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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

RELEASED

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Dear Mr. Forsythe:

Pursuant to your request of June 2, 1971, we have reviewed a suggestion by your constituent, Mr. Simon S. Harris, 237 Maine Avenue, Cherry Hill, New Jersey, for modifying the manner of computing hourly pay rates for civil service employees. Mr. Harris suggested that the provisions of section 5504 of Title 5, United States Code--biweekly pay periods and computation of pay--be amended to provide for dropping mills in computing hourly pay rates. He estimated that such a procedure could save the Government \$15 million a year.

Section 5504(b) provides that:

"For pay computation purposes affecting an employee, the annual rate of basic pay established by or under statute is deemed payment for employment during 52 basic administrative workweeks of 40 hours. When it is necessary for computation of pay under this subsection to convert an annual rate of basic pay to a basic hourly, daily, weekly, or biweekly rate, the following rules govern:

- "(1) To derive an hourly rate, divide the annual rate by 2,080.
- "(2) To derive a daily rate, multiply the hourly rate by the number of daily hours of service required.
- "(3) To derive a weekly or biweekly rate, multiply the hourly rate by 40 or 80, as the case may be.

"Rates are computed to the nearest cent, counting one-half and over as a whole cent. ***." (Underscoring supplied.)

The above method of computing rates resulted from the enactment of the Government Employees Salary Reform Act of 1964, Public Law 88-426 (H.R. 11049), approved August 14, 1964.

Prior to the enactment of Public Law 88-426, all pay rates were computed in full cents, counting a fraction of a cent as the next higher cent. The conference report accompanying House bill 11049 (Report 1647, August 3, 1964), included the following remarks concerning the computation of pay.

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"Section 103(d) of the House bill amends section 604(d)(3) of the Federal Employees Pay Act of 1945 (5 U.S.C. 944(c)(3)) to change the method of computing salary rates for all pay computation purposes affecting most employees *** so that in the computation of rates all remaining fractions of a cent shall be eliminated. The existing method of computing rates is to compute in full cents, counting any fraction of a cent as the next higher cent. [Underscoring supplied.]

"Section 103(c) of the conference substitute requires rounding off to the nearest cent, counting one-half cent and over as the next higher cent. ***."

As noted in the cited conference report, the Congress rejected the proposal to eliminate all remaining fractions of a cent in computing rates (which was what Mr. Harris suggested) but accepted the method of rounding up or down.

The Civil Service Commission reviewed Mr. Harris' suggestion on May 4, 1971, and recommended against its adoption for the following reasons.

1. The Commission did not consider reductions of employees' pay as an appropriate way to achieve savings.
2. The Commission believed that it would be inequitable if all employees were to lose money and that employees would notice the loss of 1 cent an hour in their paychecks.
3. The adoption of the suggestion would have no effect on the pay of the Government's approximately 750,000 hourly wage rate employees.
4. The Commission believed that the system of rounding off to the nearest cent was fair to employees, because over a period of time they would break about even as a result of pay-rate changes caused by periodic within-grade increases, promotions, demotions, and changes in pay schedules.

In view of the expressed congressional sentiment concerning the present method of computing rates and the absence of any overriding factors indicating a need to revise this method, we see no basis for pursuing the matter further.

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We trust that the above information will serve the purpose of your request.

Sincerely yours,


Deputy Comptroller General
of the United States

The Honorable Edwin B. Forsythe
House of Representatives