CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 6, 2018

H.R. 559
MERIT Act of 2018

As ordered reported by the House Committee on Oversight and Government Reform on July 17, 2018

H.R. 559 would make several changes to the process by which federal employees are disciplined for poor performance or misconduct.

The bill would extend probationary periods for federal employees from one year to two years; modify the process for disciplining employees for underperformance or misconduct; and allow agencies, in certain circumstances, to order employees (or former employees) to repay bonuses they received. None of those provisions would generally change the size of the federal workforce, its mission, or the amounts that agencies could pay employees. As a result, CBO estimates that enacting those provisions would have no budgetary effect.

H.R. 559 would reduce costs by preventing employees from being paid their Senior Executive Service (SES) salary once they were removed from the SES for underperformance and placed back into the civil service. (Under current law, such employees continue to be paid at their SES rate instead of at the lower rate they would otherwise receive as civil service employees.) The number of people potentially affected is small: According to the Office of Personnel Management, fewer than five employees since 2013 would have been affected by that provision, and the savings would have been less than $10,000 a year. On that basis, CBO estimates that the reduction in costs from implementing that provision would be less than $500,000 over the 2019-2023 period. Any reduction in spending subject to appropriation would require that appropriations be reduced by the estimated amounts.

Enacting the bill could lower direct spending by reducing the annuities of employees convicted of a felony. The reduction would be based on the period in which they were engaged in felonious activity while employed by the federal government. CBO does not expect that this provision would apply to a large number of people or that the annuities of affected employees would be significantly reduced. To the extent that the provision would reduce annuity payments to future retirees, those savings would be partially offset by refunding the retirement contributions (which are recorded as revenues) those employees made during the period in which they were committing a felony. CBO estimates that enacting H.R. 559 would probably reduce direct spending and revenues by less than $500,000 over the 2019-2028 period.

Because enacting H.R. 559 could affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting H.R. 559 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 559 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Dan Ready. The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.