CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 17, 2008

H.R. 3202
Foreign Service Overseas Pay Equity Act of 2008

As ordered reported by the House Committee on Foreign Affairs on July 16, 2008

SUMMARY

H.R. 3202 would increase the compensation of certain employees of the Foreign Service who serve overseas. CBO estimates that implementing H.R. 3202 would cost $1.3 billion over the 2009-2013 period, assuming appropriation of the necessary amounts. Enacting the bill would not affect direct spending or revenues.

H.R. 3202 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3202 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3202 will be enacted near the start of fiscal year 2009, that the estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns for existing programs.

	By Fiscal Year, in Millions of Dollars					
	2009	2010	2011	2012	2013	2009-2013
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	84	191	327	373	427	1,403
Estimated Outlays	72	172	300	355	409	1,309

Pay for Overseas Postings

Section 2 would increase compensation for Foreign Service Officers (FSOs) who are not members of the Senior Foreign Service and are posted overseas. Under current law, FSOs based in the United States receive comparability pay in addition to their base pay, to reduce the pay disparity between federal and nonfederal workers. FSOs who are posted overseas do not receive those amounts. (Members of the Senior Foreign Service are compensated under a pay-for-performance system that does not differentiate pay by posting.)

Under the bill, FSOs who are posted overseas would be paid the same comparability pay received by FSOs posted to Washington, D.C. (That comparability pay represented about 17 percent of total basic pay for D.C. postings in 2008.) The bill also specifies a phase-in period: FSOs would receive one-third of the increased compensation in 2009, two-thirds in 2010, and the full annual amount starting in 2011. (Section 2 would not increase retirement benefits, because FSOs who retire from overseas postings have their annuities calculated as though their official duty station had been Washington, D.C.)

Recent data from the Department of State indicate that roughly 8,300 FSOs are posted overseas and have an average basic pay of about $75,000. In comparison, FSOs posted in Washington have an average basic pay of about $91,000. Eliminating the difference between pay for overseas and D.C. postings, and adjusting the new pay level to reflect estimated growth in comparability pay (which saw average growth of 9.5 percent a year over the past three years) yields an estimated cost for 2009 of $42 million—one-third of $126 million.

The above increase in basic pay also would lead to an increase in other benefits paid to FSOs, such as life insurance, health insurance, hardship pay, and danger pay. According to the department, those types of compensation have historically averaged about 71 percent of basic pay. Therefore, CBO estimates that under the bill, in 2009, the department would pay another $30 million—one-third of $89 million—in other compensation, for a total cost of $72 million that year. After adjusting for inflation, CBO estimates that costs for implementing section 2 would total $1.3 billion over the 2009-2013 period, assuming appropriation of the necessary amounts.

Death Gratuities

Section 3 would increase the death gratuities payable to the surviving dependents of Foreign Service employees who die as a result of injuries sustained in the performance of their duty overseas. Under current law, the death gratuity equals an employee's annual salary at the time of death. Under the bill, the department would pay one year's salary at level II of the Executive Schedule at the time of death or, if the employee was compensated under a local compensation plan, one year's salary at highest pay level under that plan at the time of their death. Based on historical data from the department, CBO estimates that fewer than five death gratuities would be paid each year and that implementing this section would cost less than $500,000 a year, and total $1 million, over the 2009-2013 period, assuming the availability of appropriated funds.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3202 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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