

23 JUL 1965

MEMORANDUM FOR THE RECORD

SUBJECT: H.R. 8390 - Cost-of-Living Allowances in
Nonforeign Areas

1. H.R. 8390 was introduced by Congressman Murray on 24 May 1965 and was referred to the Committee on Post Office and Civil Service. The Compensation Subcommittee is now holding hearings on this administrative proposal to terminate cost-of-living allowances for statutory-salaried Federal civilian employees in nonforeign areas.

2. Background. 5 U.S.C. 118h provides for additional compensation to employees stationed outside the continental United States or in Alaska, whose rates of basic compensation are fixed by statute. The additional compensation is based on either (a) living costs substantially higher than the District of Columbia, or (b) conditions of environment differing from those in the States, or (c) a combination of these two factors. Administrative control of the program on behalf of the President is exerted by the Civil Service Commission. For the last several years, the living cost allowance has been under attack by the Comptroller General, and the Civil Service Commission apparently agrees that even under the existing law, it is doubtful whether cost-of-living statistics at Puerto Rico and the Virgin Islands support the payment of any cost-of-living allowances. Additionally, there is a feeling that cost-of-living allowance adjustment for employees serving other than overseas (excluding territories and possessions) has as its basis a rationale of equalizing purchasing power, and that it has no place in the Federal salary scheme (purchasing power, e. g., of Federal employees, is not equalized among various cities in the United States.) This argument finds comfort in the provisions of 5 U.S.C. 1173, which authorize the President to increase to the

seventh salary rate in any grade or level the pay of an employee serving in a location where private enterprise pays substantially higher salary rates and where such factor significantly handicaps the Government's recruitment or retention of its employees. Additional compensation thus can be authorized, not on the basis of a comparison of cost of living between the location and Washington, D. C., but on a comparison of Government salary rates and those of private industry at any location.

3. Effect on Agency. The Agency is presently following the cost-of-living allowance program in nonforeign areas as administered by the Civil Service Commission. [REDACTED]

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[REDACTED] Presently, this provision of the Federal Salary Reform Act is administered by the Civil Service Commission; but the President is authorized to confer such authority to such other agency or agencies as he may designate.

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5. Action. The Director of Personnel's comments concerning the impact of H. R. 8390 on the Agency, if it were enacted, shall be requested so that a suitable position with respect to the proposed bill can be adopted.

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Office of Legislative Counsel

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