CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 24, 2002

H.R. 1824
A bill to increase the rate of pay for certain offices and positions within the executive and judicial branches of the government

As introduced on May 14, 2001

SUMMARY

H.R. 1824 would raise the caps on pay received by Senior Executive Service (SES) employees, certain senior level and special scientific and technical employees, administrative law judges, and members of Boards of Contract Appeals. It would also allow the Vice President and Executive Schedule employees to receive locality pay (for the Washington, D.C. area) and raise certain caps on pay for specific judicial branch employees, such as federal circuit court executives, district court managers, and senior-level employees in the Administrative Office of the U.S. Courts (AOUSC).

CBO estimates that the cost of the legislation would be $24 million in 2003, and would gradually rise to $41 million in 2007, for a total five-year cost of $176 million. Virtually all of these costs would be paid from discretionary appropriations. Because enactment of H.R. 1824 would have a very small effect on direct spending, pay-as-you-go procedures would apply to the bill. However, CBO estimates that the impact on direct spending would not be significant.

H.R. 1824 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The following table shows the estimated costs of H.R. 1824, assuming that the bill is enacted this year and would take effect on January 1, 2003.

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
SPENDING SUBJECT TO APPROPRIATION						
Spending for Certain Senior-level Pay Under Current Law						
Estimated Authorization Level	1,451	1,497	1,552	1,605	1,654	1,703
Estimated Outlays	1,393	1,495	1,550	1,603	1,652	1,701
Proposed Changes						
Estimated Authorization Level	0	25	35	37	40	41
Estimated Outlays	0	24	34	37	40	41
Spending for Certain Senior-level Pay Under H.R. 1824						
Estimated Authorization Level	1,451	1,522	1,587	1,642	1,694	1,744
Estimated Outlays	1,393	1,519	1,584	1,640	1,692	1,742

BASIS OF ESTIMATE

CBO assumes that—under both current law and under the proposed legislation—the number of employees at each pay level will remain constant over the 2002-2007 time period, base pay will increase by 3.1 percent in January 2003 (CBO's baseline assumption), and locality pay adjustments will raise base pay by an additional half of a percent beginning in January. For each year after 2003, CBO assumes that base pay will increase by its projection of the employment cost index for wages and salaries (ECI) minus one-half percentage point, and that the average locality adjustment will raise base pay by an additional 0.5 percent. CBO also assumes that both the current-law and proposed statutory caps on base pay and overall pay are themselves inflated from 2003 through 2007 by projected raises for Executive Schedule employees (3.1 percent in January 2003 and ECI-based adjustments thereafter). Data about the number of employees and average salary in each category comes from the Office of Personnel Management (for executive branch employees) and the Administrative Office of the U.S. Courts (AOUSC) for judicial branch employees.

Most of the costs attributable to this legislation arise because the salaries of many senior federal employees are either at caps currently specified by statute, or are expected to reach such caps over the next few years.

The largest portion of the estimated cost results from raising the salary caps on pay received by SES employees, senior level and special scientific and technical employees, administrative law judges, and members of Boards of Contract Appeals. In addition, Executive Order 12293 links Senior Foreign Service (SFS) pay rates to SES pay, delegating authority for setting rates of pay for these employees to the Secretary of State. It is likely that the Secretary would move to raise SFS pay in tandem with SES pay following enactment of this legislation, and the cost of such an executive action is included in this estimate.

For the aforementioned categories (10,130 employees), CBO's projection under current law incorporates the existing caps on both base pay and the locality pay adjustment. For each of the employment categories, base pay is currently capped at Level IV of the Executive Schedule ($130,000), and base pay plus the locality adjustment is currently capped at Level III of the Executive Schedule ($138,200). Under current law, those caps will rise in January 2003 following the Executive Schedule pay increases that will take effect at that time. Under CBO's baseline assumptions, base pay will be capped at $134,000, and base pay plus the locality adjustment will be capped at $142,500.

H.R. 1824 would raise these caps. Base pay would be capped at Level III of the Executive Schedule, or $142,500. The cap on base pay plus the locality adjustment (and any awards) would be raised to the level of the Vice President's salary, or $198,600. CBO estimates that the cost of raising these caps would be $19 million in 2003, increasing to $33 million by 2007.

Extending locality pay adjustments to the Vice President and Executive Schedule employees (410 employees) would add another $5 million to payroll costs in 2003, increasing to $8 million by 2007.

The final portion of the estimated cost is from raising the salary caps on senior employees of the AOUSC, district court managers, and circuit court executives (a total of 300 judicial branch employees). For certain senior employees of the AOUSC, the caps on base pay and the locality pay adjustment would increase. The estimated cost of raising these caps is insignificant in 2003, but increases to $1 million by 2007.

This legislation could result in higher costs than shown here, depending on the actions taken by the President and the Judicial Conference following enactment of this legislation. This cost estimate only measures the cost of raising the statutory caps. In the past when caps on senior level pay in the executive branch have been raised, the President has moved to increase certain previously capped salaries to match the raised caps. Such an executive action would again be permitted following the enactment of this legislation, but the amounts of the increases that the President would order are unknown at this time. (Similarly, the Judicial Conference would have the authority to move judicial branch salaries up to the raised caps.) Immediately moving higher-level salaries already at the caps all the way up to the new caps (and proportionately raising lower-level salaries that were at the caps) could add up to $8 million in 2003, and $12 million in each of fiscal years 2004 through 2007, to the costs of H.R. 1824.

Depending on actions taken by the Congress in the future regarding its own pay, this legislation could result in higher costs than shown here. This estimate assumes that the caps themselves rise each year (both under current law and under the proposed legislation) by the amount of the raise awarded to Members of Congress and Executive Schedule employees under the Ethics Reform Act. But that is often not the case. In about half of the years since enactment of the Ethics Reform Act, the Congress has taken action to block those automatic raises. If it is assumed that only half of the automatic raises would take effect—both under current law and under the proposed legislation—the cost of the bill would be greater than shown in the table (pay compression under current law would worsen, and therefore, the caps proposed by H.R. 1824 would represent a greater increase from the base case). Under this scenario, the difference between current law spending and spending under H.R. 1824 would remain as shown in the table for 2003, but would be further increased by $148 million over the 2004-2007 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Enacting H.R. 1824 would affect direct spending because a few of the employees affected by the legislation (including the Vice President) are paid from mandatory accounts, but CBO estimates that any such effects would be negligible.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1824 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.

ESTIMATE PREPARED BY: Ellen Hays

ESTIMATE APPROVED BY:

Robert A. Sunshine
Assistant Director for Budget Analysis