



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

July 10, 2006

**H.R. 5525  
Reservists Pay Security Act of 2006**

*As ordered reported by the House Committee on Government Reform on June 8, 2006*

**SUMMARY**

H.R. 5525 would require all federal agencies to pay any difference between military and civilian compensation for federal employees who, as members of the uniformed services or National Guard, have been called to active-duty military service.

CBO estimates that implementing H.R. 5525 would cost \$45 million in 2007 and \$140 million over the 2007-2011 period in spending, subject to the availability of appropriated funds. H.R. 5525 also would affect direct spending of the United States Postal Service (USPS), which is considered off-budget. In 2007, CBO estimates that the Postal Service would incur increased costs of \$4 million to pay employees called to active-duty service. Over the 2007-2011 period, however, CBO expects that those costs would be offset by an increase in postal rates.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 5525 is shown in the following table. The costs of this legislation fall within all budget functions that include federal salaries.

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	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011

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**CHANGES IN SPENDING SUBJECT TO APPROPRIATION**

Pay for Federal Employees  
on Reserve Duty

Estimated Authorization Level	45	36	26	17	16
Estimated Outlays	45	36	26	17	16

**CHANGES IN DIRECT SPENDING (OFF-BUDGET)**

Pay for USPS Employees on Reserve Duty<sup>a</sup>

Estimated Budget Authority	4	-4	0	0	0
Estimated Outlays	4	-4	0	0	0

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- a. The direct spending amounts shown for this provision are the off-budget effects associated with the cost of providing the difference between civilian and military compensation for postal workers called to active-duty military service. The net expenditures of the USPS are classified as “off-budget.” Over the 2007-2011 period, CBO estimates that this provision would have no net cost as the USPS would adjust its rates to fully recover the cost of greater compensation provided to its employees called to active duty.
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**BASIS OF ESTIMATE**

For this estimate, CBO assumes that H.R. 5525 will be enacted near the end of fiscal year 2006 and that the necessary amounts for implementing it will be appropriated each year. Enactment of H.R. 5525 would lead to an increase in federal salary payments to make up the difference between civilian and military salaries for any federal employees called to active duty in the uniformed services or National Guard following enactment of the bill. Most of those payments would be subject to the availability of appropriated funds.

Based on information from the Department of Defense (DoD), CBO estimates that federal employees account for nearly 13 percent of those reserves called to active service at any time. Salary surveys conducted by DoD and information from public- and private-sector military and wage specialists indicate that among the federal employee reservist population called to active duty, approximately 30 percent receive monthly active-duty military compensation that is less than their average monthly civilian pay. CBO estimates that the average annual reduction in pay for that group while serving on active military duty is about \$12,000.

## **Spending Subject to Appropriation**

The cost of implementing the legislation for federal employees serving in the military would depend on the size of the future reserve force, which, in turn, depends on the duration of the military operation in Iraq, activities related to the war on terrorism, and the size of the force required for those operations. It also would depend on the size and duration of any future military conflicts. According to DoD, about 100,000 reservists and National Guard members are currently mobilized to support military operations in Iraq and the war on terrorism. For the purpose of this estimate, CBO assumes that the average number of reservists on active duty will be similar in fiscal year 2007 and decline to 38,000 by 2011.

Using those projections of the future size of the reserve force, CBO estimates that almost 12,500 federal employees (excluding the USPS) will be on active-duty military service in 2007, diminishing to approximately 4,500 employees by 2011. In 2007, CBO expects that 30 percent—or about 3,700 federal employees—will experience a loss in income. CBO estimates that figure would decline to 1,300 employees by 2011. Thus, CBO calculates that the prospective costs of implementing this legislation would total \$45 million in 2007 and \$140 million over the 2007-2011 period, assuming appropriation of the necessary amounts to eliminate the estimated difference in civilian and military pay for federal employees serving in the reserves. If the number of reservists called to active duty were to remain at current levels over the 2007-2011 period rather than to decline, the cost of implementing H.R. 5525 would be significantly greater.

## **Direct Spending**

In general, federal salaries are paid from agencies' annual appropriations, but this legislation also would affect direct spending by agencies not funded through annual appropriations, such as the Postal Service. Spending and receipts of the USPS are classified as off-budget.

Based on the above assumptions regarding active-duty reservists, CBO estimates that nearly 1,100 person-years will be served by USPS employees in the reserves during fiscal year 2007. About 325 of those individuals will experience an average decrease in income of \$12,000 while serving in the reserves, CBO anticipates. Therefore, enacting this legislation would increase direct spending by \$4 million in 2007.

Beginning in fiscal year 2008, additional costs for salaries to USPS personnel while serving in the military reserves would be offset by additional postal revenues because USPS is required to set rates to cover its costs. USPS has already filed a request to raise rates in 2008; CBO expects that the increase will occur some time early that year and will account for any

additional salary payments. Consequently, enacting H.R. 5525 would have no net impact on USPS outlays over the 2007-2011 period.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

CBO has determined that H.R. 5525 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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