

## OFFICE OF MANAGEMENT AND BUDGET

**AGENCY:** Office of Management and Budget  
Executive Office of the President

**ACTION:** Issuance of Transmittal Memorandum No. 24, amending OMB Circular No. A-76, "Performance of Commercial Activities."

**SUMMARY:** This Transmittal Memorandum updates the annual federal pay raise assumptions and inflation factors used for computing the government's in-house personnel and non-pay costs, as generally provided in the President's Budget for Fiscal Year 2003.

**DATES:** All changes in the Transmittal Memorandum are effective immediately and shall apply to all cost comparisons in process where the government's in-house cost estimate has not been publicly revealed before this date.

**FOR FURTHER INFORMATION CONTACT:** Mr. David C. Childs, Office of Federal Procurement Policy, NEOB, Room 9013, Office of Management and Budget, 725 17th Street, NW, Washington, DC 20503, Tel. No. (202) 395-6104.

**AVAILABILITY:** Copies of the OMB Circular A-76, its Revised Supplemental Handbook and currently applicable Transmittal Memoranda changes may be obtained at the online OMB Homepage address (URL): <http://www.whitehouse.gov/OMB/circulars>.

Mitchell E. Daniels, Jr.  
Director

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Performance of Commercial Activities

This Transmittal Memorandum updates the annual federal pay raise assumptions and inflation factors used for computing the government's in-house personnel and non-pay costs, as generally provided in the President's Budget for Fiscal Year 2003.

The non-pay inflation factors are for purposes of A-76 cost comparison determinations only. They reflect the generic non-pay inflation assumptions used to develop the fiscal year 2003 budget baseline estimates required by law. The law requires that a specific inflation factor (GDP FY/FY chained price index) be used for this purpose. These inflation factors should not be viewed as estimates of expected inflation rates for major long-term procurement items or as an estimate of inflation for any particular agency's non-pay purchases mix.

Federal Pay Raise Assumptions

<u>Effective Date</u>	<u>Civilian</u>	<u>Military</u>
January 2001	3.7%	3.7%
January 2002	4.6%	6.9%*
January 2003	2.6%	4.1%
January 2004	3.4%	3.4%
January 2005	3.4%	3.4%
January 2006	3.4%	3.4%
January 2007	3.4%	3.4%
January 2008	3.4%	3.4%
January 2009	3.4%	3.4%
January 2010	3.4%	3.4%
January 2011	3.4%	3.4%
January 2012	3.4%	3.4%

\* Average of various longevity-and rank-specific increases for January 2002.

Non-Pay Categories (Supplies and Equipment, etc.)

FY 2001	2.3%
FY 2002	2.2%
FY 2003	1.8%
FY 2004	1.7%
FY 2005	1.8%
FY 2006	1.9%
FY 2007	1.9%
FY 2008	1.9%
FY 2009	1.9%
FY 2010	1.9%
FY 2011	1.9%
FY 2012	1.9%

The pay rates (including geographic pay differentials) that are in effect for 2002 shall be included for the development of in-house personnel costs. The pay raise factors provided for 2003 and beyond shall be applied to all employees, with no assumption being made as to how they will be distributed between possible locality and ECI-based increases.

Agencies are reminded that OMB Circular No. A-76, Transmittal Memoranda 1 through Transmittal Memorandum 14 are canceled. Transmittal Memorandum No. 15 provides the Revised Supplemental Handbook, and is dated March 27, 1996 (Federal Register, April 1, 1996, pages 14338-14346). Transmittal Memoranda No. 16, 17, 18 and 19 (to the extent they provided

Circular A-76 federal pay raise and inflation factors) are canceled. Transmittal Memorandum No. 20 provided changes to the Revised Supplemental Handbook to implement the Federal Activities Inventory Reform Act of 1998 (P.L. 105.270). Transmittal Memorandum No.21 provided A-76 federal pay raise and inflation factor assumptions and is canceled. Transmittal Memorandum No. 22 made technical changes to the Revised Supplemental Handbook regarding the implementation of the FAIR Act, A-76 administrative appeals, and the participation of directly affected employees on A-76 Source Selection Boards and their evaluation teams. Transmittal Memorandum No.23, which provided last year's Circular A-76 federal pay raise and inflation factor assumptions, is hereby canceled.

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Director