CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 3, 2009

S. 1862
United States Secret Service Retirement Act of 2009

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on November 4, 2009

SUMMARY

S. 1862 would provide a 60-day period after enactment of the bill during which certain employees of the U.S. Secret Service hired between January 1, 1984, and December 31, 1986, could elect to receive coverage under the District of Columbia Police and Firefighter Retirement and Disability System (DC system). Such a transition would increase benefit payments as well as affect individual and agency contributions to Social Security and the Thrift Savings Plan (TSP).

CBO estimates that enacting S. 1862 would, on net, increase direct spending by $12 million over the 2010-2019 period, mostly as a result of additional retirement benefits paid to the affected employees. The bill also would eliminate employee contributions to the Federal Employee Retirement System (FERS) and Social Security by those employees, reducing revenues by $2 million over the 2010-2019 period. On balance, CBO estimates that enacting S. 1862 would increase the deficit by $14 million over the 2010-2019 period, consisting of a 15 million increase in the on-budget deficit and a $1 million reduction in the off-budget deficit (Social Security effects are classified as off-budget).

CBO also estimates that implementing the bill would lower discretionary spending by $13 million over the 2010-2019 period, because agency contributions to Social Security, FERS, and TSP on behalf of those employees would cease. Such reductions assume discretionary spending would be reduced by the estimated amounts.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1862 is shown in the following table. The direct spending impacts of the bill fall within budget functions 600 (income security), 650 (Social Security). The discretionary costs fall within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
CHANGES IN DIRECT SPENDING (OUTLAYS)												
Total Changes in Direct Spending	*	*	*	1	1	2	2	2	2	2	2	12
On-Budget Spending	*	*	*	1	1	2	2	2	2	2	2	14
Off-Budget Spending	0	0	0	0	*	*	*	*	-1	-1	*	-2
CHANGES IN REVENUES												
Total Changes in Revenues	*	-1	-1	*	*	*	0	0	0	0	-2	-2
On-Budget Revenues	*	*	*	*	*	*	0	0	0	0	-1	-1
Off-Budget Revenues	*	-1	*	*	*	0	0	0	0	0	-1	-1
NET IMPACT ON THE DEFICIT FROM REVENUES AND DIRECT SPENDING												
Net Effect on Deficit[a]	1	1	1	1	1	2	2	2	2	2	4	14
On-Budget Effects	*	1	*	1	1	2	2	2	2	2	3	15
Off-Budget Effects	*	1	*	*	*	*	*	*	-1	-1	1	-1
CHANGES IN SPENDING SUBJECT TO APPROPRIATION (On-Budget)												
Estimated Authorization Level	*	-2	-5	-3	-2	-1	0	0	0	0	-12	-13
Estimated Outlays	*	-2	-5	-3	-2	-1	0	0	0	0	-12	-13
Memorandum:												
Total Intragovernmental Collections from Agency Contributions	*	2	4	3	2	1	0	0	0	0	10	11
On-Budget	0	1	4	2	2	1	0	0	0	0	9	10
Off-Budget	*	1	*	*	*	0	0	0	0	0	1	1

Notes: Components may not sum to totals because of rounding.

Off-budget effects reflect changes in revenues and spending in Social Security.

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

a. Negative numbers represent decreases in the deficit; positive numbers indicate increases in the deficit.

b. Agency contributions are intragovernmental transactions that do not affect the deficit.

BASIS OF ESTIMATE

Based on information from the Department of Homeland Security, CBO estimates that 180 employees of the Secret Service would be eligible to transfer to the DC system under S. 1862, and that 90 percent of them would choose to transfer. For this estimate CBO assumes that S. 1862 will be enacted early in calendar year 2010.

Direct Spending

Because the DC system provides a higher basic pension than FERS, the current retirement plan for those Secret Service employees, CBO estimates that enacting the bill would result in additional spending of about $18 million for benefit payments to employees who transfer over the 2010-2019 period. (The DC system is run by the Washington, D.C., government, but receives a payment from the federal government to cover certain employees.) That additional spending would be partially offset by $4 million in contributions that transitioning employees would make to the DC system. In addition, the bill stipulates that employees who elect to change to the DC system would forfeit any Social Security benefits that would be based on their earnings as employees of the Secret Service. That provision would reduce direct spending on Social Security benefits by $2 million (off-budget) over the 10-year period. CBO estimates that, in total, those changes would lead to a net increase in direct spending of $12 million over the 2010-2019 period.

Revenues

CBO estimates that enacting S. 1862 would reduce revenues over the 2010-2019 period by $2 million because individuals who elect to transfer to the DC system under the bill would no longer contribute to Social Security or FERS. Those contributions are recorded on the budget as revenues. The reduction in Social Security revenues ($1 million) would be off-budget.

Spending Subject to Appropriation

Under S. 1862 the Secret Service would no longer make contributions to FERS, TSP, or Social Security for employees who move to the DC system. CBO estimates that spending subject to appropriation for the Secret Service thus would decline by $13 million over the 2010-2019 period. Such reductions in discretionary spending assume appropriations would be reduced by the estimated amounts. Contributions to FERS and Social Security are intragovernmental transactions that are recorded as offsetting receipts elsewhere in the budget. CBO estimates that those forgone contributions would total about $11 million over the 2010-2019 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1510 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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