CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 11, 2013

Bipartisan Budget Act of 2013

As posted on the website of the House Committee on Rules on December 10, 2013

SUMMARY

The legislation, offered as an amendment to H.J. Res. 59, the Continuing Appropriations Resolution, 2014, would revise the limits on discretionary appropriations for fiscal years 2014 and 2015, allowing for higher levels of funding in those years than is allowed under the caps and budget enforcement procedures in current law. CBO estimates that, if appropriations for 2014 and 2015 equaled the revised limits, discretionary outlays would be roughly $62 billion higher over the 2014-2023 period than if appropriations for those years equaled the limits in current law. (Nearly $48 billion of the anticipated increase in discretionary outlays would occur in 2014 and 2015.)

The legislation also would make several changes in programs that are not funded through annual appropriations, as well as a few changes that would affect federal revenues. In addition, the bill would extend across-the-board cuts (known as sequestration) in certain direct spending programs for an additional two years—2022 and 2023— beyond the period during which sequestration will apply under current law; those additional cuts would be the same percentage of spending required under current law for 2021. CBO and the staff of the Joint Committee on Taxation (JCT) estimate that, in total, those provisions would reduce direct spending by about $78 billion and increase revenues by about $7 billion over the 2014-2023 period. Thus, the legislation's changes in direct spending and revenues would reduce deficits by roughly $85 billion over the next 10 years. Some of those changes also would affect discretionary spending, but such changes would be subject to appropriation and limited under the caps on annually appropriated funding.

Although enacting the legislation would affect direct spending and revenues, pay-as-you-go procedures do not apply because the legislation specifies that its budgetary effects shall not be entered onto the scorecards maintained under the Statutory Pay-As-You-Go Act of 2010.

The legislation contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). It would impose private-sector mandates as defined in UMRA on airline passengers, sponsors of defined-benefit pension plans, and users of customs services. CBO estimates that the cost of the mandates would total more than $1 billion in fiscal year 2015 and more than $2 billion annually beginning in fiscal year 2016. Thus, the aggregate cost of mandates would significantly exceed the annual threshold established in UMRA for private-sector mandates ($150 million in 2013, adjusted annually for inflation) during the first five years that the mandates are in effect.

Section 204 of the legislation would amend portions of the Social Security Act that relate to the Old-Age, Survivors, and Disability Insurance programs under title II of the Social Security Act. UMRA excludes from its application any legislation that applies to those provisions of the Social Security Act. Consequently, CBO has not reviewed section 204 for mandates.

ESTIMATED IMPACT ON THE FEDERAL BUDGET

The estimated budgetary impact of the Bipartisan Budget Act of 2013 is summarized in Table 1. (Details for the estimates of effects on direct spending and revenues are provided in Table 2, attached at the end of this cost estimate.) The effects of this legislation fall within several budget functions, including those covering defense, natural resources, transportation, education, health care, and income security.

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF THE BIPARTISAN BUDGET ACT OF 2013

	By Fiscal Year, in Billions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
CHANGES IN DIRECT SPENDING[a]												
Estimated Budget Authority	-7.2	-2.2	-2.5	-2.9	-3.2	-3.5	-3.2	-3.4	-18.1	-24.3	-18.1	-70.5
Estimated Outlays	-3.0	-3.2	-4.1	-4.6	-4.6	-4.7	-4.6	-4.6	-19.3	-25.5	-19.5	-78.4
CHANGES IN REVENUES[a]												
Estimated Revenues[b]	*	0.2	0.3	0.5	0.6	0.7	0.9	1.0	1.1	1.3	1.7	6.6
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Impact on the Deficit	-3.1	-3.4	-4.5	-5.1	-5.1	-5.4	-5.5	-5.6	-20.5	-26.8	-21.2	-85.0
On-budget effects	-3.1	-3.4	-4.5	-5.1	-5.1	-5.4	-5.5	-5.6	-20.5	-26.7	-21.2	-84.9
Off-budget effects	0	*	*	*	*	*	*	*	*	*	*	-0.1
Memorandum:												
Changes to Caps on Spending Subject to Appropriation												
Estimated Authorization Level	44.8	18.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	63.2	63.2
Estimated Outlays	26.3	21.6	8.6	3.3	2.0	0.6	0.0	0.0	0.0	0.0	61.9	62.4

Sources: CBO and the staff of the Joint Committee on Taxation.

