CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 7, 2014

H.R. 2385
CFPB Pay Fairness Act of 2013

As ordered reported by the House Committee on Financial Services on November 21, 2013

SUMMARY

H.R. 2385 would set basic compensation rates for employees of the Bureau of Consumer Financial Protection (CFPB) according to the General Schedule (GS) for federal employees. Under current law, pay rates at the CFPB are comparable to rates paid to employees of the Federal Reserve System in corresponding job classes.

CBO estimates that enacting H.R. 2385 would reduce direct spending by $280 million over the 2014-2024 period; therefore, pay-as-you-go procedures apply. CBO estimates that enacting H.R. 2385 would not affect revenues, and implementing the bill would not affect spending subject to appropriation.

H.R. 2385 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2385 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	0	-25	-26	-27	-27	-28	-29	-30	-30	-31	-32	-133	-285
Estimated Outlays	0	-21	-26	-27	-27	-28	-29	-30	-30	-31	-32	-130	-280

Note: Components may not sum to totals because of rounding.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the middle of fiscal year 2014, that its provisions will become effective at the start of fiscal year 2015, and that spending will follow historical patterns for the CFPB. The CFPB is permanently authorized to spend amounts transferred from the Federal Reserve; because that activity is not subject to appropriation, CFPB expenditures are recorded in the budget as direct spending. CBO estimates that enacting the provisions of H.R. 2385 would reduce direct spending by installing a new salary schedule at the CFPB with lower rates at every pay grade.

When the CFPB was established in 2010, employee compensation rates were set based on the salary structure then in place at the Federal Reserve System for corresponding classes of employees. The CFPB compensation system is made up of 17 pay bands that can be compared with the General Schedule. At the start of fiscal year 2014, the bureau employed about 1,375 individuals at salaries ranging from an average of about $31,000 in the lowest pay band to an average of almost $250,000 in the highest pay band; the average annual salary for all bureau employees was approximately $116,000. For 2014, average GS salaries range from about $25,000 in the lowest pay band to about $143,000 per year in the highest pay band.

For this estimate, CBO assumes that the bureau would make the necessary changes in the pay structure to ensure that each employee is paid at the appropriate GS rate for the work that employee performs. Without detailed information about the distribution of salaries within each pay band, we compared the average salary in each pay band of the bureau with the average salary for the comparable GS pay band to determine the average difference in annual salary at each level. That calculation shows that there is about a 13 percent difference between the salaries under the two compensation systems.

Based on information provided in annual budget reports of the CFPB, CBO estimates that about 33 percent of the bureau's total obligations represent employee compensation, or almost $200 million per year, on average, over the 2014-2024 period.

CBO estimates that enacting H.R. 2385 would reduce direct spending by about $30 million per year, or $280 million over the 2014-2024 period, reflecting lower salary rates under the General Schedule as well as lower costs for employee retirement benefits that are based on salary levels. Savings in future years would increase as total employee compensation costs for the bureau are expected to grow.

Those savings could be lower depending on, for example, how employees respond to the pay rate differences, whether the agency changes the amount of work performed by employees and private contractors, or whether the agency increases other sources of compensation such as bonuses. CBO has no information indicating whether those or similar actions would be taken by the bureau, and therefore has no basis for determining the magnitude of such effects. We expect that implementing the new pay structure would take several months; therefore, savings would not start until 2015.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 2385, as ordered reported by the House Committee on Financial Services on November 21, 2013

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
NET DECREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	-21	-26	-27	-27	-28	-29	-30	-30	-31	-32	-130	-280

Note: Components may not sum to totals because of rounding.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2385 contains no intergovernmental or private-sector mandates as defined UMRA.

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