



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 9, 2003

H.R. 2316

Administrative Law Judges Retirement Act of 2003

As introduced in the U.S. House of Representatives on June 3, 2003

SUMMARY

H.R. 2316 would increase retirement benefits for federal workers who are employed as administrative law judges (ALJs). Under the bill, the rate at which retirement benefits for service performed as an ALJ would increase under both the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). In addition, the contributions made toward retirement benefits made by ALJs, as well as the agencies that employ them, would increase under the bill.

CBO estimates that enacting H.R. 2316 would increase direct spending on retirement benefits by \$8 million over the 2004-2008 period and by \$34 million over the 2004-2013 period. Implementing the bill would increase discretionary spending on agency retirement contributions by \$23 million over the 2004-2008 period and by \$56 million over the next 10 years, assuming appropriation of the necessary funds. The bill would also increase revenues from employee contributions by roughly \$2 million annually during the 2004-2013 period.

H.R. 2316 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 H.R. 2316 is shown in the following table. The mandatory costs of this legislation fall within budget function 600 (income security); the discretionary costs occur in multiple budget functions.

		By Fiscal Year, in Millions of Dollars									
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Changes in Direct Spending											
Retiree Annuities											
Estimated Budget Authority		*	1	2	2	3	4	4	5	6	7
Estimated Outlays		*	1	2	2	3	4	4	5	6	7
Changes in Spending Subject to Appropriation											
Agency Contributions											
Estimated Budget Authority		4	4	5	5	5	6	6	7	7	7
Estimated Outlays		4	4	5	5	5	6	6	7	7	7
Changes in Revenues											
Employee Contributions											
Estimated Revenues		2	2	2	2	2	2	2	2	2	2

Note: * = Less than \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2316 would be enacted early in fiscal year 2004 and that benefits for ALJs would be calculated at the higher accrual rate starting in November 2003. The bill would not recalculate benefits for those who have already retired with service as an ALJ.

There are currently about 1,300 ALJs working for the federal government, with the vast majority employed by the Social Security Administration. About half participate in CSRS and the other half in FERS. The average annual salary of an ALJ in 2002 was about \$128,000. Roughly 30 to 40 ALJs retire each year from federal service with an average of 30 years of federal service, although not all of the service is performed as an ALJ. The average annuity for ALJs retiring in 2002 under CSRS was approximately \$80,000, while the average annuity for an ALJ retiring under FERS was roughly \$25,000. (The difference in annuity rate is attributable both to the difference in accrual rates for the two retirement systems and the difference in length of service between retirees in the two systems.)

Direct Spending

Retirement benefits under CSRS for most workers currently accrue at a rate of 1.5 percent of salary for the first five years of service, 1.75 percent for the second five years of service, and 2 percent for all years of service thereafter. Benefits for FERS accrue at a rate of 1 percent for each year of service unless a worker has more than 20 years of service, in which case the accrual rate is 1.1 percent for the first 20 years and 1 percent for each year of service thereafter.

H.R. 2316 would increase the CSRS accrual rate to 2.5 percent and the FERS rate to 1.7 percent for each year of service performed as an ALJ. These benefits are comparable to those earned by federal law enforcement officers and firefighters. Retiring ALJs have, on average, roughly 30 years of total federal service, about 20 years of which has been performed as an ALJ. We estimate that increasing the benefit accrual rates to those specified in H.R. 2316 would increase benefits by about 20 percent for ALJs participating in CSRS and by about 60 percent for those in FERS.

CBO estimates the change in benefits would increase direct spending by less than \$500,000 in 2004, but that cost increases would continue to mount over time. We estimate that direct spending on retirement benefits would rise by \$8 million over the 2004-2008 period, and by \$34 million over the 2004-2013 period.

Spending Subject to Appropriation

Agencies contribute a percentage of their employees' salaries toward the two retirement systems. The agency contribution rate for most CSRS employees is 7 percent, while the agency rate for most FERS workers is 10.7 percent. The FERS rate, when combined with the employee contribution, is designed to pay the full normal cost of providing FERS benefits.

Under the bill, the agency rate for CSRS employees would remain at 7 percent. But the bill specifies that agency contributions for ALJs who participate in FERS should be determined separately from other FERS employees, based on the full normal cost of the enhanced benefits for ALJs. According to calculations performed by CBO and the Office of Personnel Management, the full normal cost of FERS benefits as provided for by H.R. 2316 is about 17 percent of salary. Taking into account the fact that some of the increase in full normal cost would be paid for by ALJs themselves, CBO estimates the bill would increase agency contributions by \$4 million in 2004, \$23 million over the 2004-2008 period, and \$56 million over the 2004-2013 period, subject to the availability of appropriated funds.

Revenues

Under current law, ALJs participating in CSRS contribute 7 percent of salary toward their retirement benefits, while those under FERS contribute 0.8 percent. H.R. 2316 would require that these rates increase by 1 percentage point once the bill is enacted. As such, ALJs participating in CSRS would contribute 8 percent of salary toward benefits and those in FERS would contribute 1.8 percent of salary. CBO estimates this provision would increase federal revenues by approximately \$2 million annually. Over the 2004-2013 period, H.R. 2316 would increase federal revenues by \$20 million.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2316 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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