

At a Glance

S. 407, Air America Act of 2022

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on February 2, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2026	2022-2031
Direct Spending (Outlays)	0	11	15
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	11	15
Spending Subject to Appropriation (Outlays)	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 2032?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and \$500,000.

The bill would

- Make former employees of Air America eligible to apply for a new civilian retirement benefit based on their years of service in that program
- Authorize payment of a new monthly retirement benefit under the Civil Service Retirement System to successful applicants
- Authorize payment of a retroactive lump sum payment to successful applicants for retirement benefits that would have been paid from the time of first retirement eligibility

Estimated budgetary effects would mainly stem from

- New retirement benefits paid to Air America employees and certain survivors
- Lump sum payments to former Air America employees for retirement benefits accrued between the time of assumed retirement and the commencement of a new retirement annuity
- Administrative costs to process the applications for new benefits of the eligible population

Detailed estimate begins on the next page.



Bill Summary

S. 407 would establish the service of certain former employees of Air America as creditable toward a federal civil service retirement annuity under the Civil Service Retirement System (CSRS). The bill also would allow surviving spouses or children of those employees to apply for survivor benefits.

Estimated Federal Cost

The estimated budgetary effect of S. 407 is shown in Table 1. The costs of the legislation fall within budget function 600 (income security).

Table 1. Estimated Budgetary Effects of S. 407												
By Fiscal Year, Millions of Dollars											2022-2026	2022-2031
2022	2023	2024	2025	2026	2027	2028	2029	2030	2031			
Increases or Decreases (-) in Direct Spending												
Estimated Budget Authority	0	7	3	1	1	1	1	1	1	1	11	15
Estimated Outlays	0	7	3	1	1	1	1	1	1	1	11	15
Increases or Decreases (-) in Spending Subject to Appropriation												
[Estimated] Authorization	0	*	*	*	*	n.e.	n.e.	n.e.	n.e.	n.e.	*	n.e.
Estimated Outlays	0	*	*	*	*	n.e.	n.e.	n.e.	n.e.	n.e.	*	n.e.

Components may not sum to totals because of rounding; n.e. = not estimated; * = between zero and \$500,000.

Basis of Estimate

For this estimate, CBO assumes the bill will be enacted by the beginning of fiscal year 2023.

Direct Spending

S. 407 would establish the service of certain former employees of Air America (or specified affiliated companies) between January 1, 1950, and December 31, 1976, as creditable toward a federal civil service retirement annuity under the Civil Service Retirement System (CSRS). CBO estimates that the additional retirement annuity and survivor benefit payments authorized by the bill would increase direct spending by \$15 million over the 2022-2031 period.

Annuity Payments. CBO’s estimate is based on data collected in 2014 by the Air America Association (the most recent data available) and was adjusted for expected mortality. That data contains service record summaries for just over 400 former Air America employees. CBO estimates that about 80 members of that group are still living who would be eligible



under S. 407 to begin receiving a federal retirement benefit based on their Air America (or related) service, provided that the period of service meets the eligibility requirements for a CSRS benefit. (There are several tiers of eligibility based on age and years of service that can confer eligibility for a CSRS annuity; five years of service is the minimum requirement.)

Using that data, CBO expects that the average person eligible to apply for a new CSRS benefit under S. 407 is now about 87 years of age and performed about nine years of Air America service at a salary of just under \$30,000. CBO estimates that the average CSRS benefit would have been about \$3,800 per year at the time of first retirement eligibility—about 25 years ago, on average. However, a new CSRS annuity that would begin under S. 407 would incorporate the annual cost of living increases (which have averaged about 2 percent per year) that would have applied in the years since first eligibility. Including those annual adjustments, CBO estimates that the average new CSRS annuity under S. 407 would be about \$7,000. The total annual benefits paid to this group of people would decline over time because the number of eligible people cannot increase, they would have a limited time to apply for the new benefit (two years after enactment), and they are generally of advanced age. CBO estimates that new retirement benefits for former Air America employees would increase direct spending by about \$2 million over the 2022-2031 period, primarily in the first few years.

Lump-sum Payments. In addition to a new monthly CSRS retirement benefit, the former Air America employees also would receive a retroactive lump-sum payment of the total benefits that have accrued since their first eligibility for retirement. CBO estimates that the average lump-sum payment would be about \$136,000 per person. Over the 2022-2031 period, CBO estimates that the lump-sum payments would increase direct spending by \$7 million (primarily in 2023).

Survivor Benefits. In addition to retirement annuities for former Air America employees, S. 407 also would allow survivors (spouses or children) of former Air America employees who died before enactment of the bill to apply for a survivor benefit, at 55 percent of the former employee's full annuity amount. Using the information about the number of former Air America employees, CBO estimates that about 175 people would apply for a survivor benefit under the bill, and their average annuity would be about \$4,700 per year. CBO projects that, over the 2022-2031 period, annuity payments to survivors under this provision would increase direct spending by \$6 million.

Spending Subject to Appropriation

The Air America Association has collected identities and work history data for many former Air America employees; as a result of their outreach, CBO expects a moderately high participation rate if the bill is enacted. However, the administrative cost of successfully processing a benefit application for this group is likely to be significantly higher than for current federal employees. For Air America applicants, additional effort and time will be



required for the Office of Personnel Management (OPM) to develop internal guidance and verification procedures based on information provided by individuals rather than employment records provided by an agency.

CBO estimates that the additional administrative costs associated with processing Air America applications, for former employees and survivors, under S. 407 would cost less than \$500,000 over the 2022-2026 period. That estimate is based on data from OPM. In 2021 (the most recent data available), OPM announced that the average unit cost of processing one type of civil service retirement (those occurring under Voluntary Early Retirement Authority or with Voluntary Separation Incentive Payments) is \$676.70 per application. Given the additional administrative work involved, OPM expects the processing cost for Air America applications to be higher than that average but does not have an estimate of how much higher.

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 Deficits

CBO estimates that enacting S. 407 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2032.

Mandates: None.

Previous CBO Estimate

On September 24, 2021, CBO transmitted a [cost estimate for H.R. 1297](#), Air America Act of 2021, as ordered reported by the House Committee on Oversight and Reform on May 25, 2021. Both bills would provide eligible former Air America employees the opportunity to apply for and commence a civilian retirement benefit under CSRS, including a lump sum payment for retroactive benefits that would have been paid from time of first retirement eligibility. The Senate bill contains a provision that would provide benefits for eligible survivors of former Air America employees who have died prior to enactment of the bill; the House bill does not. CBO's estimates reflect those differences between the bills.



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