



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
WASHINGTON, D.C. 20314-1000

REPLY TO
ATTENTION OF:

CEHR-E

13 January 2004

MEMORANDUM THRU David Snyder, Deputy Assistant Secretary (Civilian Personnel Policy), Department of the Army, Office of the Assistant Secretary, Manpower and Reserve Affairs, 111 Army Pentagon, Washington, DC 20310-0111

FOR Ginger Groeber, Deputy Undersecretary of Defense for Civilian Personnel Policy, Office of the Undersecretary of Defense, Civilian Personnel Policy, Room 3D267, 4000 Defense Pentagon, Washington, DC 20301-4000

SUBJECT: Request for Elimination of Premium Pay Cap for Civilian Deployees

1. References:

a) Memorandum, HQDA G-3, DAMO-FMP, 9 December 2003, subject: Concept Plan for the Establishment of the USACE Iraq Provisional Command (IPC).

b) FY 2004 DoD Authorization Act, 24 November 2003

2. The U.S. Army Corps of Engineers (USACE) has been tasked to provide contract administration and engineering support to the Coalition Provisional Authority (CPA) mission to rebuild the critical infrastructure of Iraq. The projected dollar amount of this mission is anticipated to be over 18 billion dollars. This unprecedented mission is key to the long-term success of Operation Iraqi Freedom. Currently, USACE is executing six major missions that include Restore Iraqi Oil and Restore Iraqi Electricity. Furthermore, USACE is establishing a Gulf Regional Division (GRD), the mission of which is to provide command and control as well as to support the aforementioned ongoing missions. USACE is able to perform these missions with well qualified and, many times, senior civilian personnel. However, we have received numerous complaints from deployees regarding pay cap, tax and indebtedness issues, explained in greater detail below.

3. Given the fact that the preponderance of the complaints we have received have come from employees who have been serving in Iraq for more than six months, and the fact that the majority of positions for the GRD and the ongoing missions will be filled with six to twelve month assignments, it is likely that these pay issues will not only persist but worsen. Volunteers otherwise willing to go into harm's way may decide against doing so at all based on these real pay problems and financial burdens:

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a) General Schedule (GS) employees have an annual limitation on premium pay such that their base salary and premium pay cannot exceed the greater of a GS-15, step 10, or Executive Schedule V; aggregate pay cannot exceed Executive Schedule I in any calendar year. The lower of the two caps includes only base pay, locality pay and premium pay (\$127,300, the rate for Executive Schedule V). The USACE mission requires high graded engineers who are easily exceeding the lower of the two caps with the overtime required to carry out the mission. During CY 2003 USACE had numerous individuals adversely affected by the annual pay cap who found themselves indebted to the government or who were not fully compensated for the hours they worked.

b) There is a major disparity between military and civilian pay in qualified combat zones. All pay earned by enlisted uniformed personnel while deployed to a qualified combat zone is exempt from both Federal and state tax; the first \$5957.70 earned by officers is similarly treated. Civilian employees who are deployed to qualified combat zones receive no such tax exemptions, thus creating an inequity that is both harmful to morale and to the effort to attract volunteers.

4. Consequently, the U.S. Army Corps of Engineers (USACE) requests the following be approved for USACE civilian personnel serving in CENTCOM AOR:

a) That DoD utilize authority granted by the National Security Personnel System (NSPS) in the FY 2004 DoD Authorization Act to waive the annual limitation on premium pay for USACE civilian employees impacted by deployment during CY 2004 and thereafter.

b) That DoD forgive indebtedness to the Federal government for civilians impacted by deployment for those earnings received in excess of the annual premium pay cap, or pursue legislation to do so.

c) That DoD pursue tax legislation change so all civilian employees deployed to qualified combat zones receive the same Federal income tax benefit that military officers receive. These legislative remedies concerning Federal income tax parity are being investigated and pursued by Headquarters USACE.

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5. I greatly appreciate your consideration and response to make sure our hard working
civilians in harm's way are treated and compensated most fairly and equitably. My POC
for this action is Mr. Alex Major, 202-761-0331, Human Resources Directorate, HQ,
USACE.



ROBERT B. FLOWERS
Lieutenant General, USA
Commanding