CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 16, 2017

H.R. 1003
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 February 14, 2017

SUMMARY

H.R. 1003 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. 1003 would increase direct spending for retirement annuities and related health benefits by $1 million in fiscal year 2018 and $7 million over the 2018-2027 period. In addition, because those agencies are funded by federal appropriations, CBO estimates that the separation payments would increase discretionary outlays by $3 million over that same period, assuming availability of the necessary funds.

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 2028.

H.R. 1003 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 effect of H.R. 1003 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	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
INCREASES OR DECREASES (-) IN DIRECT SPENDING													
Estimated Budget Authority	0	1	2	2	2	1	*	*	*	*	*	8	7
Estimated Outlays	0	1	2	2	2	1	*	*	*	*	*	8	7
INCREASES IN SPENDING SUBJECT TO APPROPRIATION													
Estimated Authorization Level	0	1	1	1	*	*	*	*	*	*	*	3	3
Estimated Outlays	0	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. 1003 will be enacted late in 2017 and that the necessary funds will be available each year.

Direct Spending

H.R. 1003 would authorize both the D.C. courts and the Public Defender Service to establish a program to provide voluntary separation payments for nonjudicial employees. This program would be similar to one used by most federal agencies to provide cash payments (often called "buyouts") of up to $25,000 to employees who voluntarily leave federal service. H.R. 1003 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. 1003 to restructure their workforce to better match their needs. To achieve that end, the agencies would target separation 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 120 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. 1003 would induce employees to enter the retirement rolls 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 2018-2027 period.

The agencies' employees also participate in the Federal Employees Health Benefits program (FEHB). 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. 1003, the legislation also would increase the federal government's contributions for annuitants under the FEHB program. CBO estimates that those contributions would increase direct spending by $2 million over the 2018-2027 period.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 1003 would increase spending to make buyout payments by about $1 million in fiscal year 2018 and $3 million over the 2018-2027 period, assuming the availability of appropriated funds. That cost stems from CBO's expectation that the buyout authority would be used for about 120 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 (spending for the agencies is part of the federal budget). 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. 1003, as ordered reported by the House Committee on Government Reform on February 14, 2017

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
	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 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1003 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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