aid is federal funding earmarked for school districts with large mili-

tary populations. Many military families in those school districts live on federal installations and do not contribute to the local property tax base that is used to help finance school operations. Heavy impact aid helps to offset this loss of local tax revenue. Under current law, schools can only receive heavy impact aid if they meet strict criteria for numbers of federal students located in their districts, local tax rates, and per pupil expenditures. Because of population relocations associated with certain military housing initiatives, some school districts will temporarily be unable to meet these criteria and will lose their heavy impact aid for several years.

Based on data from the Department of Education and the Military Impacted Schools Association, CBO estimates that about four school districts would initially be affected by housing privatization and that these school districts receive about \$18 million in heavy impact aid annually. Because applications for heavy impact aid are based on school district statistics from three years prior, CBO estimates that the cost of implementing this section would not occur until 2006. After adjusting for the changes in student population within the affected districts, CBO estimates that restoration of this aid would cost about \$14 million per year. Since the requirements of the School Impact Aid program are not always fully funded, CBO expects that the Department of Education would likely fund this increase through reductions in aid to other school districts. CBO expects this cost would reoccur annually only for the duration of the housing privatization effort within the affected school districts, which CBO estimates to be about three years.

Section 1064 also would allow coterminous school districts (school districts whose boundaries are the same as a military base) to change the way in which they include students living off the base in their heavy impact aid calculations. CBO estimates that implementing this provision would change the calculation of heavy impact aid for 200 students in two school districts and that the impact aid for these students would increase by about \$2,300 per student. CBO estimates allowing coterminous school districts to change the method for calculating heavy impact aid would cost slightly less than \$500,000 each year beginning in 2003.

Arctic and Western Pacific Environmental Cooperation Program. Section 1214 would authorize the Department of Defense, with the concurrence of the Secretary of State, to assist in mitigating the impact of military operations on the environment of the arctic and western Pacific regions, particularly nuclear or radiological impacts. Based on information from DoD, CBO estimates that implementing this provision would cost \$29 million over the 2003–2007 period, assuming appropriation of the estimated amounts.

Revitalizing DoD Laboratories. Section 241 would allow DoD to establish a new three-year pilot program beginning in March 2003 at various DoD laboratories to pursue improved efficiencies for performing research and development work at these laboratories. The section also would extend through 2006 authorizations for similar pilot projects that will expire in 2003. Finally, section 241 would permit laboratories participating in this new pilot program to enter into public-private partnerships and other business arrangements with private firms to achieve improved efficiencies. The authority to enter into such partnerships would expire in 2006. Under section 241, one of the public-private partnerships could be established as a limited liability corporation where the federal and nonfederal partners could contribute capital, services, or facilities to the corporation.

Under the new pilot program, DoD would be authorized to waive certain restrictions not required by law that hinder the objective of achieving improved efficiencies. The department also would be authorized to use innovative methods of personnel management and technology development. According to information provided by DoD, the laboratories participating in the existing pilot program were granted similar authorities. DoD reported that these laboratories did not substantially change their business practices because, in their view, they already had the authority to waive non-statutory regulations. Thus, CBO assumes that any laboratories selected for the new program would not change their business practices substantially. CBO estimates that spending under these new and extended authorities would not be significant—probably less than \$500,000 annually over the 2003–2006 period. (CBO estimates that the provision allowing a limited liability corporation also would increase direct spending by a total of \$15 million over the 2004–2006 period. CBO's estimate of those outlays is discussed below under the heading of "Direct Spending.")

Multiyear Procurement of Environmental Remediation Services. Section 827 would give DoD the authority to enter into multiyear contracts for environmental remediation services. Under current law, the total cost of any multiyear remediation service contract must be fully funded at the beginning of the contract. DoD has found this difficult to do for contracts that are expensive and last several years. Instead, DoD often awards these contracts for environmental remediation to cover work for one year and then extends the contract on a year-to-year basis as funds become available. DoD states that contracting in this manner is generally more expensive because contractors charge higher prices when they don't know whether the contract will continue beyond the current year. Thus, allowing DoD to sign multiyear contracts for environmental remediation would most likely produce some savings. DoD could not provide CBO with the necessary data to produce a precise estimate of the annual savings. However, given the high cost of these contracts, CBO believes these savings could be significant. CBO estimates that DoD currently spends about \$1.7 billion each year on environmental cleanup related activities. If 10 percent of future contracts were negotiated as multiyear contracts and those contracts produced savings of about 5 percent on average, multiyear contracting for environmental remediation efforts would save about \$10 million annually after a five-year phase-in period.

Disposition of Surplus Plutonium. In January 2002, the Secretary of Energy announced that the federal government plans to convert roughly 34 metric tons of surplus weapons grade plutonium currently located at various DOE facilities into mixed-oxide (MOX) fuel that would be suitable for use in U.S. commercial nuclear reactors. The federal government would ship the surplus plutonium to a MOX fuel fabrication facility at its Savannah River Site in Aiken, South Carolina. DOE plans to start construction of the facility in 2004 and expects that construction would be complete by 2007. The facility would be able to convert about 3.5 metric tons of plutonium a year and would complete the conversion in about 12 years.

Section 3182 would require that the Secretary of Energy pay up to \$100 million a year to the state of South Carolina beginning in 2011, if the planned conversion schedule was not met. The federal government could avoid these penalties, however, if it removes at least one metric ton of plutonium a year from South Carolina over the 2011–2016 period and removes all remaining plutonium after 2016.

Based on delays in developing the construction plans for the proposed MOX facility, and delays in similar programs such as the Nuclear Waste Repository Site at Yucca Mountain, Nevada, and the Waste Isolation Pilot Program at Carlsbad, New Mexico, CBO believes that there is some chance that construction of the MOX facility could be delayed for several years beyond the 2007 planned completion date and that construc-

tion would not be completed by 2011. If DOE does not remove the required surplus plutonium from the state of South Carolina, DOE would need to pay up to \$100 million a year to the state starting in 2011.

