

AGRICULTURAL EXTENDED RETIREMENT CREDIT

Background information

PURPOSE

The purpose of administrative and legislative efforts is to extend credit in the Civil Service Retirement System to an estimated 1,875 individuals for service prior to January 1, 1984 in eleven Cooperative Federal-State Agricultural Programs (CFP's). The eleven CFP's are described on page 5. Credit would be extended for such service only if an employee of a CFP later became subject to the Civil Service Retirement System (CSRS), either as a Federal employee or as an employee of a Cooperative State Extension Service.

Federal and State Extension Service employees and retirees who would receive extended credit in the CSRS under provisions of this Bill generally receive few or no retirement benefits for their Federal-State service from either Social Security or a State retirement system. Those who served in a CFP prior to 1955 were not subject to Social Security. Many employed after 1955 did not earn minimum quarters of Social Security Service. Most were in the employ of a State at a time when State retirement systems were poorly developed, vesting periods were long, and benefits were relatively small. Additionally, most who did vest in a State system did so some years ago, and inflation has reduced base year salaries to a low level by today's standards. Extending civil service retirement credit would insure reasonable retirement benefits for service in the eleven CFP's.

JUSTIFICATION FOR EXTENDING CIVIL SERVICE RETIREMENT CREDIT

Beginning in 1887 and continuing through the 1940's, the Congress routinely enacted enabling Statutes establishing Cooperative Federal-State Programs, each having as its purpose the pursuit of major national objectives. In that era, national growth in population, trade, and commerce was rapid. Associated with that growth were major advances in communications and transportation technology and sharply increased economic interdependence among the States. Those changes demanded an increased Federal role to enhance national economic and social progress. At the same time, there was strong public resistance to Federal encroachment upon the affairs of States and local jurisdictions. This resistance was particularly prevalent outside major urban areas, and therefore in matters affecting agriculture and rural areas.

These two conflicting national needs dictated the Congressional choice of Cooperative Federal-State Programs as the organizational arrangement for many Federal programs. Such programs permitted the Federal purpose to be pursued effectively and efficiently, but respected the popular view concerning the role of the Federal government. The depression of the 1930's, mobilization for World War II in the 1940's, and associated emergency needs for massive Federal program expansion, marked the beginning of the end of the Cooperative Federal-State program era and the beginning of the era of direct-hire Federal programs.

Statutes creating Cooperative Federal-State Programs usually contained two key provisions. The first authorized Federal appropriations to each State earmarked solely for a Cooperative program to achieve objectives defined in the Federal Statute. A common requirement was that each State provide matching funds. A second key provision authorized appropriations to a designated Federal agency specifically for the purpose of supervising and monitoring the cooperating States' activities. Typically, an administrative ruling or statutory provision required Federal overview of activities of individuals employed in Cooperative State programs. (See the Addendum on page 6 entitled "Organization of Cooperative Federal-State Agricultural Programs" for more detail).

Although Cooperative Federal-State programs were not uniquely agricultural, agricultural programs are estimated to have accounted for 80 to 90 percent of all State or local government workers employed in such programs prior to initiation of FERS on January 1, 1984. Since that date, participation in FERS has been mandatory for new Federal workers. FERS corrects much of the retirement deficiency for employees of Federal-State Cooperative programs who later become direct-hire Federal employees. Therefore, H.R. 1653 would not extend credit to individuals who have only been employed in positions subject to FERS.

Through the 1940's, Cooperative Federal-State programs of the type described accounted for a sizable proportion of activities in Federally funded agricultural programs. However, beginning after WW II and continuing through the 1960's, direct-hire Federal agricultural programs were established to carry out many activities formerly performed through Cooperative Federal-State programs. During this period extensive numbers of State employees transferred from Cooperative Federal-State program agencies to Federal agencies with little change in services performed. In some instances, Cooperative Federal-State programs were Federalized and employees converted directly to Federal employee status. Others left shrinking and terminating State

agencies to take advantage of expanding employment opportunities in their areas of expertise in other Federal programs. In both instances, former employees of the CFP's typically became subject to CSRS at an older age and with superior skills as compared to beginning Federal employees in general.

