



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 13, 2004

H.R. 3737

Pay Compression Relief Act of 2004

As ordered reported by the House Committee on Government Reform April 1, 2004

H.R. 3737 would raise the caps on combined basic and locality pay from Executive Schedule Level III (currently \$145,600) to Executive Schedule Level II (currently \$158,100) for administrative law judges, contract appeals board members, and senior level and scientific and professional employees. It also would direct the Office of Personnel Management to conduct a study comparing rates of pay for those employees with pay for other high-level federal employees.

Based on information from the Office of Personnel Management, CBO estimates that the cost of raising the caps for the affected employees would be about \$1 million in fiscal year 2005. Over the 2005-2009 period, implementing the legislation would cost about \$6 million, subject to the availability of appropriated funds. H.R. 3737 would not affect direct spending or revenues.

The cost of this legislation arises because the salaries of roughly 430 of these employees are already at the caps currently specified by statute. Raising the caps will allow those employees to get higher annual across-the-board pay raises and locality-based comparability adjustments. CBO assumes that each January—under both current law and under the proposed legislation—base pay will increase by its projection of the employment cost index minus one-half percent, the average locality adjustment will raise base pay by an additional one-half percent, and Executive level salaries (and thus the caps) will rise by the full amount proscribed in the Ethics Reform Act, which governs pay raises for Members of Congress and Executive level employees. (Alternatively, if the adjustment of caps under current law were only one-half of the amount specified by the Ethics Reform Act to account for the fact that the Congress votes to block those raises in some years, pay compression under current law would worsen. In that case, the cost of the legislation relative to current law would be \$16 million over the five-year period.)

H.R. 3737 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.

The CBO staff contact for this estimate is Ellen Hays. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.