Direct Spending

The bill contains provisions that would increase direct spending, primarily from the phase-in of concurrent payment of retirement annuities with veterans' disability

compensation to retirees from the military and the other uniformed services who have service-connected disabilities rated at 60 percent or greater. The bill also contains a few provisions with smaller direct spending costs. In total, CBO estimates that enacting S. 2514 would result in an increase in direct spending totaling \$5.6 billion over the 2003–2007 period (see Table 4).

TABLE 4.—ESTIMATED DIRECT SPENDING FROM CONCURRENT RECEIPT AND OTHER PROVISIONS IN S. 2514

	By fiscal year, in millions of dollars—				
	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING					
Section 641—Concurrent Receipt:					
Estimated Budget Authority	356	628	995	1,439	1,905
Estimated Outlays	356	628	995	1,439	1,905
Section 651—Education Benefits for the Selected Reserves:					
Estimated Budget Authority	2	2	2	2	2
Estimated Outlays	2	2	2	2	2
Section 702—Mental Health Benefits:					
Estimated Budget Authority	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Section 1102—Voluntary Separation and Early Retirement Incentives (DoD):					
Estimated Budget Authority	0	31	73	87	28
Estimated Outlays	0	31	73	87	28
Section 3163—Voluntary Separation and Early Retirement Incentives (DOE):					
Estimated Budget Authority	0	3	4	1	(+)
Estimated Outlays	0	3	4	1	(+)
Section 241—Revitalizing DoD Laboratories:					
Estimated Budget Authority	0	6	6	3	0
Estimated Outlays	0	6	6	3	0
Section 2824—Land Conveyance of Navy Property, Westover Reserve Air Base:					
Estimated Budget Authority	0	3	0	0	0
Estimated Outlays	0	3	0	0	0
TOTAL CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	359	674	1,081	1,533	1,936
Estimated Outlays	359	674	1,081	1,533	1,936

+ Less than \$500,000.

Concurrent Receipt. Section 641 would phase in over five years total or partial concurrent payment of retirement annuities together with veterans' disability compensation to retirees from the uniformed services who have service-connected disabilities rated at 60 percent or greater. Under section 641, the phase-in of concurrent receipt would not take effect until January 1, 2003.

Under current law, disabled veterans who are retired from the uniformed services cannot receive both full retirement annuities and disability compensation from VA. Because of this prohibition on concurrent receipt, such veterans forgo a portion of their retirement annuity equal to the nontaxable veterans' benefit. This section would permit, beginning in 2007, individuals who have significant service-connected disabilities and have a retirement annuity based on years of service, to receive both benefits in full without the reduction called for under current law. Individuals whose retirement pay is based on their degree of disability would continue to forgo retirement pay equal to the VA compensation payment, but only to the extent that their disability had entitled them to a larger retirement annuity than

they would have received based on years of service.

This section also would repeal, as of January 1, 2003, a program that partially compensates certain severely disabled retirees for this reduction in their retirement annuities. This program currently pays a fixed benefit of \$50 to \$300 a month, depending on degree of disability. Taken together, CBO estimates that implementing section 641 would increase direct spending for retirement annuities and veterans' disability compensation by a net amount of about \$356 million in 2003, \$5.3 billion over the 2003–2007 period, and \$17.3 billion over the 2003–2012 period (see Table 5).

Retirement Annuities. Since the proposed legislation would treat retirees differently based on their type of retirement—nondisability or disability, the potential costs of the legislation depend on the number of beneficiaries, their type of retirement, their disability levels, and their benefit amounts.

Nondisability Retirees. A nondisability retirement is granted based on length of service—usually 20 or more years. Section 641 would allow those longevity retirees whose degree of disability has been rated as 60 percent or greater to receive full retirement an-

nualities and veterans' disability benefits with no offset in 2007, and to receive an increasing portion of their retirement annuities over the 2003–2006 period. Data from the uniformed services indicate that in 2001 the prohibition on paying both benefits concurrently caused about \$1.3 billion to be withheld from the annuity payments of about 74,000 eligible DoD retirees with nondisability retirements, and about 900 eligible Coast Guard, PHS, and NOAA retirees. Using current rates of net growth in the population of new beneficiaries, CBO estimates this caseload would rise to about 78,000 nondisability retirees in 2003, and 96,000 nondisability retirees by 2012. CBO assumes that future benefit payments will increase consistent with current rates of growth in average disability levels and also increase from cost-of-living adjustments. After phasing the benefits in over five years as specified in the provision, CBO estimates that enacting the legislation would increase direct spending on retirement annuities for nondisability retirees of the uniformed services by \$342 million in 2003, \$4.7 billion over the 2003–2007 period, and \$15.2 billion over the 2003–2012 period.

TABLE 5.—ESTIMATED CHANGES IN RETIREE BENEFITS UNDER S. 2514

Description of benefits program	By fiscal year, in millions of dollars—				
	2003	2004	2005	2006	2007
Retirement Annuities:					
Nondisability	342	582	861	1,223	1,654
Disability	56	92	127	172	223
Veterans Compensation Payments	0	13	67	104	89
Survivor Benefit Plan Payments	7	7	8	9	9
Special Compensation for Severely Disabled	-49	-66	-68	-69	-70
Total Changes in Retiree Benefits	356	628	995	1,439	1,905

Disability Retirees. Servicemembers who are found to be unable to perform their duties because of service-related disabilities may be granted a disability retirement. Section 641 would allow eligible disability retirees to receive retirement annuities based on their years of service and veterans' disability benefits with no offset in 2007, and partial concurrent receipt of these payments in 2003

through 2006. Disability retirees would be eligible to obtain concurrent receipt of their retirement annuity and veterans' disability compensation if they served 20 or more years in the uniformed services and had a disability rating of 60 percent or greater.