Notes: Components may not sum to totals because of rounding; * = between -$50 million and $50 million.

a. In addition to the effects on direct spending and revenues, some provisions of the legislation would affect spending subject to appropriation, which is controlled by annual caps on such discretionary funding. Those additional effects are not included in these rows.

b. Positive numbers denote an increase in revenues.

BASIS OF ESTIMATE

The legislation would allow for greater spending subject to appropriation than is allowed under current law by increasing the caps on new discretionary funding in fiscal years 2014 and 2015 (see the Memorandum section of Table 1).

The legislation also would directly affect budget deficits by changing provisions related to direct spending programs and by amending the Internal Revenue Code. Some of those changes also would affect discretionary spending, but such changes would be subject to appropriation and limited under the caps on annually appropriated funding.

Title I – Budget Enforcement

The Bipartisan Budget Act of 2013 would increase the caps on discretionary budget authority—that is, the caps on new annual appropriations—for fiscal years 2014 and 2015. For 2014, the caps on defense and nondefense funding would each be about $22 billion higher than the current caps (which include the effects of the automatic spending reductions described in the Budget Control Act of 2011).[1] For 2015, the defense and nondefense caps would each be raised by about $9 billion. CBO estimates that, if appropriations for 2014 and 2015 equaled the revised limits, discretionary outlays would be roughly $62 billion higher over the 2014-2023 period than if appropriations for those years equaled the limits in current law.

The legislation also would extend the automatic spending reductions applied to certain mandatory spending accounts through 2023 (those reductions are currently in effect through 2021). The legislation would require that the sequestration percentage applied to nonexempt mandatory accounts in 2021 be continued and applied in the same manner in 2022 and 2023. CBO estimates that extending those spending reductions for nonexempt mandatory programs for two additional years would decrease direct spending by $28 billion over the 2022-2023 period.

In addition, the legislation would make some changes in the Congressional budget process related to adoption of the budget resolution and budget enforcement within the House of Representatives and the Senate. Those changes would not, by themselves, have a direct budgetary impact, but they could affect Congressional decisions about budget-related legislation in 2014 and future years.

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1. The Budget Control Act of 2011 (Public Law 112-25) established an initial set of caps on annual discretionary funding as well as a set of lower caps (for 2014 through 2021) that were triggered by the failure of the Joint Select Committee on Deficit Reduction to achieve a targeted amount of deficit reduction. The lower caps are currently in place through 2021; the legislation would increase those caps for 2014 and 2015, and leave the caps unchanged for other years through 2021.

Title II – Prevention of Waste, Fraud, and Abuse

The legislation would enhance the ability of states and the federal government to reduce certain payments (including some that stem from fraud) and increase recoveries of overpayments. In total, CBO estimates that enacting title II would reduce direct spending by about $1.9 billion and increase revenues by $0.6 billion over the 2014-2023 period. The proposed changes would:

- Require states to use the Treasury Offset Program (TOP) to recover overpayments of unemployment compensation. Under current law, states may use TOP, but are not required to do so.

- Enable states to avoid paying for prenatal and preventive pediatric claims when a third party is liable for such payments. The legislation also would give states additional time to collect payments in cases involving medical child support and allow states to recover payments from certain liability settlements, thereby reducing net direct spending for Medicaid.

- Restrict access to the Death Master File maintained by the Social Security Administration, which includes information that might be used by individuals to file fraudulent tax returns or submit fraudulent claims to Medicare.

- Expand the data on inmates that are available to the Department of Treasury, which would result in higher revenue collections and lower payments for refundable tax credits.

Three of those four provisions would affect both direct spending and revenues, producing budgetary savings in both of those categories. The provision for Medicaid third-party liability would affect only direct spending.

Title III – Natural Resources

Title III would make various changes to federal oil and gas programs that would reduce spending by $4.5 billion over the 2014-2023 period, CBO estimates. Title III would:

- Repeal provisions in the Energy Policy Act of 2005 that authorized direct spending through fiscal year 2014 for research on the development of certain oil and gas resources.

- Reduce the amount of payments made to states under the Mineral Leasing Act, which requires the federal government to make payments to states based on the proceeds from mineral leasing activities on federal lands.