In the period 1940 through the early 1960's, the Congress and the Civil Service Commission established the precedent that periods of service in bonafide Cooperative Federal-State Programs qualified as creditable service for Civil Service Retirement purposes, if the individual later became subject to the CSRS. However, credit was not extended to all employees having served in such programs. Credit was extended for service in the two largest Cooperative Federal-State agricultural programs. They were the Cooperative State Extension Services, and county committee activities established to carry out provisions of the Agricultural Adjustment Acts of 1933 and 1938 and related statutes. Credit has also been extended to smaller numbers of individuals for service in some smaller Cooperative Federal-State Agricultural programs.

It is estimated that since the early 1940's, civil service retirement credit has been extended to more than 50,000 Federal agricultural employees and employees of Cooperative State Extension Services for prior employment in Cooperative Federal-State Programs. However, an estimated 1,875 currently employed or retired Federal employees who had periods of service in the eleven CFP's enumerated in this Bill, and survivor annuitants of such individuals, have **not** received extended credit for such service. These relatively few individuals are equally deserving of extended retirement credit. Enactment of this Bill would correct a long-standing inequity for this relatively small and rapidly shrinking number of individuals and their survivors. About one individual in five from among those who would have benefitted from enactment of a similar bill in 1975, or the survivor annuitants of such individuals, is alive today. No new individuals will become eligible for benefits provided for by H.R. 1653. If equity is to be done for more than a hand-full of such individuals, it must not be much longer delayed.

EXPEDITED RETIREMENT OF CURRENTLY EMPLOYED INDIVIDUALS AND NET BUDGET SAVINGS FROM IMPLEMENTATION OF H.R. 1653

Of the estimated 1,875 individuals who would receive extended Civil Service retirement credit under provisions of H.R. 1653, approximately 880 are retired annuitants or survivor annuitants. About 995 are employed in positions subject to Federal retirement. Of the approximately 995, about 225 are employees of Cooperative State Extension Services and 20 are employees of Federal departments other than Agriculture. The remainder of approximately 750 are employed by agencies of the U.S. Department of Agriculture (USDA).

A much higher percentage of those USDA employees with prior CFP service are in the older age groups. This older age composition is the source of a major advantage to USDA from implementation of H.R. 1653. The older age composition results from three circumstances.

1. Historical decline in number of candidates for USDA positions - The number of USDA employees having prior service in CFP's reached a peak about 1950 and declined thereafter. That decline reflects the reduction in numbers of individuals available as candidates for USDA vacancies as numbers of employees in the CFP's decreased. Some CFP's were terminated and others were reduced in size. Additionally, the typically younger Federal employees hired after December 31, 1983 have been required to participate in FERS and would not be eligible for extended credit under H.R. 1653.
2. Delayed USDA hiring of individuals with prior CFP service - USDA employees with prior CFP service were typically older at time of first employment by the USDA than were those having no such prior service. This effect was amplified by the fact that administrators of USDA agencies hiring CFP employees looked upon CFP service as highly desirable pre-employment training and screening. In most instances, individuals with relatively long prior CFP service were preferred. This practice was, in effect, an unstated USDA policy of hiring CFP employees only after extensive CFP experience, and therefore at older ages. Most other USDA employees were subject to CSRS during their early years of service and received retirement credit for that in-service training period.
3. Income incentive to defer retirement to an older age - The two factors just enumerated directly aged the group of USDA employees who would benefit from H.R. 1653 by reducing numbers of employees of younger ages. Delayed hiring further aged this group by creating an income incentive for employees to delay retirement beyond typical retirement ages.