Data from the uniformed services indicate that in 2001, the prohibition on paying both benefits concurrently caused about \$200 mil-

lion to be withheld from annuity payments of about 11,400 eligible DoD retirees with disability retirements, and about 500 eligible Coast Guard, PHS, and NOAA retirees. An analysis of retiree records by DoD indicates

that, under the criteria set forth in this section, these retirees would be eligible to receive about 95 percent of their retirement annuity concurrently with their VA disability benefit. Assuming continuation of current trends in population and benefit growth, and phasing the benefit in over five years as specified in this section, CBO estimates that, of the disability retirees who would be receiving VA disability benefits in fiscal year 2003, about 12,100 would be entitled to an additional \$56 million in retirement annuities. CBO estimates their retirement annuities would increase by \$670 million over the 2003–2007 period and \$1.9 billion over the 2003–2012 period.

Other Effects of Concurrent Receipt. Enacting section 641 also would affect Veterans' Disability Compensation, receipts to the Treasury for Survivor Benefit Payments, Special Compensation to Severely Disabled Retirees, and the level of contributions to the Military Retirement Trust Fund.

Veterans' Disability Compensation. Data from DoD indicates that an additional 15,100 disability retirees of the uniformed services—14,500 from DoD and about 600 from the other uniformed services—do not currently receive VA disability benefits that they are entitled to receive. Since many disability retirees are not taxed on their annuities, there is no incentive under current law for these retirees to apply for the tax-free VA benefits, as they will be offset, dollar-for-dollar, against their retirement annuities. Section 641 would provide a significant incentive for the more disabled of these individuals to apply for VA disability benefits. CBO estimates that about 7,000 disability retirees might be eligible for concurrent receipt under section 641, but, because many of these retirees are both disabled and quite elderly, CBO expects that only about half of that number would become aware of this improved benefit and successfully complete the application process. Based on their DoD-assessed degree of disability, CBO estimates that outlays for VA disability benefits would increase by \$13 million in 2004, about \$270 million over the 2003–2007 period, and \$760 million over the 2003–2012 period. Because of the time needed for individuals to prepare and submit their applications and the current backlog in processing applications, CBO estimates that enacting this legislation would not increase outlays for veterans' disability compensation in 2003.

Survivor Benefit Plan Offsetting Receipts. Many retirees have a Survivor Benefit Plan (SBP) premium payment deducted from their retirement annuity. The SBP was established in Public Law 92–425 to create an opportunity for military retirees to provide annuities for their survivors. Those retirees who are not receiving a paycheck from DoD because their retirement annuity is totally offset by their VA disability benefit may still participate in the SBP by paying the monthly premium to the U.S. Treasury. These payments are recorded as offsetting receipts (a credit against direct spending) to DoD. According to DoD, approximately 34,000 military retirees paid \$23 million in SBP premiums to the Treasury in 2001. DoD also indicates that about \$7 million of that amount was paid by about 8,000 retirees who would begin to receive annuity checks under section 641. CBO's estimate of the increase in retirement outlays presented above assumes that the SBP premiums of retirees who benefit from the legislation would be deducted from the retirees' annuities, and their payments to the Treasury would cease. Assuming continuation of current trends in population and benefit growth, CBO estimates these offsetting receipts would decrease by about \$7 million in 2003, \$40 million over the 2003–2007 period, and \$90 million over the 2003–2012 period.

Repeal of Special Compensation for Severely Disabled Retirees. Section 641 also would repeal a special compensation program that currently pays a fixed benefit of \$50 to \$300 a month to certain uniformed service retirees who were determined to be 60 percent to 100 percent disabled within four years of their retirement. These special payments would stop on January 1, 2003, under section 641. Based on information from DoD and assuming the population growth trends continue, CBO estimates that about 36,000 DoD retirees and about 600 retirees of the other uniformed services will receive an average monthly benefit of \$150 in 2002. Under current law, this benefit is scheduled to increase over the next two years to \$172 a month. CBO estimates that the savings from repealing this program would be \$49 million in 2003, about \$320 million over the 2003–2007 period, and \$690 million over the 2003–2012 period.

Increased Accrual Payment Financing. The military retirement system is financed in part by an annual payment from appropriated funds (an outlay in budget function 050) to the Military Retirement Fund, based on an estimate of the system's accruing liabilities. If this provision is enacted, the yearly contribution to the fund would increase to reflect the added liability from the expected increase in annuities to future retirees. These discretionary costs were discussed earlier in the "Spending Subject to Appropriation" section.

Education Benefits for the Selected Reserve. Section 651 would extend the period during which eligible reservists may use their education benefits from 10 years to 14 years. VA reported that, in 2001, over 82,000 reservists trained under this program and received an average annual benefit of \$1,653. This average benefit includes both the basic benefit and a supplemental benefit that DoD can offer to enhance accessions or re-enlistment in critical skill specialties. This benefit increases each year by a cost-of-living adjustment and by the level of supplemental benefits being offered. Based on current usage rates, CBO estimates that enacting this extension would result in an extra 1,500 trainees a year. Based on information from DoD and VA, CBO estimates that enacting this legislation would increase education outlays by \$2 million in 2003, \$10 million over the 2003–2007 period and by \$24 million over the 2003–2012 period. Since DoD makes monthly payments into the DoD Education Benefits Fund in the amount of the net present value of the benefits granted during the previous month, this increase in usage of the education benefit would necessitate an increase in payments to the fund. (The discretionary costs associated with these payments are discussed earlier in the "Spending Subject to Appropriation" section under the heading of "Education and Training.")

Mental Health Benefits. Section 702 would remove a statutory requirement that inpatient mental health care be preauthorized for retirees and dependents who are eligible for Medicare. Under current law, Tricare for Life (TFL), another medical program run by DoD, pays all Medicare copayments and deductibles for those benefits that are covered by both programs. Beginning in 2003, TFL spending for Medicare-eligible retirees and dependents will be considered direct spending. Under current law, Medicare does not require a preauthorization for inpatient mental health care but Tricare does. Removing this requirement would make the mental health benefits identical and reduce confusion among beneficiaries and health care providers.

