CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 29, 2016

H.R. 5785

A bill to amend title 5, United States Code, to provide for an annuity supplement for certain air traffic controllers

As passed by the House of Representatives on September20, 2016

Air traffic controllers employed by the Federal Aviation Administration (FAA) must retire by age 56, several years sooner than age 62, which is the earliest they would otherwise qualify for old-age insurance benefits under title II of the Social Security Act. Depending on when they entered federal service, air traffic controllers earn retirement benefits either through the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Under current law, retired air traffic controllers covered by FERS who do not yet qualify for old-age insurance benefits receive supplemental annuity payments as long as their incomes do not exceed a threshold specified in law. That threshold is currently $15,720 and adjusted annually for inflation. (CSRS retirees, whose benefit structure differs significantly from FERS retirees, are not eligible for such supplements.)

H.R. 5785 would exempt certain retired air traffic controllers covered by FERS from that income limit, thus enabling them to continue to receive annuity supplements while earning higher salaries. The exemption would apply only to retirees employed as full-time air traffic control instructors under a contract with the FAA. According to the agency, just under 900 part- and full-time instructors are currently covered under such contracts and most of them receive retirement benefits through CSRS. In general, FERS retirees who work as air traffic control instructors choose to work part-time to ensure that their income remains below the threshold required to maintain their eligibility for annuity supplements.

Because most existing FERS retirees engaged as instructors are already receiving annuity supplements, CBO does not expect that enacting the bill would have a significant effect on the number of individuals who qualify for such benefits or related costs. Assuming that future FERS retirees also will prioritize their eligibility to earn annuity supplements over earning higher incomes, CBO expects that enacting the proposed exemption would not significantly change the number of individuals projected to receive such supplements over the 2017-2026 period. As a result, CBO estimates that any increase in direct spending for annuity supplements to air traffic controllers under H.R. 5785 would not be significant. Because enacting H.R. 5785 could increase direct spending for FERS annuity supplements; therefore, pay-as-you-go procedures apply, but CBO estimates that any such changes would not be significant. Enacting the legislation would not affect revenues.

CBO also expects that enacting H.R. 5785 could affect the FAA's costs to train air traffic controllers. Under current law, as full-time CSRS instructors phase out of service, the FAA will need to increasingly rely on part-time FERS instructors to provide necessary training; thus, CBO projects that the total number of instructors will increase. Under H.R. 5785, however, CBO expects that the FAA could rely on fewer full-time instructors. Thus, implementing the bill could reduce the agency's costs by reducing the number of individuals who would need to be trained as instructors. Based on information from the FAA about historical costs for such activities, however, CBO estimates that any such changes in the agency's overall costs related to training air traffic controllers—which would be subject to the availability of appropriated funds—would not exceed $500,000 in any year.

CBO estimates that enacting H.R. 5785 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5785 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contacts for this estimate are Megan Carroll and Amber Marcellino. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.