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Fiscal Year (FY) 2021 Budget and Appropriations

On Monday, February 10, the President released his FY 2021 budget request. The $4.8 trillion spending proposal would increase the gross federal debt above $30 trillion over the next 10 years, due in part to significant increases in defense spending and the extension of tax cuts.

In a departure from last summer's bipartisan budget deal, the FY 2021 President's budget request proposes significant reductions in non-defense discretionary spending. Last summer's deal (PL 116-37) called for a modest increase in nondefense discretionary spending of $2.5 billion, or about 0.4 percent, above the FY 2020 enacted spending level. The President's budget request would cut that spending by about 6 percent, or $40 billion. Nondefense discretionary spending would total $590 billion, not including funds set aside for disaster relief and fighting wildfires. For the Department of Defense (DOD), the President's budget request is consistent with the top line number for DOD set by last year's two-year budget deal, a $5 billion increase over the FY 2020 funding level.

The FY 2021 President's budget request for the Social Security Administration's Limitation on Administrative Expenses (LAE) account is $13.351 billion. For comparison purposes, the FY 2020 funding level is $12.871 billion, and the FY 2019 level was $12.877 billion. The Social Security Administration (SSA) has a number of documents on its budget information page including the Justification of Estimates for Appropriations Committees, Budget Overview, and additional technical materials supporting the agency's budget request.

Per the Justification of Estimates for Appropriations Committees, the $13.351 billion request would make the following major investments:

- Nearly $5 billion for payroll cost to fund the employees in our frontline operations, such as our field offices, National 800 Number, and processing centers. This amount includes funding to maintain the 1,100 additional new employees whom we are hiring in fiscal year (FY) 2020 in our National 800 Number and PCs. Once trained, these employees will improve service in critical areas and contribute to more timely service, reduced wait times, and fewer busy signals.
- Over $1.1 billion for payroll cost to fund the employees in our hearings operation who will eliminate the hearings backlog in FY 2021.
- Almost $2.5 billion for payroll, hiring, and other expenses for the State disability determination services (DDS) that make disability determinations for SSA.
- More than $1.9 billion for Information Technology Services (ITS) funding to help us maintain and continue modernizing our large information technology (IT) infrastructure, as well as increase our digital and automated services. This amount includes $118 million for IT modernization. We are working with public and private sector experts to modernize our infrastructure, so that we can serve the public more efficiently and with greater accuracy.

- Approximately $1.6 billion for dedicated program integrity funding at the fully authorized level, which will allow us to keep up with our cost-effective program integrity reviews and continue to expand our highly successful cooperative disability investigations (CDI) program.

The FY 2021 Budget Appendix includes the following Commissioner's Budget:

COMMISSIONER'S BUDGET

As directed by Section 104 of Public Law 103–296, the Social Security Independence and Program Improvements Act of 1994, the Commissioner of Social Security shall prepare an annual budget for SSA, which shall be submitted by the President to the Congress without revision, together with the President's request for SSA. The Commissioner's budget includes $14,004 million for total administrative discretionary resources in 2021. This represents $13,804 million for SSA administrative expenses, $79 million in research, and $121 million for the Office of the Inspector General.

FY 2021 President's Budget Request – Federal Employee Issues

The President's budget request includes a proposed pay raise for civilian federal employees of 1.0%. The White House is again proposing cuts to federal retirement and leave as part of its budget request. Many of the proposed cuts will look familiar as they have appeared in past requests. To date, none have been enacted. Some of the suggested changes to federal employees' benefits and leave from the President's budget request are:

- **Eliminate FERS COLA, Reduce CSRS COLA by 0.5 percent** – The President's FY 2021 budget request would require employees enrolled in the Federal Employees Retirement System (FERS) to contribute 1% more per year to their retirement accounts, until the government and employees each contribute 50%. It also proposes eliminating annual cost of living adjustments for future FERS retirees and reducing Cost of Living Adjustments (COLAs) for retirees in the Civil Service Retirement System (CSRS) by 0.5%.
- **Eliminate the Special Retirement Supplement** – The President's budget request also calls for the elimination of the FERS special retirement supplement, designed for employees who retire before they reach the age of 62, when they become eligible for Social Security.
- **Change Retirement Calculation from High-3 Years to High-5 Years** – Per the President's budget request, when employees retire, their defined benefit annuity would be calculated as an average of their highest five salary years, rather than the current "High-3" model.
- **Reduce the G Fund Interest Rate** – The White House has also proposed reducing the statutorily mandated interest rate on the Thrift Savings Plan's G Fund, which is made up of government securities, to match the yield on either the three-month or four-week Treasury bill.
- **Modify the Government Contribution Rate to Federal Employees Health Benefits Program Premiums** – The President's budget request also proposes a reduction in how much the government will contribute to insurance premiums in the Federal Employees Health Benefits Program (FEHBP). The government currently pays 72% of a weighted average of all plan premiums or 75% of a given plan's premiums, whichever is lower. The budget request proposes reducing the government contribution to 71% of the weighted average.

- **Modify Leave and Vacation Time Categories Into a Single Category** – The President's budget request also includes last year's proposal to consolidate most of the categories of paid leave available to federal employees into one pool, and reduce the overall number of leave days available. The consolidated leave system would remain separate from the newly enacted paid parental leave program, which provides new parents up to 12 weeks of paid leave after the birth, adoption or foster placement of a new child. Signed into law as part of the 2020 National Defense Authorization Act (NDAA), this new benefit will be implemented by Oct. 1.

We will be monitoring and taking action relative to the Trump Administration's federal workforce proposals through both the Federal-Postal Coalition (FPC) and the Government Managers Coalition (GMC), and will keep NCSSMA members updated. If you are interested in further details regarding the Trump Administration's federal workforce proposals, the following links may also be of interest:

Major Savings and Reforms (pages 175-177)
Analytical Perspectives: 5. Strengthening the Federal Workforce (pages 47-57)

Outlook

It is important to keep in mind that the President's budget request is an outline of the Trump Administration's priorities and Congressional action is required to make any of the proposals a reality. Senate Majority Leader Mitch McConnell (R-KY) has already said that the Senate will ignore President Trump's call for cutting overall non-defense spending and plans to write their FY 2021 spending bills to the $634.5 billion funding cap set under the two-year budget deal signed into law last summer. House Speaker Nancy Pelosi (D-CA) said the House will also adhere to the defense and non-defense spending levels agreed to last summer.

With the transmission of the President's budget request to Congress, we have officially kicked off this year's budget and appropriations process, and we anticipate providing ongoing reports and updates as Congress begins its work at the committee and floor level. Looking further down the road, with it being an election year, the chances of getting spending bills passed before FY 2021 begins on Oct. 1 are slim (at best). The reality is that we are probably looking at a Continuing Resolution (CR) to extend current funding levels until after the November elections.

NCSSMA Twitter Account

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