- Approve an agreement between the United States and Mexico regarding oil and gas resources near the international border in the Gulf of Mexico and establish procedures for implementing future agreements affecting such border areas.

- Amend the procedures used to determine the amount of interest that may be paid on overpayments of oil and gas royalties from federal leases.

- Permanently rescind the unobligated balances currently available for purchase of oil for the Strategic Petroleum Reserve (SPR) and repeal the authority of the SPR program to acquire oil using royalty-in-kind payments from companies that develop oil and gas resources under federal leases.

Title IV – Federal Civilian and Military Retirement

The bill would make several changes to retirement benefits for employees of federal agencies. In total, CBO estimates that enacting title IV would reduce spending by $6.2 billion and increase revenues by $6.0 billion, respectively, over the 2014-2023 period.

Specifically, title IV would:

- Increase the contribution rate that federal employees, including those covered under the Foreign Service Retirement System, pay toward their future retirement benefit (such contributions are considered revenues to the Treasury). The legislation would increase contributions by 1.3 percent of pay for federal employees that begin service on or after January 1, 2014.

- Reduce the annual cost-of-living adjustment (COLA) for military retirees under the age of 62 by 1 percent. Monthly retired pay for those individuals would be readjusted upward at age 62 as if the COLA reduction had not taken place and retirees would receive full annual COLAs thereafter.

  The COLA provision also would reduce discretionary accrual payments to the Military Retirement Fund over the 2015-2023 period. While such payments count against discretionary amounts allocated to the Department of Defense as part of the annual appropriations process, they are intragovernmental transactions, and do not result in outlays from the government. If, within the discretionary caps, the reduction in accrual payments makes possible an offsetting increase in other appropriations, the net effect would be an increase in outlays—because an intragovernmental payment would be replaced by spending that goes outside the government.

Title V – Higher Education

CBO estimates that enacting title V would reduce direct spending by $5.1 billion over the 2014-2023 period by amending the Higher Education Act of 1965. Those changes would:

- Eliminate the share of outstanding guaranteed student loan amounts that guaranty agencies are permitted to retain when they rehabilitate defaulted loans, increasing the share that is returned to the federal government; and reduce the maximum fee that a guaranty agency can charge borrowers to cover the administrative costs of collections for loans being rehabilitated.

- Eliminate mandatory payments, authorized through 2019, to nonprofit organizations that service student loans. Although this provision would reduce direct spending by an estimated $3.1 billion over the 2014-2023 period, those loans would still need to be serviced. As a result, CBO estimates that implementing this provision would require additional discretionary appropriations of roughly the same magnitude as the mandatory funding that would be eliminated.

Title VI – Transportation

Title VI would amend provisions of the Aviation and Transportation Security Act pertaining to security-related fees and would repeal a current requirement for compensation related to shipping of food aid. Together, those provisions would reduce direct spending by $13.4 billion over the 2014-2023 period. This title would:

- Increase security-related fees charged to air passengers and repeal other fees paid by air carriers, resulting in an overall net increase in fees. It would amend current law to direct the Transportation Security Administration (TSA) to collect a specified portion of such fees, without further appropriation, which would be recorded as offsetting receipts—a credit against direct spending. (The remaining portion of TSA fees would continue to be subject to appropriation action.)

- Repeal the requirement that the Maritime Administration pay certain costs to compensate the Department of Agriculture to transport food aid on ships registered in the United States rather than ships registered in other countries.

Title VII – Miscellaneous Provisions

Title VII would make changes affecting customs fees, pensions, and health care for federal employees, among other things. CBO and JCT estimate that those provisions would reduce direct spending by $19.3 billion over the 2014-2023 period.

- Section 701 would extend the authority of Customs and Border Protection (within the Department of Homeland Security) to collect certain fees. That authority, which is set to expire in October of 2021, would be extended through fiscal year 2023.

- Section 703 would raise rates for both variable and flat rate premiums paid by sponsors of defined benefit pension plans to the Pension Benefit Guaranty Corporation, and increase the cap on the variable rate premium.

- Section 704 would permanently cancel authority to spend certain unobligated balances from the Treasury Forfeiture Fund and the Assets Forfeiture Fund.

