



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 21, 2006

H.R. 5711

**A bill to permit the Joint Committee on Judicial Administration
in the District of Columbia to establish a program of voluntary
separation incentive payments for nonjudicial employees
of the District of Columbia courts**

*As ordered reported by the House Committee on Government Reform
on June 29, 2006*

SUMMARY

H.R. 5711 would permit the Joint Committee on Judicial Administration in the District of Columbia (D.C.) to establish a program of voluntary separation incentive payments to nonjudicial employees of the D.C. Courts. CBO estimates that enacting H.R. 5711 would increase direct spending for retirement annuities and related health benefits by \$1 million in fiscal year 2007, by \$3 million over the 2007-2011 period, and by \$4 million over the 2007-2016 period. Assuming the appropriation of the necessary funds, CBO estimates that the bill would increase discretionary spending by \$2 million in 2007; it would reduce discretionary outlays by \$5 million over the 2007-2011 period and by \$16 million over the 2007-2016 period. Those effects reflect the net impact of new payments for separation bonuses, earlier retirements, and lower ongoing costs for salaries and benefits.

H.R. 5711 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 H.R. 5711 is shown in the following table. The costs of this legislation fall within budget functions 550 (health), 600 (income security), and 800 (general government).

	By Fiscal Year, in Millions of Dollars										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Changes in Direct Spending											
Estimated Budget Authority	0	1	1	1	*	*	*	*	*	*	*
Estimated Outlays	0	1	1	1	*	*	*	*	*	*	*
Changes in Spending Subject to Appropriation											
Estimated Authorization Level	0	2	-2	-2	-2	-2	-2	-2	-2	-2	-2
Estimated Outlays	0	2	-2	-2	-2	-2	-2	-2	-2	-2	-2

NOTES: * = less than \$500,000

Receipts of the Civil Service Retirement and Disability Fund would be reduced by less than \$500,000 per year, most of which would reflect reduced agency contributions.

BASIS OF ESTIMATE

This estimate assumes that the bill would be enacted early in fiscal year 2007 and that the necessary appropriations would be provided each year.

Direct Spending

The Joint Committee on Judicial Administration is the body that oversees the judicial branch of the D.C. government. H.R. 5711 would allow the Joint Committee to establish a program of voluntary separation payments for nonjudicial employees of the D.C. courts that is similar to one available to most federal agencies, which permits cash incentive payments (often called “buyouts”) of up to \$25,000 to employees who voluntarily leave federal service. H.R. 5711 would not limit the number of employees who could receive such payments or the period of time during which buyouts could be offered.

Based on data provided by the agency, CBO estimates that 125 employees of the courts' nearly 1,100 employees would receive incentive payments in 2007. An estimated 75 of the 125 employees would leave the agency even without the legislation, either through retirement or for other reasons. An additional 40 workers would be eligible to retire and would be induced to retire one to two years earlier than they otherwise would. Finally, CBO estimates that another 10 workers who are not eligible for retirement benefits would be induced to

leave the agency. Because the authority to offer buyouts would be permanent, CBO expects that the Joint Committee would periodically use this authority in the future, thereby inducing an average of eight employees per year to retire earlier than they otherwise would in the absence of the legislation.

Employees of the D.C. courts participate in the federal government's retirement and health insurance programs. Annuities are calculated based on an employee's years of service. When employees retire early, their annuities are smaller than they would have been had the same employees retired later. Initially, however, the federal government's outlays would be higher because the annuitants would enter the retirement rolls sooner, thus requiring the government to make payments earlier. CBO estimates that the bill would increase payments of retirement benefits by about \$1 million in fiscal year 2007, by \$2 million over the 2007-2011 period, and by \$3 million over the 2007-2016 period.

H.R. 5711 also would increase the federal government's contributions for annuitants under the Federal Employees Health Benefits Program. CBO estimates that those contributions, which are classified as direct spending, would increase by less than \$500,000 annually over the 2007-2016 period because of the induced retirements under the bill.

Spending Subject to Appropriation

Assuming appropriations are enacted that reflect the impact of the bill, implementing H.R. 5711 would reduce discretionary spending by \$16 million over the next 10 years. Although separation incentive bonuses would have to be paid, those costs would be more than offset over time by savings in personnel costs.

Lump-sum payments would be made from the courts' budget, which is funded by appropriations from the federal government. CBO estimates that buyouts under the bill would cost the courts about \$3 million in fiscal year 2007 and about \$1 million in each subsequent year through 2016, assuming that the courts would use separation incentives on limited basis in years after 2007. In total, CBO estimates that lump-sum payments would cost \$9 million over the 2007-2016 period.

The Joint Committee has indicated that it intends to use buyout authority under the bill to decrease the number of nonjudicial employees of the courts, as part of its ongoing efforts to reduce staffing levels. CBO estimates that one-half of the positions of employees who leave early under the bill would be eliminated by the courts and that any other positions eliminated would result from the courts' continued staffing reduction efforts. CBO assumes that the courts' use of the buyout authority after 2007 would be for the purpose of restructuring its

workforce rather than reducing overall employment levels. We estimate that the staffing reductions would lower the courts' costs for personnel expenses by \$1 million in 2007 and by \$2 million to \$3 million a year thereafter. In total, CBO estimates that the courts' costs for personnel expenses would decrease by \$25 million over the 2007-2016 period.

Because of the anticipated staffing reductions, enacting H.R. 5711 would lesson contributions by the D.C. courts and their employees to the Civil Service Retirement and Disability Fund (CSRDF), which are used to fund future retirement benefits. The reduction in those receipts to the CSRDF would partially offset the savings to the government resulting from the reduced personnel expenses at the courts. CBO estimates that contributions to the CSRDF would decrease by less than \$500,000 a year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5711 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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