



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 1, 2010

S. 3066

A bill to correct the application of the Non-Foreign Area Retirement Equity Assurance Act of 2009 (5 U.S.C. 5304 note) to employees paid saved or retained rates

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on May 17, 2010

S. 3066 would amend the recently enacted Non-Foreign Area Retirement Equity Assurance Act (Public Law 111-84) to eliminate a disparity in treatment for employees in non-foreign areas on retained pay. P.L. 111-84 phases in the use of locality-based comparability payments (locality pay) to replace cost-of-living allowances (COLAs) for federal employees in certain areas of the United States. After enactment of that law, employees on retained pay—those who receive a salary higher than the maximum for their pay grade—received half of applicable locality pay increases, but none of the COLA. S. 3066 would direct agencies to change the calculations of such pay adjustments so that employees on retained pay would receive the same percentage increase in locality pay and decrease in COLA as employees not on retained pay.

CBO estimates that implementing S. 3066 would cost \$16 million over the 2011-2015 period and \$36 million over the 2011-2020 period, assuming appropriation of the necessary amounts. That estimate is based on a population of approximately 825 employees on retained pay living in non-foreign areas. The additional discretionary spending would result from increasing the portion of locality pay being paid to such employees from 50 percent to 100 percent. CBO's original estimate for P.L. 111-84 assumed the full cost of such locality payments; however, the law, as implemented, provides for only half of that payment. Enacting S. 3066 would change current law and CBO estimates that change would require additional appropriations to cover the full locality payments. S. 3066 would not affect direct spending or revenues; therefore, pay-as-you-go procedures would not apply.

S. 3066 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Amber Marcellino. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.