- Section 705 would establish a fee to offset the cost to the U.S. Department of Agriculture of providing conservation assistance to owners of private lands.

- Section 706 would add a two-person "self plus one" coverage option for federal employees and retirees under the Federal Employees Health Benefits (FEHB) program. CBO estimates that option would be priced below the "self plus family" option currently available. However, the "self plus family" option would become more costly than under current law because the average number of people covered by policies of that type would rise. CBO expects that federal retirees would be more likely than active federal employees to switch to "self plus one" policies. As a result, the average cost of FEHB policies for federal retirees would be lower than under current law, and the average cost of FEHB policies for active federal employees would be higher than under current law.

  The provision would reduce direct spending because the government contribution for health benefits for federal retirees is classified as direct spending. On the other hand, implementing the provision would increase spending subject to appropriation, assuming appropriation of the necessary funds, because the government contribution for health benefits for active federal employees is classified as discretionary spending.

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. Although enacting the legislation would affect both direct spending and revenues, pay-as-you-go procedures do not apply because the legislation specifies that its budgetary effects shall not be entered onto the scorecards maintained under the Statutory Pay-As-You-Go Act.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The legislation contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act. It would, however, impose mandates on private entities by increasing or extending some government fees. The legislation would increase the fee paid by airline passengers for security services and increase insurance premiums paid by sponsors of defined-benefit pension plans to the Pension Benefit Guaranty Corporation. CBO estimates that the cost of those mandates would total more than $1 billion in fiscal year 2015 and more than $2 billion annually beginning in fiscal year 2016. The legislation also would extend through fiscal year 2023 the customs users fees that are set to expire in October of 2021 under current law. The cost of the mandate to users of customs services would exceed $3 billion in each of fiscal years 2022 and 2023. Consequently, the aggregate cost of the mandates in the legislation would significantly exceed the annual threshold established in UMRA for private-sector mandates ($150 million in 2013, adjusted annually for inflation).

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Table 2. Estimate of Effects on Direct Spending and Revenues for the Bipartisan Budget Act of 2013

(Millions of dollars, by fiscal year)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
CHANGES IN DIRECT SPENDING (Outlays)													
Title I - Budget Enforcement													
Sec. 101	Extension of direct spending reductions	0	0	0	0	0	0	0	0	-11,267	-16,774	0	-28,041
Title II - Prevention of Waste, Fraud, and Abuse													
Sec. 201	Collection of UI overpayments	-10	-26	-20	-17	-15	-14	-13	-14	-15	-15	-88	-159
Sec. 202	Strengthening Medicaid third-party liability	0	-50	-100	-150	-160	-170	-180	-190	-200	-210	-460	-1,410
Sec. 203	Restriction on access to death master file	-13	-25	-26	-27	-28	-28	-29	-30	-31	-32	-119	-269
Sec. 204	Inmates receiving improper payments	0	-8	-8	-8	-9	-9	-9	-9	-10	-10	-33	-80
Title III - Natural Resources													
Sec. 301	Ultra-deepwater and unconventional natural gas	-2	-14	-16	-6	-2	0	0	0	0	0	-40	-40
Sec. 302	Reduce payments under the Mineral Leasing Act	0	-44	-44	-42	-43	-46	-47	-48	-50	-51	-173	-415
Sec. 303	OCS transboundary agreements	-7	-2	-2	-2	-2	-2	-2	-2	-2	-2	-15	-25
Sec. 305	Federal oil and gas royalty prepayment cap	0	0	-20	-50	-90	-100	-110	-120	-130	-130	-160	-750
Sec. 306	Reduce funding for SPR purchases	-50	-350	-350	-350	-350	-355	-355	-355	-355	-355	-1,450	-3,225
Title IV - Federal Employee Compensation													
Sec. 403	Reduce annual adjustment for retired members of the Armed Forces under age 62[a]	0	0	-152	-358	-506	-715	-883	-1,037	-1,275	-1,309	-1,016	-6,235
Title V - Higher Education													
Sec. 501	Default reduction program	-2,050	0	0	0	0	0	0	0	0	0	-2,050	-2,050
Sec. 502	Eliminate nonprofit servicing contracts[b]	-167	-362	-461	-515	-553	-587	-312	-84	-24	0	-2,057	-3,065
Title VI - Transportation													
Sec. 601	Aviation security fees	-390	-1,190	-1,250	-1,280	-1,320	-1,360	-1,400	-1,440	-1,480	-1,520	-5,430	-12,630
Sec. 602	Transportation cost reimbursement	-56	-75	-75	-75	-75	-75	-75	-75	-75	-75	-356	-731

