

Contractor Compensation Cap for Contracts Awarded on or after June 24, 2014

Section 702 of the Bipartisan Budget Act of 2013 (BBA; Pub. L. 113-67, December 26, 2013) established a \$487,000 cap on the reimbursement of compensation costs for contractor employees, adjusted annually to reflect the change in the Employment Cost Index for all workers as calculated by the Bureau of Labor Statistics (BLS). The BBA cap is codified statute ([10 U.S.C. 2324\(e\)\(1\)\(P\)](#) and [41 U.S.C. 4304\(a\)\(16\)](#)). See the table below for adjusted cap amounts for costs incurred in 2015 and subsequent years.

Compensation Cap Amounts for Contracts Awarded on or after June 24, 2014

<u>For Costs Incurred</u>	<u>Escalation ¹</u>	<u>Cap Amount ²</u>
1/1/2023 - 12/31/2023	5.0%	\$619,000
1/1/2022 - 12/31/2022	3.7%	\$589,000
1/1/2021 - 12/31/2021	2.4%	\$568,000
1/1/2020 - 12/31/2020	2.8%	\$555,000
1/1/2019 - 12/31/2019	2.8%	\$540,000
1/1/2018 - 12/31/2018	2.5%	\$525,000
1/1/2017 - 12/31/2017	2.3%	\$512,000
1/1/2016 - 12/31/2016	2.6%	\$500,000
6/24/2014 - 12/31/2015		\$487,000

¹ Escalation is the percentage change in the Employment Cost Index for all civilian workers reported by the Bureau of Labor Statistic (BLS) for the twelve-month periods ending in September. **Source:** BLS Table 4. Compensation (Not Seasonally Adjusted) Employment Cost Index for total compensation, for civilian workers, by occupational group and industry <https://www.bls.gov/news.release/eci.t04.htm>

² Cap Amount = Prior period Cap Amount * (1 + Escalation Percentage) rounded to the nearest thousand

The BBA cap:

- replaces the statutory formula cap established by 41 USC 1127 for contracts awarded as of June 24, 2014; and
- limits the reimbursement of compensation costs for all contractor employees on all contracts awarded by all executive agencies of the Government.

Section 702 provides for a waiver of the BBA cap amount by the head of an executive agency. One or more narrowly targeted exceptions for scientists, engineers, or other specialists may be established upon a determination that such exceptions are need to ensure that the executive agency has continued access to needed skills and capabilities. The Director of the Office of Management and Budget is required to report to Congress on any waivers of the BBA cap amounts that are in effect for the fiscal year.