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*Federal White-Collar Pay: FY2009 Salary Adjustments*

Barbara L. Schwemle, Analyst in American National Government

January 6, 2009

**Abstract.** Federal white-collar employees are intended by law to receive an annual pay adjustment and a locality-based comparability payment, effective in January of each year, under Section 529 of P.L. 101-509, the Federal Employees Pay Comparability Act (FEPCA) of 1990. The law has never been implemented as originally enacted; annual and locality payments pursuant to the statute have been reduced each year. Federal white-collar employees received a 2.9% annual pay adjustment and a 1.0% locality-based comparability payment in January 2009. President George W. Bush authorized the average 3.9% pay adjustment in Executive Order 13483, issued on December 18, 2008. Although the annual adjustment and the locality payment are sometimes referred to as cost-of-living adjustments, neither is based on changes in the cost of living.

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# Federal White-Collar Pay: FY2009 Salary Adjustments

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Analyst in American National Government

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## Summary

Federal white-collar employees are intended by law to receive an annual pay adjustment and a locality-based comparability payment, effective in January of each year, under Section 529 of P.L. 101-509, the Federal Employees Pay Comparability Act (FEPCA) of 1990. The law has never been implemented as originally enacted; annual and locality payments pursuant to the statute have been reduced each year. Federal white-collar employees received a 2.9% annual pay adjustment and a 1.0% locality-based comparability payment in January 2009. President George W. Bush authorized the average 3.9% pay adjustment in Executive Order 13483, issued on December 18, 2008. Although the annual adjustment and the locality payment are sometimes referred to as cost-of-living adjustments, neither is based on changes in the cost of living.

The annual pay adjustment is based on the Employment Cost Index (ECI), which measures changes in private-sector wages and salaries. The size of the locality payment is determined by the President and is based on a comparison of non-federal and General Schedule (GS) salaries in 32 pay areas nationwide. (The GS is the pay schedule that covers white-collar employees under the Civil Service.) By law, the disparity between non-federal and federal salaries was to be gradually reduced to 5% during the years 1994 to 2002. Continuing in each year thereafter, FEPCA requires that amounts payable may not be less than the full amounts necessary to reduce the pay disparity to 5%. For the January 2009 pay adjustment, the ECI showed that the annual across-the-board increase would be 2.9%. The Federal Salary Council and the Pay Agent recommended that, to carry out FEPCA, the 2009 locality payments range from 23.40% in the "Rest of the United States" (RUS) pay area to 59.65% in the San Jose-San Francisco pay area, and be 53.94% in the Washington, DC, pay area. Because the new locality rates replace the existing locality rates, the rate change is derived by comparing 2008 locality payments with those recommended for 2009. This comparison resulted in recommended net increases for 2009, if the ECI and locality-based comparability payments were granted as required by law, of 12.19% in the RUS pay area, 23.96% in the San Jose-San Francisco pay area, and 31.03% in the Washington, DC, pay area. The nationwide average net pay increase, if the ECI and locality-based comparability payments were granted as required by law, would have been 19.24% in 2009.

The President's FY2009 budget proposed a 2.9% federal civilian pay adjustment. The House and Senate versions of the Financial Services and General Government Appropriations Act for FY2009 (Section 737(a) of H.R. 7323, as introduced, and Section 738(a) of S. 3260, as reported) would have provided a 3.9% pay adjustment for federal civilian employees. Division A, Section 142(a) of P.L. 110-329, the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (H.R. 2638), enacted on September 30, 2008, provides a 3.9% pay adjustment for federal civilian employees, including employees in the Department of Homeland Security. P.L. 110-372, the Senior Professional Performance Act of 2008 (S. 1046), enacted on October 8, 2008, raises the limitation on basic pay for senior-level (SL) and scientific or professional (ST) positions to Executive Schedule Level II (\$177,000, as of January 2009) in those agencies whose performance appraisal systems are certified by the Office of Personnel Management. This report will be updated as events dictate.

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## Introduction

Federal white-collar employees<sup>1</sup> paid under the General Schedule (GS), Foreign Service Schedule, and certain Veterans Health Administration Schedules are intended by law to receive an annual pay adjustment and a locality-based comparability payment, effective in January of each year, under Section 529 of P.L. 101-509, the Federal Employees Pay Comparability Act (FEPCA) of 1990.<sup>2</sup> Although the annual adjustment and the locality payment are sometimes referred to as cost-of-living adjustments, neither is based on measures of the cost of living.