Although most individuals would seek preauthorization before receiving inpatient mental health care, CBO expects that, under

current law, some individuals would fail to obtain the necessary preauthorization from Tricare and would have to pay the copayments and deductibles on their own. Because DoD does not have any available data on the frequency or costs of inpatient mental health care for Medicare-eligible retirees and dependents, CBO extrapolated this data from the general Medicare population. Under section 702, CBO estimates that in 2003 TFL would cover the copayments and deductibles for about 600 additional people at an average cost of about \$1,700 per person. Thus, CBO estimates section 702 would raise direct spending by \$1 million in 2003, \$5 million over the 2003–2007 period, and \$15 million over the 2003–2012 period.

Voluntary Separation and Early Retirement Incentives. S. 2514 contains several provisions that would allow the DoD and DOE to offer voluntary separation incentives to their civilian employees. Taken together, CBO estimates enacting these provisions would increase direct spending for federal retirement and retiree health care benefits by \$34 million in 2004 and \$196 million over the 2004–2012 period.

Section 1102 would provide DoD with authority to offer its civilian employees voluntary retirement incentive payments of up to \$25,000 for employees who voluntarily retire or resign in fiscal years 2004 through 2006. Current buyout authority for DoD is set to expire on September 30, 2003. CBO estimates that enacting section 1102 would increase direct spending for federal retirement and retiree health care benefits by \$31 million in 2004 and \$188 million over the 2004–2012 period.

Section 3163 would provide DOE with authority to offer payments of up to \$25,000 to employees who voluntarily retire or resign in calendar year 2004. Current buyout authority for DOE is scheduled to expire on December 31, 2003. CBO estimates enacting section 3163 would increase direct spending for federal retirement and retiree health care benefits by about \$3 million in 2004 and about \$8 million during the 2004–2012 period.

DoD Retirement Spending. CBO assumes that about 16,500 DoD employees would participate in the buyout program over the three-year period and that many workers who take a buyout would begin collecting federal retirement benefits several years earlier than they would under current law. Inducing some workers to retire earlier would result in additional benefits being paid from the Civil Service Retirement and Disability Fund. In later years, annual federal retirement outlays would be lower than under current law because the employees who retire early receive smaller annuity payments than if they had retired later. CBO estimates that enacting section 1102 would increase direct spending for federal retirement benefits by \$24 million in 2004 and \$136 million over the 2004–2012 period. (The discretionary costs over the 2004–2006 period associated with the buyout payments were discussed earlier in the "Spending Subject to Appropriation" section under the heading of "Voluntary Separation and Early Retirement Incentives.")

DoD Retiree Health Care Spending. Enacting section 1102 also would increase direct spending on federal benefits for retiree health care because many employees who accept the buyouts would continue to be eligible for coverage under the Federal Employee Health Benefits (FEHB) program. The government's share of the premium for these retirees—unlike current employees—is mandatory spending. Because many of those accepting the buyouts would convert from being an employee to being a retiree earlier than under current law, mandatory spending for FEHB premiums would increase. CBO estimates

these additional FEHB benefits would increase direct spending by \$7 million in 2004 and \$52 million over the 2004–2012 period.

DOE Retirement Spending. CBO assumes that about 350 DOE employees would participate in the buyout program in calendar year 2004 and that many workers who take a buyout would begin collecting federal retirement benefits several years earlier than they would under current law. Inducing some workers to retire earlier would result in additional retirement benefits being paid from the CSRDF. In later years, annual federal retirement outlays would be lower than under current law because the employees who retire early receive smaller annuity payments than if they had retired later. Under section 3163, CBO estimates spending for federal retirement benefits would increase by \$3 million in 2004 and by \$8 million over the 2004–2012 period.

DOE Retiree Health Care Spending. Section 3163 would also increase spending on federal retiree health benefits because many employees who would accept the buyouts continue to eligible for coverage under the FEHB program. CBO estimates that these additional FEHB benefits would increase direct spending by less than \$500,000 a year over the 2004–2006 period.

Revitalizing DoD Laboratories. Section 241 would allow DoD to establish a new three-year pilot program beginning in March 2003 at various DoD laboratories to pursue improved efficiencies for performing research and development work at these laboratories. The section also would extend through 2006 authorizations for similar pilot projects that will expire in 2003. Finally, section 241 would permit laboratories participating in this new pilot program to enter into public-private partnerships and other business arrangements with private firms to achieve improved efficiencies. The authority to enter into such partnerships would expire in 2006. Under section 241, one of the public-private partnerships could be established as a limited liability corporation where the federal and nonfederal partners could contribute capital, services, or facilities to the corporation.

CBO has little information about how this limited liability corporation would be structured, but one of the purposes of this corporation would be to finance improvements to DoD's research, test, and evaluation functions. CBO considers such hybrid entities as governmental. Hence, their activities should be recorded in the federal budget. CBO treats the assets that are expected to be contributed by the private party as borrowed by the federal government. Borrowing authority is treated as budget authority in the year and in the amounts that CBO estimates the private party would contribute to the limited liability corporation. This budgetary treatment is consistent with the recommendations of the President's 1967 Commission on Budget Concepts, which suggests that entities jointly capitalized with private and public assets be included in the federal budget until they are completely privately owned.

CBO assumes that DoD would need about one year to develop the policies and regulations for the new corporation that would be authorized under section 241. Based on information provided by DoD, CBO estimates that the additional expenses of the limited liability corporation could total between \$4 million and \$7 million a year. Assuming costs

fall midway within that range, CBO estimates that federal borrowing would be about \$6 million starting in 2004 and total about \$15 million over the 2004–2006 period.

