**Congressional Budget Office**
Cost Estimate

May 6, 2020

# S. 2898, CONTRACT Act of 2019

**As ordered reported by the Senate Committee on Commerce, Science, and Transportation on December 11, 2019**

| By Fiscal Year, Millions of Dollars | 2020 | 2020-2025 | 2020-2030 |
|---|---|---|---|
| Direct Spending (Outlays) | * | 8 | 15 |
| Revenues | 0 | 0 | 0 |
| Increase or Decrease (-) in the Deficit | * | 8 | 15 |
| Spending Subject to Appropriation (Outlays) | 0 | 0 | not estimated |

| | | | |
|---|---|---|---|
| Statutory pay-as-you-go procedures apply? | Yes | **Mandate Effects** | |
| Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031? | < $5 billion | Contains intergovernmental mandate? | No |
| | | Contains private-sector mandate? | No |

* = between zero and $500,000.

Air traffic controllers employed by the Federal Aviation Administration (FAA) must retire by age 56—six years before reaching age 62, the age at which people can qualify for old-age insurance benefits under title II of the Social Security Act. Depending on when they entered federal service, air traffic controllers earn retirement benefits either through the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Under current law, retired air traffic controllers covered by FERS who are younger than 62 receive supplemental annuity payments if their incomes do not exceed $18,240. That income threshold is adjusted annually for inflation. For every $2 in earnings above the threshold, retirees' supplemental annuity benefits are reduced by $1. Those payments are disbursed from the Civil Service Retirement and Disability Fund and are recorded in the budget as direct spending. (CSRS retirees, whose benefit structure differs significantly from FERS retirees, are not eligible for such payments.)

S. 2898 would exempt certain retired air traffic controllers from the income limit; thus, those air traffic controllers would receive full annuity supplements even if their income exceeded the statutory limit. Specifically, the bill would exempt those retired controllers covered by FERS who are also employed under federal contracts as controllers at FAA contract towers.[1]

1. Contract towers are air traffic control towers that are staffed by private contractors instead of FAA employees.

According to information from the FAA and industry groups, about 1,500 people are currently covered under such contracts, and about 10 percent of those contractors are FERS retirees who receive reduced supplemental annuity benefits because their earnings exceed the threshold. In recent years, the average annual benefit reduction for those retirees was about $10,000 to $12,000. In general, the other contractors are either covered under CSRS, work part-time to ensure that their income remains below the threshold, or do not otherwise qualify for supplemental benefits.

CBO assumes that the bill will be enacted in fiscal year 2020. On that basis, and using the information from industry groups, CBO estimates that exempting retired air traffic controllers who work at FAA contract towers from the earnings limit would increase supplemental annuity payments, and thus direct spending, by an insignificant amount in 2020 and by a little more than $1.5 million each year over the 2021-2030 period.

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 Table 1.

**Table 1.**
**CBO's Estimate of the Statutory Pay-As-You-Go Effects of S. 2898, the CONTRACT Act of 2019, as Ordered Reported by the Senate Committee on Commerce, Science, and Transportation on December 11, 2019**

| | By Fiscal Year, Millions of Dollars | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2020-2025 | 2020-2030 |
| **Net Increase in the Deficit** | | | | | | | | | | | | | |
| Pay-As-You-Go Effect | 0 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 8 | 15 |

Components do not sum to totals because of rounding.

The CBO staff contact for this estimate is Aaron Krupkin. The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.