



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 26, 2003

S. 1166

National Security Personnel System Act

As ordered reported by the Senate Committee on Governmental Affairs on June 17, 2003

SUMMARY

S. 1166 would give the Department of Defense (DoD) authority to establish a new personnel system for its civilian employees; increase its use of contractors; establish a program to attract highly qualified experts; and provide special pay and benefits for certain employees outside the United States. The bill also would expand the use of leave currently available for federal civilian employees who are called to active duty. CBO estimates that implementing this bill would cost \$4 million in 2004 and \$10 million over the 2004-2008 period, subject to the availability of appropriated funds. This estimate does not include costs for implementing the provisions that would provide DoD with authority to establish a new personnel system, increase its use of contractors, establish a program to attract highly qualified experts, and provide special pay and benefits for certain employees outside the United States because CBO does not have sufficient information about how DoD might implement those authorities to estimate their cost.

Enacting S. 1166 also could affect direct spending by agencies not funded through annual appropriations, but CBO estimates that any such impact would be negligible.

S. 1166 contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, and tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1166 is shown in the following table. For this estimate, CBO assumes that S. 1166 will be enacted by the end of fiscal year 2003; that the necessary amounts will be appropriated near the start of each year; and that outlays will

follow historical patterns for similar programs. The costs of this legislation fall within budget functions 050 (national defense) and 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2004	2005	2006	2007	2008
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a					
Estimated Authorization Level ^b	4	3	1	1	1
Estimated Outlays	4	3	1	1	1

a. This bill would also affect direct spending, but those effects would be less than \$500,000 per year.

b. This amount does not include the cost of section 2 because CBO cannot estimate such costs at this time.

BASIS OF ESTIMATE

S. 1166 would allow for substantial changes in the organization, hiring, and pay and benefits of civilian employees of the Department of Defense and would expand the conditions under which a federal employee is entitled to use military leave to perform military duty.

Military Leave for Federal Employees. Under current law, a federal employee is only entitled to 22 days of military leave to perform military service to protect life and property, or to use when the employee is activated for full-time military service for his or her state. While in military leave status, a federal employee is entitled to the greater of his or her civilian or military pay.

Under section 3, a federal employee would also be entitled to use military leave when called or ordered to active duty in support of a contingency operation. Under the bill, a contingency operation would include actions that are designated by the Secretary of Defense as military actions, or a national emergency declared by the President or the Congress.

Number of Federal Employees Affected. Based on information from DoD, CBO expects that the users of the expanded military leave authority would primarily be the 112,000 federal employees who are part of the Ready Reserve (which includes the Selected Reserve and the Individual Ready Reserve/Inactive National Guard), who account for 13 percent of the total number of reservists. This figure excludes employees of the Postal Service because S. 1166 would amend title 5 of the U.S. Code, which does not apply to postal employees. For this

estimate, we assume that 13 percent of all Ready Reservists called to active service at any time are federal employees.

Estimated Salary Differential. In a survey of 35,000 reserve personnel conducted by DoD in 2000, 59 percent of all reservists (including federal employees) reported either no difference in their income while on active-duty military status, or an increase in their income while on active duty. Forty-one percent reported a loss of income during mobilization and deployment. For this estimate, CBO assumes that these self-reported survey data are accurate and applicable to the current and future call-ups of reservists and National Guard forces.

Of the 41 percent of survey respondents who reported a loss of income during military reserve service, most (about 70 percent) said their income was reduced by \$3,750 or less while on active duty. However, some reported much larger losses. For example, approximately 7 percent of those reporting an income loss indicated a loss of \$37,000 to \$50,000 annually. Considering the loss in income reported by all survey respondents and the number who reported no loss or an increase in salary, CBO estimates that the average annual reduction in salary while serving in the active-duty military is about \$3,000. At that rate, paying a federal employee a higher salary during 22 days of additional military leave would cost approximately \$250 per federal employee per year.

Estimate of Total Cost. The cost of implementing the legislation would depend on the size of the future reserve force, which in turn depends on the duration of the contingency operation in Iraq and the force size required for it, as well as the size and duration of any future military conflicts, all of which very are uncertain. For this estimate, CBO assumes that the total number of reservists on active duty will decline to 119,000 person-years in fiscal year 2004 and to about 18,000 person-years by 2008. If the number of reservists called to active duty were to remain at current levels over the 2004-2008 period, the cost of implementing section 3 would be significantly greater. Based on information from DoD about current troop levels assigned to contingency operations, and CBO's assumptions about future troops levels, we estimate that an average of about 16,000 federal employees would be on active-duty military service in fiscal year 2004, diminishing to approximately 2,500 by 2008. CBO estimates that implementing this provision would cost \$4 million in 2004 and \$10 million over the 2004-2008 period. Those payments would be subject to the availability of appropriated funds.

DoD's Civilian Personnel System. Section 2 would create a new human resources management system for DoD; would allow DoD to contract with individuals for services to be performed outside the United States; would allow DoD to provide additional pay to attract highly qualified experts; and would allow DoD to give certain employees outside the country

the same pay and benefits as the Foreign Service or Central Intelligence Agency (CIA). All of these authorities could potentially affect federal spending, though language in the bill specifically dictates that through 2008 the overall amount allocated for compensation of civilian employees under the new personnel system cannot be less than that which would have been allocated under the old personnel system.

CBO cannot estimate the budgetary impact of implementing these provisions since DoD has not indicated with enough specificity how it would supplant—or improve upon—the personnel system currently governing the department; how many individuals it might contract with for services outside the United States; how many people it might hire under the authority to provide additional pay to attract highly qualified experts; or how many employees would benefit from receiving the same pay and benefits as the Foreign Service or the CIA as the number is classified. The costs of implementing these provisions could be significant, but would be subject to appropriation of the necessary amounts.

Direct Spending

Enacting section 3 could affect direct spending by agencies not funded through annual appropriations, such as the Tennessee Valley Authority and the Bonneville Power Administration. CBO estimates, however, that any changes in net spending by these agencies would not be significant.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1166 contains no intergovernmental or private-sector mandates as defined by UMRA and would impose no costs on state, local, and tribal governments.

PREVIOUS CBO ESTIMATES

CBO has prepared cost estimates for two bills similar to S. 1136. On May 15, 2003, CBO prepared a cost estimate for H.R. 1836, the Civil Service and National Security Personnel Improvement Act, as ordered reported by the House Committee on Government Reform on May 8, 2003. On May 16, 2003, CBO prepared a cost estimate for H.R. 1588, the National Defense Authorization Act of 2004, as ordered reported by the House Committee on Armed Services on May 14, 2003. Those bills contained provisions authorizing a new civilian personnel system and other provisions related to the management of civilian employees at

DoD. These provisions in H.R. 1588 and H.R. 1836 are similar to section 2 in S. 1166. CBO could not estimate the costs of the these provisions for any of the bills.

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