UPDATE

NAPS Leg/Reg Update - October 6, 2018

House Budget Plan Would Finance Tax Cuts through Federal Employee Benefit Cuts

The House of Representatives on Thursday approved its FY 2018 budget resolution (H. Con. Res. 71) that could set the stage for $32 billion in cuts over the next 10 years in federal employee and retiree benefits. On a more positive note, the Senate Budget Committee on Thursday approved a budget resolution, subject to full Senate approval, that would not target cuts in federal employement benefits.

Overall, the House budget resolution targets $1.5 trillion in spending cuts over through the budget reconciliation process that will finance the Republican tax reform package currently being drafted in Congress.

The final terms of the Congressional budget resolution for FY 2018 will be negotiated by House and Senate leaders later this fall. NAPS and other federal and postal employee/retiree groups will continue to push for a federal budget that is not balanced on the backs of federal and postal employees and retirees.

The House resolution, approved on a 219-206 vote, instructs the House Committee on Oversight and Government Reform (HOGR) to come up with the $32 billion in cuts within federal employee and retirement programs.

The House resolution does not specify how HOGR should come up with the $32 billion in savings, but the menu of options, as proposed earlier by the Trump administration, includes: increases in federal employee retirement contributions;

the elimination or reduction of retiree COLAs; elimination of the FERS supplement; and basing retirement benefits on the on the highest five years of employees' earnings instead of the current highest three years.

Two additional options were identified in the House Budget Commitee's report: reducing the rate of return for the Thrift Savings Plan's G Fund; and reducing the government's contribution for employee and retiree premiums for health insurance through the Federal Employees Health Benefits Program.

It's worth noting that the House's $32 billion savings figure is said to exactly equal the savings estimated to be achieved through a reduction in the rate of return of the TSP's G Fund. Proponents for reducing the G Fund rate argue that the G Fund rate is artificially inflated and is more in line with a long-term security, not a short-term security.

"Securities within the G Fund are not subject to default," the budget report said. "Payment of principal and interest is guaranteed by the U.S. government. Yet the interest rate paid is equivalent to a long-term security. As a result, those who participate in the G Fund are rewarded with a long-term rate on what is essentially a short-term security." The Thrift Savings Plan opposes the G Fund rate reduction and has said that a reduction could shorten the viability of an average participant's retirement account by more than a decade.

Once again, NAPS will continue to press Congress in the weeks ahead for a federal budget that is not balanced on the backs of federal and postal employees and retirees.

To find out how your House lawmaker voted on the House budget resolution, click here.

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