SEC. ___. INCREASE IN MAXIMUM AMOUNT OF VOLUNTARY SEPARATION INCENTIVE PAY AUTHORIZED FOR CIVILIAN EMPLOYEES.

(a) IN GENERAL.—Section 3523 of title 5, United States Code, is amended—

(1) in subsection (b)(3)(B), by striking "$25,000" and inserting "$40,000 adjusted in accordance with subsection (c)"; and

(2) by adding at the end the following new subsection:

"(c) CONSUMER PRICE INDEX ADJUSTMENT.—The $40,000 figure in subsection (b)(3)(B) shall be adjusted annually on March 1 of each year by the amount determined by the Secretary of Labor to represent the percentage increase, if any, between the Consumer Price Index (all items; United States city average) published for December of the preceding year and that price index published for the December of the year before the preceding year, adjusted to the nearest 1/10 of 1 percent, and rounded to the nearest multiple of $1,000 (or if midway between multiples of $1,000, to the next higher multiple of $1,000.".

(b) DEPARTMENT OF DEFENSE EMPLOYEES.—Section 9902(f)(5)(A)(ii) of such title is amended by striking "$25,000" and inserting "an amount determined by the Secretary, not to exceed $40,000, which is adjusted annually on March 1 of each year by the amount determined by the Secretary of Labor to represent the percentage difference between the Consumer Price Index (all items; United States city average) published for December of the preceding year and that price index published for the December of the year before the preceding year, adjusted to the nearest 1/10 of 1 percent, and rounded to the nearest multiple of $1,000 (or if midway between multiples of $1,000, to the next higher multiple of $1,000;".

Section-by-Section Analysis

This proposal would amend sections 3523 and 9902 of title 5, United States Code, by increasing the maximum amount of separation pay authorized for Voluntary Separation Incentive Pay (VSIP) from the current ceiling of $25,000 to $40,000, and includes an annual adjustment in accordance with the consumer Price Index. The maximum payable amount has not been adjusted since VSIP was first authorized by the Chief Human Capital Officers Act of 2002 (Title XIII of Public Law 107-296).

The government-wide VSIP authority under 5 U.S.C. 3521-3525 allows agencies to seek approval from the U.S. Office of Personnel Management to offer lump-sum payments to employees who are in surplus positions or have skills that are no longer needed in the workforce, as an incentive to separate. Under this authority, agencies may pay up to $25,000, or an amount equal to the amount of severance pay an employee would be entitled to receive, whichever is less. Employees may separate to accept VSIP by resignation, optional retirement, or by voluntary early retirement, if authorized. VSIP is an option for increasing voluntary attrition in agencies that are downsizing or restructuring.

Budget Implications: Adoption of the proposal would initially increase the maximum VSIP amount from $25,000 to $40,000 for buyouts paid to avoid involuntary separations during periods of personnel reductions. For each year thereafter, the $40,000 cap would be adjusted according to the consumer price index. It will not change the severance pay formulas used to calculate the actual VSIP amount. The VSIP amounts, including any increase, are paid from the same source as the employees' salaries, which are largely derived from annual appropriations.