Having been employed in a position subject to the CSRS at older ages, USDA employees having prior CFP service typically become eligible for retirement at older ages under the age and years of service rules and earn smaller retirement annuities. Therefore, even when eligible for immediate retirement, many voluntarily defer retirement in order to obtain more adequate

retirement incomes. As a result, there has been a substantial buildup of older employees having prior CFP service who either are eligible for immediate retirement or will become eligible over the next five years. Many such older employees who would not elect to retire over the next five years without extended credit for CFP service would do so if they were to receive credit for that service and the associated increase in retirement incomes.

It is no criticism of those older employees who would elect to retire earlier if they were to receive extended credit to observe that their expedited retirement would be of considerable value to the USDA. As a group, they are dedicated public servants who have had highly productive careers. But they have predominantly attained ages at which they are less flexible and adaptable to organizational changes than are younger employees. Employee flexibility and adaptability are extraordinarily important to USDA's Management team in today's environment. It is faced with the challenge over the next decade of absorbing reductions in USDA-wide employment and budget outlays while maintaining and improving program performance. Increased longer-term flexibility in planning and program adjustments, made possible by expedited retirement of these older employees, would improve management's ability to meet this challenge. Alternative means of achieving an equivalent improvement in management options would be costly. Stated differently, expedited retirement of this group of older employees would result in significant savings to USDA over the next five years as compared to alternative means of achieving comparable employment adjustments.

Estimates, based on procedures used in a 1988 CBO analysis of the provisions of H.R. 1653 but using updated beneficiary information obtained from a 1989 survey, show budget savings to USDA over the next five fiscal years from expedited retirement to be in excess of net increases in retiree benefits in each of the years, and total savings over the five years to be greater than lifetime increases in benefits to all beneficiaries of H.R. 1653. H.R. 1653 makes provisions by which those savings would be captured and transferred to the Civil Service Retirement Fund. Therefore, implementation of H.R. 1653 would not adversely affect either the Civil Service Retirement Fund or the Federal Budget.

Cooperative Federal-State Programs

1. State Agricultural Experiment Station programs funded under authority of the Hatch Act of 1887 as supplemented and amended.
2. State forestry research programs funded under authority of the McIntire-Stennis Act of 1962.
3. State agricultural research programs at the 1890 Land Grant Colleges and Tuskegee Institute in fiscal years 1967 and later.
4. State agricultural extension programs funded under authority of the Smith-Lever Act of 1914.
5. State programs of vocational education funded under authority of the Smith-Hughes act of 1917; including, but not limited to, instruction in vocational agriculture and home economics.
6. State programs of marketing service and research funded under authority of the Agricultural Marketing act of 1946, and predecessor programs; including programs to inspect, certify, and identify the class, quality, quantity and condition of agricultural products when shipped or received in interstate commerce.
7. State programs of suppression and control of plant and animal diseases and pests funded under authority of Acts of 29 May 1884, 20 August 1912, 4 March 1913, 4 March 1915, 6 October 1917, 6 April 1937, 31 January 1942, and 21 September 1944.
8. State programs of forest protection, management, and improvement funded under authority of the Act of June 7, 1924 to provide for forestland protection, reforestation and extension of National forests, and the "Forest Pest Control Act" of June 25, 1947.
9. State programs of emergency relief funded under authority of the "Federal Emergency Relief Act of 1933" and Acts supplementary thereto; including State rural rehabilitation corporation programs.
10. State veteran's education programs provided for in the title on "Education of Veterans" of the "Serviceman's Readjustment Act of 1944", including part-time instruction in on-the-farm training programs for veterans.
11. State programs of wildlife restoration and fish restoration and management funded respectively under authority of the Pittman-Robertson Act of 1937 and the Dingell-Johnson Act of 1950 and State programs of animal damage control funded under authority of the Animal Damage Control Act of 1931.

These are abbreviated, popular descriptions of the eleven programs. On pages 5 to 8 of the printed bill, H.R. 1653, these programs are described using standard statutory references and are designated as programs (A) through (K).

ADDENDUM TO

Background Information

ORGANIZATION OF THE COOPERATIVE
FEDERAL-STATE AGRICULTURAL PROGRAMS

The eleven CFP's enumerated in H.R. 1653 are best described in terms of funding and organizational arrangements which were substantially, if not completely, satisfied by each. The following are the more important such arrangements for a typical CFP.

