CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 15, 2011

H.R. 3029
Reducing the Size of the Federal Government Through Attrition Act of 2011

As ordered reported by the House Committee on Oversight and Government Reform on November 3, 2011

SUMMARY

H.R. 3029 would require the Office of Management and Budget (OMB) to take action to ensure that:

- Federal agencies do not appoint more than one employee for every three employees retiring or separating from government service (unless the President has issued a waiver) through September 30, 2014;

- The number of people in the federal workforce, beginning in fiscal year 2015, does not exceed 90 percent of the total number of employees as of September 30, 2011 (although use of the waivers could exempt parts of the workforce); and

- The amount expended for service contractors is reduced by the same amount as the savings generated from federal workforce reductions each fiscal year.

In addition, H.R. 3029 would require OMB to submit a report detailing how federal programs, activities, and services would be affected by the reduction in the workforce.

Assuming appropriations are reduced in accordance with the reduction in the workforce and the use of contractors, CBO estimates that implementing H.R. 3029 would reduce discretionary spending by about $35 billion over the 2012-2016 period. The bill would have no effect on direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 3029 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 impact of H.R. 3029 is shown in the following table. The costs of this legislation fall in most budget functions.

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Reduction in the Federal Workforce						
Estimated Authorization Level	-700	-2,400	-4,300	-5,000	-5,100	-17,500
Estimated Outlays	-700	-2,300	-4,200	-5,000	-5,100	-17,300
Reduction in the Procurement of Service Contracts						
Estimated Authorization Level	-700	-2,400	-4,300	-5,000	-5,100	-17,500
Estimated Outlays	-700	-2,300	-4,200	-5,000	-5,100	-17,300
Reports						
Estimated Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Total Changes						
Estimated Authorization Level	-1,399	-4,799	-8,599	-9,999	-10,199	-34,995
Estimated Outlays	-1,399	-4,599	-8,399	-9,999	-10,199	-34,595

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3029 will be enacted early in 2012 and that future appropriations would, on net, be reduced as a result of lower expenses for wages, salaries, and service contracts.

CBO estimates that implementing H.R. 3029 would reduce salaries and expenses for federal employees by $700 million in 2012 and by about $17 billion over the 2012-2016 period. The bill would authorize the President to exempt parts of the government workforce from the attrition policy under certain conditions—for example, if there is a national security concern or an extraordinary emergency, or if the performance of a critical agency mission requires it. CBO believes that those waivers are broad enough that a significant portion of the federal workforce would be exempt from the attrition directive. Based on the governmentwide shutdown in 1995—when about 1.2 million employees out of a workforce of roughly 2 million civilian employees were exempt from the furlough—as well as information from the Office of Management and Budget, experts on the federal workforce, and the General Services Administration, CBO estimates that only about one-third of the current workforce would be affected by the provisions of this bill. CBO calculates that the portion of the federal workforce that would be affected would decline from about 710,000 employees at the end of September 2011 to about 640,000 at the end of September 2014 (at which point, the 10 percent reduction in the number of affected federal employees would be achieved).

The amount of savings that would be generated from reducing funding for service contracts is very uncertain. The bill specifies that the amount expended for service contracts should be reduced by the same amount as the savings generated from the federal workforce, as shown in the above table. However, if payments were shifted from service contracts to another means of acquiring such services (such as by bundling them together with other types of purchases), the savings would be less.

Under the bill, OMB would have to submit an annual report detailing the effect of the reduction in the workforce on federal programs, activities, and services; CBO estimates that reporting requirement would cost $5 million between 2012 and 2016.

This bill—or any legislation that would reduce the funds available for a particular discretionary program or that would achieve savings by undertaking a particular activity—would only reduce projected total appropriations if the caps on discretionary spending were also lowered. Without a reduction in the caps, CBO assumes funding for other discretionary programs would fill the gap created by the specific reduction or savings.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3029 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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