Continued

Table 2. Estimate of Effects on Direct Spending and Revenues for the Bipartisan Budget Act of 2013 (Continued)

(Millions of dollars, by fiscal year)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
Title VII - Miscellaneous Provisions													
Sec. 701	Customs user fees	0	0	0	0	0	0	0	0	-3,125	-3,646	0	-6,771
Sec. 703	Pension Benefit Guaranty Corporation premuim increases	0	-200	-850	-1,260	-1,090	-920	-870	-860	-900	-930	-3,400	-7,880
Sec. 704	Cancellation of unobligated balances	-277	-624	-486	-173	0	0	0	0	0	0	-1,560	-1,560
Sec. 705	Conservation planning	-3	-4	-4	-4	-4	-4	-4	-4	-4	-4	-19	-39
Sec. 706	FEHB self plus one coverage												
	On-budget outlays	0	-244	-258	-274	-293	-313	-334	-357	-381	-407	-1,069	-2,862
	Off-budget outlays	0	-8	-10	-12	-14	-16	-19	-21	-24	-27	-43	-150
Total Changes in Direct Spending		**-3,025**	**-3,225**	**-4,132**	**-4,603**	**-4,553**	**-4,714**	**-4,642**	**-4,647**	**-19,348**	**-25,497**	**-19,538**	**-78,387**
	CHANGES IN REVENUES												
Sec. 201	Collection of UI overpayments	0	-1	-4	-9	-12	-14	-14	-13	-12	-11	-26	-90
Sec. 203	Restriction on access to death master file	24	49	50	52	53	55	56	58	60	62	227	517
Sec. 204	Inmates receiving improper payments	*	16	17	17	17	18	19	19	19	20	67	162
Sec. 401	Civil Service Retirement	24	154	276	400	527	657	788	921	1,057	1,194	1,381	5,998
Sec. 402	Foreign Service Retirement	1	2	3	4	5	5	6	7	8	9	15	50
Total Changes in Revenues		**49**	**220**	**342**	**464**	**590**	**721**	**855**	**992**	**1,133**	**1,274**	**1,664**	**6,638**
	NET INCREASE OR DECREASE (-) IN THE DEFICT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Net Changes in Deficits		**-3,074**	**-3,446**	**-4,474**	**-5,067**	**-5,143**	**-5,436**	**-5,497**	**-5,639**	**-20,481**	**-26,771**	**-21,202**	**-85,024**
	On-budget deficit change	*-3,074*	*-3,438*	*-4,464*	*-5,055*	*-5,129*	*-5,419*	*-5,479*	*-5,617*	*-20,457*	*-26,744*	*-21,159*	*-84,874*
	Off-budget deficit change	*0*	*-8*	*-10*	*-12*	*-14*	*-16*	*-19*	*-21*	*-24*	*-27*	*-43*	*-150*

Sources: Congressional Budget Office and staff of the Joint Committee on Taxation.

Notes: Components may not sum to totals because of rounding; * = between -$500,000 and $500,000.
OCS = Outer Continental Shelf; SPR = Strategic Petroleum Reserve; FEHB = Federal Employee Health Benefit program; UI = Unemployment Insurance.

Estimates assume enactment near the end of calendar year 2013, and are relative to CBO's May 2013 baseline.

a. Section 403 would also reduce discretionary accrual payments to the Military Retirement Fund by about $8 billion over the 2015-2023 period. If, within the discretionary caps, the reduction in accrual payments makes possible an offsetting increase in other appropriations, the net effect would be an increase in outlays—because an intragovernmental payment would be replaced by spending that goes outside the government.

b. Section 502 would eliminate mandatory payments to nonprofit organizations that service student loans but would not change the need for loan servicing. Because the Department of Education would still need to make those payments to loan servicers, CBO estimates that this provision would result in additional appropriations that would be roughly the same magnitude as the mandatory funding that is being eliminated.