- (1) The CFP program-performing units were unique State Agencies dedicated to Federal program objective(s) of the CFP. Each State was authorized and required to establish one or more such State Agency in order to become eligible to receive Federal funds appropriated for support of the CFP. Once established, the Agency (or Agencies if more than one) of each State received a specified share of total Federal funds appropriated for support of the CFP in any given year, without regard to the relative merits of the programs of the several States, provided State matching fund requirements were met. However, subject to Congressional concurrence, a designated Federal department was authorized to withhold funds from any State for misuse of its Federal fund allocation, or for failure to satisfy State matching fund requirements. Total funds appropriated for support of the CFP in any given year were distributed among the States and the designated Federal department (see 5 below).
- (2) It was the expressed intent of the Congress that Federal funds would be appropriated for support of the State Agencies of the CFP on a continuing basis so long as its national purpose remained relevant. This assured the States against precipitous reductions in Federal funding and permitted the States to develop effective long-range plans and internal organizations to effect them.
- (3) Upon its establishment, each State Agency was required to develop and to make available to the designated Federal department periodic plans of work or their equivalent. It was required that plans of work include the identities of State Agency personnel and their work responsibilities. The plan of work was to be in sufficient detail that the designated Federal department might judge whether and to what extent work planned would contribute to the Federal objective(s) of the CFP. The designated department advised the State Agency of its findings and recommendations, including any modifications to be made.
- (4) Each State Agency was required to maintain and to make available to the designated Federal department financial and work progress records of such detail that the designated department might determine whether work financed with Federal funds was consistent with the State Agency work plan and with Federal objective(s) of the CFP, and whether the work was performed efficiently and effectively. The designated department advised the State Agency of its determinations, including any corrective measures to be instituted.
- (5) The designated Federal department received a specified share of total Federal funds appropriated for support of the CFP in any given year, such funds to be used solely for the purposes of supervising and directing the individual State Agencies and of coordinating activities of the several State Agencies so as to insure that a maximum collective contribution was made to Federal program objective(s) of the CFP.

The CFP organizational arrangements had the effect of causing each State Agency to perform as a subsidiary program unit of the designated Federal department. Stated differently, that organizational arrangement effectively federalized each State Agency of a CFP. In decisions of 1938 and 1957, the Civil Service Commission authorized civil service retirement credit to be

awarded to employees of the State Agencies (State Agricultural Extension Services) of the CFP known as the Cooperative Extension Service of the Department of Agriculture, for all periods of service since establishment of the CSRS. Those decisions were made because the Civil Service Commission perceived that the CFP organizational arrangement had effectively federalized the State Agricultural Extension Services. The 1957 decision established that a formal Federal appointment is not a prerequisite for an employee of a State Agency of a CFP to receive civil service retirement credit.

The history of the State Agricultural Extension Services and of conditions immediately surrounding those decisions, in conjunction with the CFP organizational arrangement, is convincing evidence that those decisions were correct. Through subsequent appropriation Acts the Congress concurred in those decisions. It also provides convincing evidence that former employees of the State Agencies of the ten other CFP's, and employees of the State Agricultural Extension Service who have not received credit for appropriate service, are equally deserving of extended Civil Service retirement credit.

The distinctive feature of the CFP is the continuing organizational interdependence between the designated Federal department and each of the State agencies of the CFP. The CFP organizational arrangement on the one hand, as opposed to the relatively casual and temporary contractual arrangement between a Federal department and a non-Federal entity on the other, through which the Federal department from time to time reimburses the non-Federal entity for specific goods or services needed in support of the department's activities, subjects the State Agency of a CFP and its employees to a sharply greater degree of Federal control. This greater degree of Federal control applies whether the relatively casual and temporary contractual arrangement is designated a contract, a grant, a cooperative agreement, a grant-in-aid, or other such term.