The budget also would record any cash proceeds collected by the corporation from the public. Any payments from federal agencies would be an intragovernmental transfer and would have no net budgetary impact. In contrast, any proceeds accruing to the corporation from nonfederal entities would be recorded as offsetting collections and would reduce the net cost of the partnership over time. For this estimate, CBO assumes that the government would use most of the services of this corporation. As a result, CBO estimates that proceeds from nonfederal sources would not be significant.

Land Conveyance and Other Property Transactions. Title XXVIII would authorize a variety of property transactions involving both large and small parcels of land.

Section 2824 would allow the Secretary of the Navy to convey 30.38 acres and 133 housing units located at Westover Reserve Air Base to the city of Chicopee, Massachusetts, without receiving payment for this property. Under current law, the Navy will soon declare this property excess and transfer it to the General Services Administration (GSA) for disposal. Under normal procedures, GSA sells property not needed by other federal agencies or by nonfederal entities in need of property for public-use purposes such as parks or educational facilities. Information from GSA indicates that the housing and land will likely be sold under current law after the entire parcel is screened for other uses in 2003. As a result, CBO estimates that this conveyance would result in forgone receipts totaling about \$3 million in 2004.

Section 2828 would authorize the Secretary of the Interior to convey to the city of West Wendover, Nevada, and Tooele County, Utah, without consideration, two parcels of federal land located in those states and identified in the bill. According to the Bureau of Land Management, those lands, which are withdrawn for military purposes, currently generate no offsetting receipts and are not expected to in the foreseeable future. Hence, CBO estimates that conveying the lands would not affect offsetting receipts. According to the U.S. Air Force, portions of the lands that could be conveyed have been used as a bombing range by the Air Force. Under the Comprehensive Environmental Response, Compensation, and Liability Act, the Air Force would have to remediate any expended and unexploded ordnance prior to conveying those lands. Based on information from the Air Force, we estimate that initial remediation activities would cost at least \$2 million, assuming appropriation of the necessary amounts. Although we do not have sufficient information to estimate the cost of subsequent remediation activities that may be necessary, CBO expects that such costs could be significant. Any spending for additional remediation would be subject to appropriation.

CBO estimates that other provisions in title XXVIII would not result in significant costs to the federal government because they would either authorize DoD to convey land for fair market value, to exchange one piece of property for another or would authorize DoD to convey land that under current law is unlikely to be declared excess and sold or is likely to be given away.

Other Provisions. The following provisions would have an insignificant budgetary impact on direct spending:

Section 111 would extend through 2004 the authority for a pilot program that allows industrial facilities within the Army to sell manufactured goods to the private sector even if the goods are manufactured in the domestic market. Section 111 also would direct that a portion of the sales proceeds in excess of \$20 million a year be made available for ammunition demilitarization. CBO estimates, however, that there would likely be less than \$5 million in annual sales under this pilot program over the 2003–2004 period, based on data provided by the Army, and that since the industrial facilities are allowed to spend any sales proceeds, the net effect on direct spending would be insignificant.

Section 642 would increase the retirement annuity of enlisted servicemembers who are retired from a reserve component of the Armed Forces and have been credited by their service secretary with extraordinary heroism in the line of duty. Under section 642, these retirees would be entitled to a 10 percent increase in their retirement annuity. CBO estimates that enacting section 642 would increase direct spending by less than \$500,000 a year.

Section 1063 would extend through 2006 DoD's authority to sell aircraft and aircraft parts for use in responding to oil spills. Based on information from DoD, CBO does not anticipate any transactions would occur under this authority.

Section 3151 would require that the program to eliminate weapons-grade plutonium production in Russia be transferred from the Department of Defense to the Department of Energy. Funds appropriated for the program for 2000 through 2002 would be transferred to DOE and would be made available for obligation until expended. Under current law, those funds have a three-year period of availability, thus this provision could result in a reappropriation because it would extend the availability of some funds that would otherwise lapse. CBO estimates that about \$120 million has been appropriated for this program over the 2000–2002 period and that nearly all of those funds will be obligated and spent under current law. As a result, CBO estimates that reappropriations under section 3151 would not be significant—probably less than \$500,000 annually from 2003 through 2005.

Section 3162 would allow the Department of Energy to penalize contractors operating at DOE facilities for occupational safety violations. These penalties would most likely be levied by reducing the fees owed to the contractor. Based on information about penalties levied over the last few years for nuclear safety violations, CBO estimates that the reduction in contract fees due to occupational safety violations would be less than \$500,000 annually.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in direct spending that are subject to pay-as-you-go procedures are shown in Table 6. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

TABLE 6.—ESTIMATED IMPACT OF S. 2514 ON DIRECT SPENDING AND RECEIPTS

	By fiscal year, in millions of dollars—											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Changes in outlays	0	359	674	1,081	1,533	1,936	2,132	2,261	2,391	2,529	2,676	
Changes in receipts												
							Not applicable					

Intergovernmental and private-sector impact: S. 2514 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Previous CBO estimate: On May 3, 2002, CBO transmitted a cost estimate for H.R. 4546, the Bob Stump National Defense Authorization Act for Fiscal Year 2003, as ordered reported by the House Committee on Armed Services on May 1, 2002. The House bill would authorize approximately \$382 billion in defense funding for fiscal year 2003 (\$10 billion less than S. 2514 would authorize for 2003) and an estimated \$14 billion in additional defense funding for 2002 (as also contained in S. 2514).

Both H.R. 4546 and S. 2514 would increase direct spending over the 2003-2007 period, but the Senate bill contains about \$200 million less spending. Both bills contain provisions that would phase in over five years total or partial payment of retirement annuities together with veterans' disability compensation to retirees from the uniformed services who have service-connected disabilities rated at 60 percent or greater but the provisions specify different rates and schedules for phasing in the increased payments. Differences in the other estimated costs reflect differences in the legislation.

