

Summaries of U.I./Payroll Holiday Extension Offsets

Civilian Federal Employee Pay Freeze: The bill would freeze pay at current levels for non-defense, civilian federal employees for one year, through 2013. Congress and the president have already enacted legislation to freeze civilian pay until the end of 2012 (P.L. 111-322). As President Obama said, "Getting this deficit under control is going to require some broad sacrifices and that sacrifice must be shared by the employees of the federal government." In keeping with this principle and similar recommendations from the National Commission on Fiscal Responsibility, this legislation would extend the pay freeze for non-defense federal workers at a time when families and small businesses around the nation are also being forced to tighten their belts in the Obama Economy. This provision would reduce the deficit by \$26.2 billion.

GSE Guarantee Fees: The bill would increase guarantee fees charged by the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac to lenders who sell them mortgages that are subsequently repackaged into mortgage-backed securities (MBS). These fees are in effect a premium to guarantee the repayment of principal and interest on those securities, insuring MBS investors from the risk that the securities will default. Currently, GSEs charge much less to guarantee the performance of their MBS than competitors in the private market, which has the effect of transferring greater risk to the nation's taxpayers and crowding out the private market. Imposing higher guarantee fees would ultimately lower the deficit, increase competition in the secondary mortgage market, and reduce taxpayer exposure to the GSEs. Similar fee increases have already been called for by the Obama Administration. This provision would reduce the deficit by \$35.7 billion.

Federal Employee Retirement Reform: This provision would reform federal workforce retirement programs to bring them more in line with the standard practices used in the private sector. Under current law, employees covered by the Federal Employees' Retirement System contribute 0.8 percent of their pay to the Civil Service Retirement and Disability Fund, while the federal government contributes an amount equal to 11.9 percent of their pay. For workers hired before 1984 and participating in the Civil Service Retirement System, their contribution is 7 percent of pay while the government pays the equivalent of 19 percent of their pay. This provision would increase the contributions required by current federal employees by 0.5 percent for three years. In addition, the bill would increase the contribution for new hires to 4 percent bringing them closer to what workers in the private sector are required to pay. This provision would reduce the deficit by \$27.1 billion.

Spectrum Auctions: This provision would advance wireless broadband service, spur billions of dollars in private investment, and create thousands of jobs by auctioning spectrum frequencies used to provide broadband services. This would provide additional broadband spectrum and authorize the Federal Communications Commission to conduct incentive auctions. Incentive auctions give the FCC the flexibility to promote more efficient use of spectrum by sharing a portion of auction proceeds with current licensees that are willing to return their licenses to the Commission for re-auction. This provision would reduce the deficit by \$15 billion.

Flood Insurance Reform: The provision would reform and strengthen the National Flood Insurance Program (NFIP) to ensure that it is actuarially sound and able to respond to future emergencies without incurring more debt or lapsing as it has three times since 2010. As of January 31, 2011, the NFIP's outstanding debt and accrued interest cost stood at \$17.7 billion. Under current law, these funds borrowed from the U.S. Treasury must be repaid with interest. The program, however, is not in a position to repay the debt. This legislation would make a number of changes to the NFIP aimed at

improving the financial status of the program, including increased premiums for certain higher-risk properties. This provision would reduce the deficit by \$4.5 billion.

WEP/GPO Data Enhancement: Under law, Social Security payments are generally reduced if a beneficiary receives a pension from work not covered by Social Security. One of the major causes of Social Security overpayments occurs when required benefit reductions under the windfall elimination provision (WEP) and the Government Pension Offset (GPO) are not accounted for and full benefit payments are incorrectly distributed. According to the Social Security Administration (SSA), Social Security overpayments often result when beneficiaries fail to report receipt of a pension from non-covered employment. The President's FY 2012 Budget included a legislative proposal that would require State and local governments to identify and report pensions they pay to retired employees based on work not covered by Social Security. If the SSA had this data from State and local governments, it could determine whether to reduce benefits because of the WEP or GPO statutes. This provision would reduce the deficit by \$3.2 billion.

Refundable Child Tax Credit Fraud: The bill would save taxpayers billions and reduce the deficit by eliminating waste, fraud, and abuse and ensuring that federal benefits reach their intended recipient. Unlike many other tax benefits, the law does not require the taxpayer or eligible child to have a social security number in order to receive the Child Tax Credit (CTC) and its refundable component, the Additional Child Tax Credit (ACTC), which provides a refundable tax credit of up to \$1,000 per child. According to a June 2011 report from the Department of Treasury, individuals who are not authorized to work in the United States were paid \$4.2 billion in refundable credits in 2010. This provision would close this loophole by requiring taxpayers to provide a social security number to receive this tax credit. This provision would reduce the deficit by \$9.4 billion.

Medicare Income Relating: Under Medicare Parts B and D, certain beneficiaries already pay higher premiums as a result of their higher levels of income. Beginning in 2017, the bill would increase income-related premiums by 15 percent and maintain the income thresholds associated with these income-related premiums until 25 percent of beneficiaries under Parts B and D are subject to these premiums. This will help improve the financial stability of the Medicare program by reducing the Federal subsidy of Medicare costs for those beneficiaries who can most afford them. This provision would reduce the deficit by \$31 billion.