

**The National Council of Social Security Management Associations, Inc.**

**THE WASHINGTON REPORT  
LEGISLATIVE REPORT 38-2003**

October 3, 2003

- **House Rejects Administration's Overtime Proposal**

Yesterday, the House dramatically changed course and voted to oppose the White House's efforts to rewrite overtime regulations. There was a seven-member shift in the GOP from the vote in July on the proposed regulations. Republican Members of Congress who voted against the proposed regulations this time around were: Congresswoman Shelley Moore Capito (WV), Congressman Michael A. Ferguson (NJ), Congressman Thaddeus G. McCotter (MI), Congressman Christopher Shays (CT), Congressman Todd Tiahrt (KS), Congresswoman Candice Miller (MI), Congressman Timothy F. Murphy (PA), and Congressman Don Young (AK). One Republican Member of Congress who voted against the regulations in July changed his vote yesterday – this was Congressman Jim Saxton from New Jersey. Although the vote of 221 to 203 is not binding, it essentially overturns the House's July 8, 2003 vote to support the administration's proposal, and now puts the chamber on record as supporting the Senate, which voted to oppose the new regulations. **Specifically – while the House version of the Labor-HHS appropriations bill still differs from that of the Senate, yesterday's vote instructed the House conferees to back the Senate position.**

The vote yesterday seems to highlight congressional Republicans' growing unease about the state of the nation's economy and their increasing willingness to defy the administration on issues of contention. Many of the Republicans who switched are from economically struggling states such as Michigan and West Virginia. Twenty-one Republicans joined 199 Democrats and one Independent in voting to block the proposed administration rules, while two Democrats joined 201 Republicans in supporting the changes. The two Democrats who supported the changes were both from Texas -- Congressman Ralph Hall and Congressman Charles W. Stenholm.

To recap the administration's proposal – workers making as much as \$22,100 a year would automatically qualify for overtime pay if they were not already collecting it. Under current regulations, the current cap is \$8,060 annually. At the other end of the spectrum – most workers earning \$65,000 a year or more, would no longer qualify for overtime pay because employees could treat them as managers or other employees who are ineligible.

The administration says the new regulations would allow 1.3 million low-wage Americans to become eligible for overtime pay, while 644,000 employees would lose their eligibility. In contrast to these estimates, a study by the Economic Policy Institute indicates that as many as 8 million workers could lose overtime coverage if the new regulations are enacted.

The administration continues to threaten to veto the Labor-HHS spending bill if it includes the Senate provision on overtime.

- **Possibility of Retention Bonuses One Step Closer**

OPM has published interim regulations in the *Federal Register* to implement a new bonus program. This new program would allow agencies to pay large retention bonuses to employees who agree to remain at their jobs for a specified duration of time. The program was authorized by Congress in November 2002 as part of the Homeland Security Department legislation. OPM will accept comments on the program until November 12, 2003.

An agency may offer the bonus, called an extended assignment incentive, to an employee in the United States, Puerto Rico, or the Northern Mariana Islands if the following criteria are met:

- The employee has two years of continuous civil service in the covered area;
- The agency determines that finding a qualified replacement would be difficult; and
- The agency determines it is in the government's best interest to keep that employee for a specified time.

The maximum bonus is the greater of \$15,000 or one-fourth of an employee's annual basic pay, times the number of years the employee agrees to stay on the job, up to five years. The incentive is not considered part of any employee's basic pay rate.

- **House Government Reform Committee Approves Premium Conversion Bill**

Last Thursday, the House Government Reform Committee approved H.R. 1231, a bill that would allow federal retirees to deduct their health insurance premiums from pre-tax dollars. The bill would also allow "active-duty military" personnel to take a tax deduction on their TRICARE supplemental premiums.

In a press release, Chairman Tom Davis (R-VA), who sponsored the bill, commented, "This legislation provides a means of relief from the rising health care premiums. While we cannot directly lower the costs of health insurance premiums without significantly altering the plans, we can restructure how those payments are made to provide greater savings to the participant." By utilizing premium conversion, retirees could save an estimated \$400 to \$600 per year.

The bill's committee approval was applauded by the National Association of Retired Federal Employees (NARFE), which had been advocating for premium conversion for its retirees for three years. In regards to the premium conversion bill, NARFE President Charles Fallis stated, "It is increasingly difficult to pay double digit premium increases with low single digit COLAs. He added, "The premium conversion benefit helps federal workers pay for their health insurance and this tax relief could also enable federal annuitants living on fixed incomes to bear this burden."

Before the bill can move to a floor vote, it must also be backed by the House Ways and Means Committee, which must approve all bills that impact the tax code. According to the Washington Post, the Ways and Means Committee has “shown little interest in the bill” because it could potentially cost \$7 billion over 10 years.

Senator John Warner (R-VA) introduced a similar premium conversion bill, S. 623, in the Senate. It currently has 46 co-sponsors and has been referred to the Senate Finance Committee.

- **Locality Pay Update**

The Federal Salary Council is tasked with making recommendations on the boundaries for general schedule locality pay zones. The next scheduled meeting for the Council is on Tuesday, October 7 at the Office of Personnel Management (OPM). On the agenda for the meeting is the issue of whether to revise the existing boundaries. The issues at hand include the possibility of bringing certain areas into existing localities and whether or not to redraw the lines of numerous localities to fit OMB’s new statistical area definitions. The council’s recommendations may or may not be finalized at the meeting – it is important to note that they are just one piece of the puzzle and are subject to approval by the President’s Pay Agent and OPM. Because of notice requirements any changes that are recommended and approved would not be in effect until 2005.

In addition, we received a question from a NCSSMA in regards to Monroe County, Florida and whether or not it was included in OMB’s new definition of the Miami-Fort Lauderdale-Miami Beach, Florida MSA. Monroe County was NOT included in OMB’s Miami-Fort Lauderdale-Miami Beach MSA. It is also not listed separately as an MSA. However, this does not mean that the Federal Salary Council, the President’s Pay Agent, or OPM will exclude it for locality pay purposes. As we mentioned above, the Federal Salary Council is expected to meet next week to determine its recommendations for the President’s Pay Agent.

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