Estimate Prepared by: Federal Costs: Defense Outlays: Kent Christensen; Defense Laboratories and Department of Energy: Raymond Hall; Military Construction: David Newman; Military and Civilian Personnel: Michelle Patterson and Dawn Regan; Military Retirement and Education Benefits: Sarah Jennings; Health Programs: Sam Papenfuss; Multiyear Procurement: David Newman; Operation and Maintenance: Matt Schmit; Voluntary Separation and Early Retirement Incentives: Geoffrey Gerhardt; Impact on State, Local, and Tribal Governments: Elyse Goldman; Impact on the Private Sector: R. William Thomas.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

Mr. LEVIN. I yield the floor.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. WARNER. Mr. President, I thank my good friend and colleague, and I look forward again—as this will be our 24th year—of working together on the authorization bill.

Mr. President, I simply say to my good friend, the chairman, he mentioned that the Bush administration has yet to provide a formal national security strategy. I note that the timetable for submitting this document is not unusual. The Clinton administration did not submit its first national security strategy until well into its second year in office. In my contacts with the administration, they will soon be submitting that national security strategy.

I thank Chairman LEVIN for the work he has done on the bill which is before the Senate. I also want to thank my colleagues on the committee for their wise counsel and efforts, as well as the tremendous efforts of our committee staff. In large measure, this Defense Authorization Act for Fiscal Year 2003 is a good bill and an important step forward in our war against terrorism. In this time of national emergency it is essential that we provide our President and our armed forces the vital re-

sources they need to defend our Nation, and to fight the scourge of terrorism at home and abroad.

In the end, I joined with seven of my Republican colleagues on the committee in voting against this bill in committee—primarily due to the drastic cut of over \$800 million in missile defense. Having worked hard for a year on the many critical issues related to this bill, I considered my vote against the bill necessary, but regrettable.

Despite the fact that I voted against this bill, I support most of what is contained in this legislation. It represents the bipartisan work of all committee members—working together to support our men and women in uniform, and their families.

The National Defense Authorization Act for Fiscal Year 2003 contains the largest defense increase in over 20 years—an increase of \$45.0 billion over the fiscal year 2002 appropriated level. The good news story associated with this much needed increase is that it has the full, bipartisan support of the Senate. While there is disagreement over how some of the money is allocated in this bill, there is virtually no dissent about the need for this significant increase in the top line for defense. This is a remarkable display of unity behind our President, so important and fitting with our nation at war.

In line with the request of the President, the bill significantly increases all major defense accounts over the fiscal year 2002 appropriated levels:

It increases spending on military personnel by over 12 percent, including a 4.1 percent pay raise for our servicemen and women.

It increases funding for operations and maintenance by over 15 percent, providing the necessary resources to fully fund our war effort.

The bill increases the procurement account by almost 10 percent. This will enable our military departments to procure the equipment they need to replace aging and heavily used assets, as well as to buy the things they need to protect our facilities, infrastructure and people in these increasingly uncertain and dangerous times.

Additionally, the bill increases spending on research and development by almost 9 percent, ensuring that investment is being made in the future to develop the capabilities we need to deter and defeat emerging threats to our national security.

The bill also sets aside a \$10.0 billion reserve fund, as requested by the President, to pay for ongoing and future military operations in the global war on terrorism.

The threats to our Nation and the ongoing war on terrorism demand this increased investment in national security, both now and in the future.

The bill contains many key provisions which I support to improve the quality of life of our men and women in uniform, our retirees, and their families. In addition to the 4.1 percent pay raise for our uniformed personnel I

mentioned earlier, additional funding is included for facilities and services that will greatly improve the quality of life for our service personnel and their families, at home and abroad. The bill includes a legislative provision that calls for the phased repeal of the prohibition on concurrent receipt of non-disability retired military pay and veterans disability pay for our military retirees with disabilities rated at 60 percent or higher. The committee also approved a managers' amendment, sponsored by Senator BOB SMITH, which will soon be considered by the full Senate, to repeal fully and immediately, the prohibition on concurrent receipt, a step which will allow all nondisability retired veterans with VA disability ratings to collect the full amount they have earned. This action is long overdue.

It is important to note that this bill, with the exception of the cuts made to missile defense, supports and fully funds virtually all of the priorities established by the Department and the President for the development and procurement of major weapons systems, including Joint Strike Fighter, F-22 and the Army's future combat system. In addition, I was pleased that we were able to add \$229 million to the CVN(X) new generation aircraft carrier to restore the original development and fielding schedule for this essential program. The carrier proved its worth once again in Afghanistan—a war which relied on carrier-based assets. This bill supports acceleration of this important program.

Despite the very favorable aspects of this bill, however, I cannot support the bill in its current form. I was joined by seven of my Republican colleagues in opposing the bill as reported by the committee.

For the second consecutive year, the Senate Armed Services Committee divided along party lines primarily over the issue of missile defense. Sincere, good-faith efforts were made by Republican Members to find common ground and compromise on this issue, but these efforts were voted down. The national defense authorization bill for fiscal year 2003 that we have before us, in my view, fundamentally alters the President's national security priorities and fails to send a clear message, on the issue of missile defense, to America's allies and adversaries that the Congress will provide the resources necessary to protect our homeland, our troops deployed overseas and our allies and friends from all known threats—including the very real and growing threat of missile attack. I will work in the days ahead, and into the conference with the House, to restore the cuts made to these important programs and to staunchly defend the priorities our President has established.

The world as we knew it changed forever on September 11. We lost not only many lives and much property that day, but we also lost our uniquely American feeling of invulnerability;

our feeling of safety within our shores, our borders, behind two vast oceans. But from our darkest hour, our nation has quickly emerged stronger and more united than ever. Our President has rallied our country and many nations around the world to fight the evil of terrorism.

As we begin our floor debate on the national defense authorization bill for fiscal year 2003, our nation is at war. U.S. soldiers, sailors, airmen, and marines, together with their coalition partners, are engaged on the front lines in the global war against terrorism, with a mission to root out terrorism at its source in the hopes of preventing future attacks. Our armed forces have responded to the call of duty in the finest traditions of our nation. It is critical that the Congress keep faith with our troops by providing the resources and capabilities our President—our Commander in Chief has requested.

