



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 16, 2010

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

As ordered reported by the Senate Committee on the Judiciary on May 27, 2010

SUMMARY

H.R. 4506 would establish 35 permanent bankruptcy judgeships, increase fees collected from individuals and businesses filing for bankruptcy, and alter how those fees are distributed among government entities. The act 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 act 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 revenues made by H.R. 4506 would reduce budget deficits by about \$1 million over the 2010-2015 period and about \$3 million over the 2010-2020 period.¹

Pay-as-you-go procedures would apply because enacting the legislation would affect direct spending and revenues.

CBO estimates that discretionary expenditures for support staff and office space associated with the additional judgeships would cost \$45 million over the 2011-2015 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 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010-2015	2010-2020
CHANGES IN DIRECT SPENDING													
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
CHANGES IN REVENUES													
Estimated Revenues	0	2	3	3	3	3	3	3	3	3	3	13	27
NET CHANGE IN THE BUDGET DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Impact on Deficit ^a	*	*	*	*	*	*	*	*	*	*	*	-1	-3
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
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 increases in deficits; negative numbers indicate decreases in deficits.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted in 2010, that the additional judgeships created by the act 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.

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 additional 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 over the next five years and by \$24 million over the 2010-2020 period.

H.R. 4506 also would make permanent 22 judgeships on the bankruptcy courts that are currently temporary positions. 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 legislation.) 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 legislation would require that position be filled at an additional cost that would not be incurred under current law.

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 act would be deposited in the Treasury and recorded in the budget as revenues. Based on information from the AOUSC, CBO estimates that revenues from bankruptcy filings under the act would increase by about \$13 million over the 2010-2015 period, and by about \$27 million over the 2010-2020 period.

Spending Subject to Appropriation

Based on information from AOUSC concerning the discretionary annual costs of judgeships, CBO estimates that implementing H.R. 4506 would cost \$45 million over the 2011-2015 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.

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 and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 4506 as ordered reported by the Senate Committee on the Judiciary on May 27, 2010

	By Fiscal Year, in Millions of Dollars												2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020	
NET INCREASE OR DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	0	0	0	-1	-3	

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.

PREVIOUS CBO ESTIMATE

On February 3, 2010, CBO transmitted a cost estimate for H.R. 4506 as ordered reported by the House Committee on the Judiciary on January 27, 2010. The two pieces of legislation are nearly identical, and the estimated costs are the same.

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