



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 27, 2016

H.R. 5037 **District of Columbia Courts and Public Defender Service Voluntary Separation Incentive Payments Act**

*As ordered reported by the House Committee on Oversight and Government Reform
on July 12, 2016*

SUMMARY

H.R. 5037 would amend the District of Columbia (D.C.) Code to permit the relevant authorities to establish a program to offer incentive payments to certain nonjudicial employees of the D.C. courts and the D.C. Public Defender Service for voluntarily separating from their positions. CBO estimates that enacting H.R. 5037 would increase direct spending for retirement annuities and related health benefits by \$1 million in fiscal year 2017 and by \$7 million over the 2017-2026 period. In addition, assuming the appropriation of the necessary funds, CBO estimates that the separation payments would increase discretionary outlays by \$3 million over the 2017-2026 period.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5037 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 effect of H.R. 5037 is shown in the following table. The costs of this legislation fall within budget functions 550 (health), 600 (income security), 750 (administration of justice) and 800 (general government).

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | 2017- | 2017- |
|---|--|------|------|------|------|------|------|------|------|------|-------|-------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2021 | 2026 |
| INCREASES OR DECREASES (-) IN DIRECT SPENDING | | | | | | | | | | | | |
| Estimated Budget Authority | 1 | 2 | 2 | 2 | 1 | * | * | * | * | * | 8 | 7 |
| Estimated Outlays | 1 | 2 | 2 | 2 | 1 | * | * | * | * | * | 8 | 7 |
| INCREASES IN SPENDING SUBJECT TO APPROPRIATION | | | | | | | | | | | | |
| Estimated Authorization Level | 1 | 1 | 1 | * | * | * | * | * | * | * | 3 | 3 |
| Estimated Outlays | 1 | 1 | 1 | * | * | * | * | * | * | * | 3 | 3 |

Note: * = between -\$500,000 and \$500,000. Components may not sum to totals because of rounding.

BASIS OF ESTIMATE

This estimate assumes that H.R. 5037 will be enacted late in calendar year 2016 and that the necessary appropriations would be provided each year.

Direct Spending

H.R. 5037 would authorize both the D.C. courts and the Public Defender Service to establish a program of voluntary separation payments for nonjudicial employees. This program would be similar to one used by most federal agencies to provide cash incentive payments (often called “buyouts”) of up to \$25,000 to employees who voluntarily leave federal service. H.R. 5037 would not limit the number of employees who could receive such payments or the period of time during which buyouts could be offered.

The two affected agencies have indicated that they would use the authority under H.R. 5037 to restructure their workforce to better match their needs. To achieve that end, the agencies would target incentive payments to employees who are near retirement. Based on an analysis of data provided by the agencies, CBO estimates that over the next 10 years the incentive payments would induce about 130 employees of the D.C. courts and Public Defender Services to retire one or two years earlier than they otherwise would have.

Employees of the D.C. courts and Public Defender Service participate in the federal government’s retirement programs. Because H.R. 5037 would induce employees to enter the retirement rolls one or two years sooner than they otherwise would have, the government would be required to pay additional benefits initially.

However, in subsequent years, benefit payments for individuals who accept the buyout would be smaller because retirement benefits are based on the number of years of service that the annuitant worked; that number would be somewhat lower as a result of the decision to accept early retirement. Thus, while the total amount of benefits paid would be higher in the near term, reduced annuities would lead to a small savings in later years. On net, CBO estimates that enacting the legislation would increase spending for retirement benefits by \$5 million over 2017-2026 period.

The agencies' employees also participate in the Federal Employees Health Benefits Program (FEHBP). When those employees retire, the federal government pays a portion of the premium; those payments are classified as direct spending. Thus, because of the increase in early retirements resulting from H.R. 5037, the act also would increase the federal government's contributions for annuitants under FEHBP. CBO estimates that those contributions would increase direct spending by \$2 million over the 2017-2026 period.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 5037 would increase spending to make the buyout payments by about \$1 million in fiscal year 2017 and \$3 million over the 2017-2026 period, assuming availability of appropriated funds. That cost stems from CBO's expectation that the buyout authority would be used for about 130 employees at a cost of \$25,000 per employee.

Providing such buyout authority could also have other effects on personnel costs at the two agencies. For example, if the agencies hired less expensive employees to replace retiring employees, they could save on personnel costs. However, those potential savings could be offset by other personnel decisions, such as promoting current employees into vacated, higher-paying positions; hiring additional people to fill agency needs; or rewarding high-performing employees with bonuses. CBO has no basis for predicting which of those actions, if any, the agencies might take. Therefore, CBO does not estimate any changes in spending resulting from other personnel decisions related to employee buyouts.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 5037, as ordered reported by the House Committee on Government Reform on July 12, 2016

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | | |
|--|--|------|------|------|------|------|------|------|------|------|------|-----------|-----------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2016-2021 | 2016-2026 |
| NET INCREASE IN THE ON-BUDGET DEFICIT | | | | | | | | | | | | | |
| Statutory Pay-As-You-Go Impact | 0 | 1 | 2 | 2 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 8 | 7 |

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

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5037 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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