Homeland security is now, without a doubt, our top priority. We have a solemn obligation to protect our Nation and our citizens from all known and anticipated threats—whatever their source or means of delivery. As a candidate and as President, George W. Bush promised our Nation that homeland security was his most urgent priority.

Our President submitted a responsible, prioritized budget request for fiscal year 2003 that addressed our most important security needs. The bill before us reflects the urgent security needs of our Nation by doubling the funding for combating terrorism at home and abroad. It invests in new technologies to detect weapons of mass destruction and to deter their development. The bill provides funding and authorities for the establishment of new organizations within the Department of Homeland Defense, including the formation of Northern Command, NORTHCOM, to provide coordinated land, sea and air defense of the United States. As we re-look and re-evaluate our security needs, it is especially important to remember that protection of our nation, our citizens, our deployed troops and our allies from ballistic missiles is also an integral part of homeland defense and an overall sense of security.

The budget request for missile defense was reasonable. It was a request that represented no increase over last year's funding level, and a request that was less than two percent of the defense budget. We must use these resources to move forward now, without artificial limitations—either fiscal or legislative—to develop and deploy adequate missile defenses.

The national defense authorization bill for fiscal year 2003, as reported out of committee, contains a drastic reduction, of over \$800 million, from the President's request for missile defense programs, including over \$400 million in reductions to theater missile defense programs. In addition, the bill contains a number of restrictions and excessive

reporting requirements that will further hamper the rapid development of missile defenses. Together, these actions have resulted in a letter from the Secretary of Defense informing the Senate that he would recommend a veto of this legislation if the reductions and restrictions on missile defense remain.

Three years ago, by a vote of 97 to 3, this body approved the National Missile Defense Act of 1999—the Cochran bill. This act established two clear goals: to deploy an effective ballistic missile defense for the United States, "as soon as technologically feasible;" and, to seek further negotiated reductions in Russian nuclear forces. Last month, President Bush signed a landmark arms control agreement, in Moscow, that will ultimately reduce the number of U.S. and Russian deployed nuclear warheads by two-thirds over the next 10 years. The second goal of the Cochran bill has been achieved.

This month, the United States formally withdrew from the Anti-Ballistic Missile Treaty—a 30-year-old treaty—which had hampered the U.S. missile defense program. With this action, all artificial restraints have been removed from the ability of the United States to research, develop and deploy effective missile defense systems. Both goals of the Cochran bill that the Senate so overwhelmingly supported are in sight. Congress should not now apply new limitations on the rapid, cost-effective development of defenses to protect our nation and deployed troops from missile attack. The funding reductions and program constraints contained in the bill before us are a significant step backward in our efforts to improve the security of our nation.

The threat of missile attack against the United States and U.S. interests is real and growing. According to the January 2002 national intelligence estimate, NIE, on the missile threat, "The probability that a missile with a weapon of mass destruction will be used against U.S. forces or interests is higher today than during most of the cold war, and will continue to grow as the capabilities of potential adversaries mature." Dozens of nations already have short- and medium-range ballistic missiles in the field that threaten U.S. interests, military forces, and allies; and others are seeking to acquire similar capabilities, including missiles that could reach the United States. We must be prepared to protect our nation.

I am also concerned with other key areas in the bill, particularly the level of funding for shipbuilding. While I understand the tough choices that our defense leaders must make in establishing priorities and putting forth budget recommendations, shipbuilding was severely underfunded in the President's budget request. The bill we are now considering provides some additional resources for shipbuilding, but I believe more must be done to reverse the downward trend in shipbuilding. We all know that we are not currently

building enough ships to maintain an adequate Navy for the future. Ultimately, there will be a high price to pay if this trend is not reversed.

It is with these concerns in mind that I urge my colleagues to join me in constructive dialogue to find a way to restore the President's fundamental national security priorities and to ensure we are making the right investments in future capabilities. It is imperative that we send our President, our fellow citizens and the world a message of resolve from the Congress—a national defense authorization bill that provides the resources and authorities our Nation's leaders and our armed forces require to protect our Nation, our citizens abroad, our vital interests, and our international partners who stand with us against terrorism.

I thank the distinguished chairman. I am going to a meeting on this bill tonight as to how we can order the amendments tomorrow on which I will work with the chairman.

Mr. THURMOND. Mr. President, one of my most important responsibilities throughout my almost 48 years in the Senate has been to vote on the annual national defense authorization bill. This bill not only provides for our Nation's security but, more importantly, it provides for the Nation's most valuable asset, the men and women who so proudly wear the uniform and their family members who are an integral part of our military. Today, I rise, ever mindful of my responsibilities, to offer my views on the last national defense authorization bill that I will vote on before I leave the Senate.

Before discussing the bill, I want to congratulate Chairman LEVIN, and the ranking member, Senator WARNER, for their leadership of the Senate Armed Services Committee. The challenges they face in pulling together this annual bill are immense, yet, year after year they prepare a bill that reflects a bipartisan approach to national security. There may be differences on individual programs, but their leadership and the participation of every member of the committee crafted a bill that enhances the security of the country and improves the quality of life for our soldiers, sailors, airmen and marines and their families.

The national defense authorization bill for fiscal year 2003, supports the President's budget request of \$379 million, the largest increase to the defense budget in twenty years. It provides significant increases in military pay, readiness funding, and military construction. The bill includes a provision that would address long-standing inequities in the compensation of military retirees by authorizing the concurrent receipt of retired pay and veterans disability compensation. This is an issue which I have supported for some time and I am pleased to see it resolved this year.

Like all bills there are provisions that cause me concern. The most egregious in this bill is the reduction to the

President's request for missile defense. By reallocating more than \$800 million requested for missile defense to other programs, the bill fundamentally alters the President's priorities and leaves open the possibility that we will not adequately defend our Nation against a missile attack. I urge the Senate to reverse this flawed provision.

