



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 3, 2010

### **H.R. 4506** **Bankruptcy Judgeship Act of 2010**

*As ordered reported by the House Committee on the Judiciary on January 27, 2010*

#### **SUMMARY**

H.R. 4506 would establish 35 permanent bankruptcy judgeships, increase fees collected by individuals and businesses filing for bankruptcy, and alter how those fees are distributed among government entities. The bill would increase direct spending, revenues, and costs subject to appropriation.

CBO estimates that the mandatory pay and benefits for judgeships not otherwise provided for under current law would increase direct spending by \$12 million through 2015 and \$24 million over the 2010-2020 period. We estimate that changes made to the collection and disposition of filing fees under the bill would increase revenues by about \$13 million through 2015 and by about \$27 million over the 2010-2020 period. In total, the changes to direct spending and revenue made by H.R. 4506 would reduce future budget deficits by about \$1 million over the 2010-2015 period and about \$3 million over the 2010-2020 period.<sup>1</sup>

CBO estimates that discretionary expenditures for support staff and office space associated with the additional judgeships would cost \$45 million over the 2010-2015 period, subject to appropriation of the necessary funds.

H.R. 4506 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.

---

1. Different time periods apply for enforcing pay-as-you-go rules. CBO estimates that the changes in direct spending and revenues from enacting the legislation would result in a net decrease of \$1 million in future budget deficits over the 2010-2014 period and a net decrease of \$2 million over the 2010-2019 period.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4506 is shown in the following table. The costs of this legislation fall within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars											2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
<b>CHANGES IN DIRECT SPENDING</b>													
Estimated Budget Authority	*	2	3	3	3	3	3	3	3	3	3	12	24
Estimated Outlays	*	2	3	3	3	3	3	3	3	3	3	12	24
<b>CHANGES IN REVENUES</b>													
Estimated Revenues	0	2	3	3	3	3	3	3	3	3	3	13	27
<b>NET CHANGE IN THE BUDGET DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>													
Impact on Deficit <sup>a</sup>	*	*	*	*	*	*	*	*	*	*	*	1	3
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>													
Estimated Authorization Level	0	14	9	7	7	7	7	7	7	7	7	45	81
Estimated Outlays	0	12	10	8	7	7	7	7	7	7	7	45	81

Note: \* = less than \$500,000. Amounts may not sum to totals because of rounding.

a. Positive numbers indicate decreases in deficits; negative numbers indicate increases in deficits.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted during fiscal year 2010, that the additional judgeships created by the bill will be filled within one year, and that the amounts estimated to be necessary for additional staff and support will be appropriated in each fiscal year.

### Changes in Direct Spending

H.R. 4506 would authorize 13 new permanent judgeships to be added to the bankruptcy courts. Salaries and benefits of bankruptcy judges are provided annually without the need for appropriations. Based on the current-law salaries of bankruptcy judges (about

\$160,000) as well as information from the Administrative Office of the U.S. Courts (AOUSC) on the cost of benefits of federal judges, CBO estimates that the mandatory pay and benefits for those additional judges would total about \$2.5 million a year once all judges have been confirmed, increasing direct spending by \$12 million through 2015 and by \$24 million over the 2010-2020 period.

H.R. 4506 also would make 22 judgeships on the bankruptcy courts that are currently temporary positions permanent. Under current law, those temporary judgeships will remain filled for five years or until a vacancy occurs, whichever is later. CBO cannot predict the timing of vacancies. Therefore, we cannot estimate how the conversion of the 22 judgeships into permanent positions under the legislation would affect the federal budget over the next 10 years. (The same is true for temporary judgeships that are extended but not made permanent under the bill.) For this estimate, CBO assumes that there would be no effect on the federal budget from this provision over the next 10 years. However, if any of the temporary judges were to die, retire, resign, or be removed during the next 10 years, the bill would require that position be filled at an additional cost that would not be incurred under current law.

### **Changes in Revenues**

H.R. 4506 would increase the amount collected by the federal government from businesses and individuals filing bankruptcy cases. Filing fees for individuals under Chapters 7 and 13 of the bankruptcy statute would increase by \$1 (to \$246 and \$236, respectively). Filing fees for Chapter 11 would increase by \$42 (to \$1,042).

Under current law, amounts collected from those fees are distributed among the judiciary, the U.S. trustees system, private trustees, and the Treasury. H.R. 4506 would adjust the formula that divides the proceeds from filing fees so that additional amounts collected as a result of this bill would be deposited in the Treasury and recorded in the budget as additional revenues. Based on information from the AOUSC, CBO estimates that revenues from bankruptcy filings under the bill would increase by about \$13 million over the 2010-2015 period, and by about \$27 million over the 2010-2020 period.

### **Changes in Spending Subject to Appropriation**

Based on information from AOUSC, CBO estimates that implementing H.R. 4506 would cost \$45 million over the 2010-2015 period for administrative support and office space for 13 new judges. Of that amount, about \$10 million would be incurred in the first few years for startup costs, including office construction, furniture, and law books. The remaining amount—\$35 million—would be for annual expenditures (about \$560,000 per judge) for administrative needs, such as support staff and court operations.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 4506 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

### **ESTIMATE PREPARED BY:**

Federal Costs: Daniel Hoople

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Paige Piper/Bach

### **ESTIMATE APPROVED BY:**

Theresa Gullo

Deputy Assistant Director for Budget Analysis