Congressional Budget Office
Cost Estimate

September 11, 2024

At a Glance

H.R. 7869, U.S. Customs and Border Protection Officer Retirement Technical Corrections Act of 2024

As ordered reported by the House Committee on Oversight and Accountability on April 10, 2024

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	12	29
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	12	29
Spending Subject to Appropriation (Outlays)	0	*	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	< $2.5 billion	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 2035?	< $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and $500,000.

The bill would

- Allow certain Customs and Border Protection Officers to retire with an increased retirement benefit
- Make those officers eligible for an annuity that would treat their years of service similarly to the treatment of time in service for federal law enforcement officers and firefighters

Estimated budgetary effects would mainly stem from

- Larger retirement annuities for certain Customs and Border Protection Officers
- Retroactive revisions and adjustments to the annuities of affected officers who retire before enactment

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 7869 would allow certain Customs and Border Protection Officers (CBPOs) to retire with a more generous civil service retirement benefit.

Estimated Federal Cost

The estimated budgetary effect of H.R. 7869 is shown in Table 1. The costs of the legislation fall mostly within budget function 600 (income security).

Table 1.
Estimated Budgetary Effects of H.R. 7869

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
	Increases in Direct Spending												
Estimated Budget Authority	0	2	2	2	3	3	3	3	3	3	4	12	29
Estimated Outlays	0	2	2	2	3	3	3	3	3	3	4	12	29

CBO estimates that administrative costs associated with the identification of people affected by H.R. 7869 and the processing of retirement annuity revisions would increase spending subject to appropriation by less than $500,000 over the 2024-2029 period.

Basis of Estimate

For this estimate, CBO assumes that H.R. 7869 will be enacted near the beginning of fiscal year 2025.

Background

In 2007, the Consolidated Appropriations Act, 2008, authorized an enhanced retirement benefit for CBPOs similar to the one available to federal law enforcement officers and firefighters. That change took effect on July 6, 2008, but its implementation was different for officers who already were working on that date and those whose service began after that date.

CBPOs who enter duty after July 6, 2008, and who complete 20 years of service, qualify for a retirement benefit that uses a higher multiplier in the annuity calculation: 1.7 percent of an employee's highest three consecutive years of qualifying pay (or high-3) multiplied by the required 20 years of CBPO service. (For any years of federal service beyond 20, 1 percent of the employee's high-3 is included in the annuity calculation.) In addition, officers cannot begin working after age 36 and they generally must retire by age 57. The age limit for starting employment as a CBPO ensures that they can work the 20 years needed to receive an enhanced retirement before they reach the mandatory retirement age. (In contrast, the federal retirement benefit under standard retirement generally is calculated at 1 percent of an employee's high-3 for all years of service.)

CBPOs who already were serving on the effective date are eligible for a proportional annuity, which provides a larger benefit without the requirement to complete 20 years of covered CBPO service (covered service is that which occurs on or after July 6, 2008). Upon retirement, their annuities will be prorated, with the enhanced multiplier of 1.7 percent applying to years of CBPO service after July 6, 2008, and the standard multiplier of 1 percent applying to years of service before that date.

Some CBPOs received a tentative offer of employment before July 6, 2008, but did not begin duty until after that date. Customs and Border Protection (CBP) originally informed those officers (a group of about 1,400, based on data provided by the agency) that they would be eligible for the proportional annuity. However, in 2021, the Office of Personnel Management (OPM) determined that the proportional annuity provisions would not apply because those officers had not entered duty by the effective date. As a result, those CBPOs either will need to continue working until they have completed a full 20 years of covered service to be eligible for the enhanced benefit or they will retire with a smaller than expected annuity (the standard annuity calculation will apply to all their years of service).

H.R. 7869 would, for the purposes of retirement, consider all members of the affected group as having been in their positions on the effective date, thus making them eligible for the proportional annuity calculation.

Direct Spending

H.R. 7869 would increase direct spending relative to current law because it would allow the affected officers to receive enhanced retirement benefits for their years of service as CBPOs. In total, CBO estimates, enacting the bill would increase direct spending by $29 million over the 2024-2034 period.

The largest budgetary effect of H.R. 7869 would stem from benefits for CBPOs who were tentatively offered employment before July 6, 2008, and began duty after that date at an age older than 36 (the maximum age to begin work, under current law). Before enhanced retirement coverage for CBPOs was implemented, there was no maximum age, so some of the officers tentatively offered employment before the effective date were older, and some had previous years of federal service at other agencies. CBO estimates that about 225 of those older CBPOs either are already eligible for standard retirement on the basis of their age and total years of service or will become so before they achieve the 20 years of covered service following July 6, 2008, that is necessary to receive enhanced coverage. Moreover, because of the mandatory retirement age of 57, CBO expects that most of those older officers would not or could not work enough additional years to meet the 20-year requirement for enhanced coverage.

Under current law, those officers will receive a standard retirement benefit. If enacted, H.R. 7869 would allow them to retire with the proportional annuity calculation instead. CBO estimates that the proportional calculation would increase their initial annual retirement benefit by 55 percent, or by about $12,000, on average. Federal retirement benefits are adjusted annually for inflation and thus generally increase over time. On that basis, CBO estimates that the larger benefits for those retirees would increase direct spending by $26 million over the 2024-2034 period.

H.R. 7869 also would direct OPM to retroactively revise the annuities of any affected officer who retires before enactment to use the proportional annuity calculation. CBP indicated that, as of July 2023 (the most recent data available), about 30 retired CBPOs would qualify for the revised benefit. Including the retroactive adjustment, CBO estimates that revising pre-enactment retirements would initially increase annual benefits for the group by about $7,000 each, on average. Those benefits also would increase annually to account for inflation and would thus increase direct spending by $3 million over the 2024-2034 period, CBO estimates.

Most of the remaining CBPOs who would be affected by the bill were younger than 37 when they were hired and generally would not be eligible to retire before they complete the 20 years of covered service required to qualify for the enhanced retirement. Thus, CBO expects that enacting H.R. 7869 would not lead to significant costs for that group of officers.

Spending Subject to Appropriation

H.R. 7869 would direct the Secretary of Homeland Security to identify and notify anyone affected by the bill and to provide necessary information to OPM to facilitate the processing of any required annuity corrections for that group. CBO estimates that the cost would be less than $500,000 over the 2024-2029 period; any spending would be subject to the availability of appropriated funds.

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 Table 1.

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 7869 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2035.

CBO estimates that enacting H.R. 7869 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2035.

Mandates

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Previous CBO Estimate

On September 27, 2023, CBO transmitted a cost estimate for S. 311, the U.S. Customs and Border Protection Officer Retirement Technical Corrections Act, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on May 17, 2023. S. 311 and H.R. 7869 are identical. The estimated cost to implement H.R. 7869 is greater than for S. 311 mostly because, since CBO prepared the estimate for S. 311, actual and projected pay raises for current employees and projections of cost-of-living increases for retirees have increased.

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