Mr. President, in closing I remind my colleagues that this bill also provides vital funding to support our forces currently engaged in the war against terrorism. This war is unlike any faced by my generation. It will not be won by large armies, but by dedicated, highly trained soldiers, sailors, airmen and marines. I am extremely proud of what our military personnel have accomplished and I have no doubt that their professionalism and dedication will bring an end to the terrorist threat. We owe these men and women the best our Nation can provide and we must show them our support by voting for this bill.

I thank the Chair.

Mr. LEVIN. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Ms. CANTWELL). The clerk will call the roll. The legislative assistant proceeded to call the roll.

Mr. REID. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

MORNING BUSINESS

Mr. REID. I ask unanimous consent that the Senate now proceed to a period for morning business with Senators allowed to speak therein for a period not to exceed 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

DEMISE OF THE ABM TREATY

Mr. LEVIN. Madam President, as we have recently passed June 13, I want to discuss the demise of the Anti-Ballistic Missile ABM Treaty that ceased to exist after that date. I believe it is important to help a record of how this important treaty was brought to its end.

The ABM Treaty was signed by President Nixon in 1972 with the Soviet Union as an important element of U.S.-Soviet arms control and strategic stability. It served to prevent an arms race in defensive weapons that would have led to larger offensive nuclear missile forces. It thus helped pave the way for negotiated limits and reductions in strategic arms. It was supported by every U.S. President until President George W. Bush, including Presidents Ford, Reagan and the first President Bush.

The ABM Treaty affected only defenses against long-range, or strategic, ballistic missiles, those missiles with ranges of 5,500 kilometers or more. It has no effect on defenses against missiles of shorter ranges, which are the

only missiles that endanger our troops and allies today, and against which we have designed and built the Patriot theater missile defense system and helped develop Israel's Arrow missile defense system.

Both the United States and the Soviet Union saw this treaty as a central component of their efforts to ensure mutual security. Russia, like the Soviet Union before it, saw the ABM Treaty as one of the foundations for the structure of arms control and security arrangements that had been carefully built over three decades to reduce the risk of nuclear war.

As late as June 2000, at their Moscow summit, President Clinton and President Putin issued a joint statement emphasizing the importance of the ABM Treaty. That statement said the two Presidents "agree on the essential contribution of the ABM Treaty to reductions in offensive forces, and reaffirm their commitment to that treaty as a cornerstone of strategic stability." It also stated that "The Presidents reaffirm their commitment to continuing efforts to strengthen the ABM Treaty and to enhance its viability and effectiveness in the future, taking into account any changes in the international security environment."

Last December 13, President Bush announced that the United States would unilaterally withdraw from the treaty. The treaty permits either side to withdraw from the treaty upon six months notice if either side decides that "extraordinary events related to the subject matter of this Treaty have jeopardized its supreme interests."

Although President Bush and members of his administration said they would try to modify the treaty to permit the development, testing and deployment of a limited National Missile Defense system, in the end they did not offer an amendment to the Russians.

When he was campaigning for the presidency, then-Governor Bush gave a speech at The Citadel on September 23, 1999, in which he stated the following: "we will offer Russia the necessary amendments to the Anti-Ballistic Missile Treaty—an artifact of the Cold War confrontation." He went on to say: "If Russia refuses the changes we will give prompt notice, under the provisions of the Treaty, that we can no longer be a party to it."

That seems to be a clear and straightforward position. Candidate Bush said that the United States would offer amendments to the Russians to modify the treaty so as to permit the deployment of missile defense systems, and if Russia refused the amendments the President would withdraw the United States from the treaty.

But the administration didn't propose any amendments to the treaty that would permit it to remain in effect in a modified form that, in turn, would have permitted the testing and deployment of limited missiles defenses.

Instead, we tried to sell Russia on the idea of abandoning the treaty, not

modifying it. That was something the Russians were never going to accept.

Last year it was difficult to get a clear answer from the administration on its missile defense plans for fiscal year 2002, and whether they would be inconsistent with the ABM Treaty. First, Lieutenant General Ronald Kadish, director of the Ballistic Missile Defense Organization told us in June that he knew of no planned missile defense testing activities that would conflict with the treaty.

Later in June, Defense Secretary Rumsfeld told us he didn't know whether there would be a conflict because, even after the budget had been submitted to Congress, the missile defense program was undecided.

Then in July, Deputy Defense Secretary Wolfowitz said that our planned missile defense activities would inevitably "bump up" against the treaty in a manner of months, not years. He also said that by the time a planned missile defense activity encounters ABM Treaty constraints, "we fully hope and intend to have reached an understanding with Russia" on a new security framework with Russia that would include missile defenses.

Next came an announcement on October of last year by Secretary Rumsfeld that several planned missile defense tests were being postponed because they could have violated the treaty, even though one of the tests had already been postponed previously for entirely different technical reasons.

Finally, the President announced on December 13th that the United States would unilaterally withdraw from the ABM Treaty to permit testing and development of missile defenses, something Deputy Secretary Wolfowitz had previously called a "less than optimal" choice.

During all months of discussions and negotiations with the Russians we never heard details of any amendments proposed by the United States to modify the permit limited missile defenses. At the end we didn't offer an amendment to the treaty.

Secretary of State Colin Powell acknowledged this fact in a letter dated May 2, 2002 after I wrote him in January to ask whether the United States had, in fact, ever presented Russia with any proposed amendments or modifications to the treaty. "The direct answer to your question," wrote Secretary Powell, "is that we did not table a proposed amendment to the ABM Treaty."

The administration has made much of the argument that the ABM Treaty was the reason we could not develop and test missile defense technologies adequately, and thus the treaty was keeping us defenseless against ballistic missiles.

Madam President, now that the ABM Treaty has ceased to exist, I expect the administration to assert that they are finally free to make unconstrained progress toward defenses against long-range ballistic. As one example, they plan to begin construction of a missile