In January 2009, federal white-collar employees received an average 3.9% pay increase allocated as a 2.9% annual adjustment and a 1.0% locality payment. Not all employees received the full amount of the pay adjustment because of statutory limitations on GS pay that correspond to Executive Schedule (EX) pay rates. Basic pay cannot exceed EX Level V (\$143,500, as of January 2009); basic pay and locality pay combined cannot exceed EX Level IV (\$153,200, as of January 2009); and total compensation cannot exceed EX Level I (\$196,700, as of January 2009).<sup>3</sup> GS-15 employees at the upper end of that pay grade in 16 areas are currently affected by the EX Level IV cap on basic pay and locality pay combined as shown below:

- employees at step 10 in the (1) Denver-Aurora-Boulder, CO, CSA, plus the Ft. Collins-Loveland, CO, MSA; (2) Miami-Fort Lauderdale-Pompano Beach, FL, MSA, plus Monroe County, FL; (3) Minneapolis-St. Paul-St. Cloud, MN-WI, CSA; (4) Philadelphia-Camden-Vineland, PA-NJ-DE-MD, CSA, plus Kent County, DE, Atlantic County, NJ, and Cape May County, NJ; (5) Sacramento - Arden-Arcade - Yuba City, CA-NV, CSA, plus Carson City, NV; (6) Seattle-Tacoma-Olympia, WA, CSA, plus Whatcom County, WA; and (7) Washington-Baltimore-Northern Virginia, DC-MD-VA-WV, CSA, plus the Hagerstown-Martinsburg, MD-WV, MSA, the York-Hanover-Gettysburg, PA, CSA, and King George County, VA.
- employees at steps 9 and 10 in the (1) Boston-Worcester-Manchester, MA-RI-NH, Combined Statistical Area (CSA), plus Barnstable County, MA, and Berwick, Eliot, Kittery, South Berwick, and York towns in York County, ME; (2) Chicago-Naperville-Michigan City, IL-IN-WI, CSA; (3) Detroit-Warren-Flint, MI, CSA, plus Lenawee County, MI; (4) Hartford-West Hartford-Willimantic, CT, CSA, plus the Springfield, MA, MSA and New London County, CT; (5) Los Angeles-Long Beach-Riverside, CA, CSA, plus the Santa Barbara-Santa Maria-Goleta, CA, MSA and Edwards Air Force Base, CA; and (6) San Diego-Carlsbad-San Marcos, CA, MSA.

<sup>1</sup> This report does not cover salary adjustments for federal executive and judicial branch officials, federal justices and judges, Members of Congress, or the United States Postal Service. See CRS Report RL33245, *Legislative, Executive, and Judicial Officials: Process for Adjusting Pay and Current Salaries*, by Barbara L. Schwemle; CRS Report RS20388, *Salary Linkage: Members of Congress and Certain Federal Executive and Judicial Officials*, by Barbara L. Schwemle; and CRS Report RL33128, *Senior Executive Service (SES) Pay for Performance System*, by L. Elaine Halchin. See also, CRS Report 97-615, *Salaries of Members of Congress: Congressional Votes, 1990-2008*, by Ida A. Brudnick; CRS Report 97-1011, *Salaries of Members of Congress: A List of Payable Rates and Effective Dates, 1789-2008*, by Ida A. Brudnick; and CRS Report RL30064, *Congressional Salaries and Allowances*, by Ida A. Brudnick.

<sup>2</sup> 104 Stat. 1389, at 1427.

<sup>3</sup> 5 U.S.C. §5303(f), 5 U.S.C. §5304(g)(1), and 5 U.S.C. §5307(a)(1).

- employees at steps 8, 9, and 10 in the (1) Houston-Baytown, Huntsville, TX, CSA; and (2) New York-Newark-Bridgeport, NY-NJ-CT-PA, CSA, plus Monroe County, PA, and Warren County, NJ.
- employees at steps 6, 7, 8, 9, and 10 in the San Jose-San Francisco-Oakland, CA, CSA, plus the Salinas, CA, MSA and San Joaquin County, CA.<sup>4</sup>
- FEPCA has never been implemented as originally enacted. The annual pay adjustment was not made in 1994; in 1995, 1996, and 1998, reduced amounts of the annual adjustments were provided. For 1995 through 2009, reduced amounts of the locality payments were provided. **Table 1** (at the end of this report) shows the annual and locality pay adjustments made under FEPCA for the years 1991 to 2009.<sup>5</sup>

## Pay Adjustments

### Annual Pay Adjustment

Federal white-collar employees, including those paid under the General Schedule, usually receive an annual pay adjustment. The President also may annually adjust salaries of administrative law judges. Individuals in senior-level (SL) and scientific and professional (ST) positions may receive the annual adjustment at the discretion of agency heads.<sup>6</sup> Annual adjustments for contract appeals board members depend on whether EX<sup>7</sup> pay is adjusted.

FEPCA requires the annual pay adjustment for GS employees to be based on the Employment Cost Index (ECI), which measures change in private-sector wages and salaries. Basic pay rates are to be increased, beginning the first full pay period of a calendar year, by an amount that is 0.5 percentage points less than the percentage by which the ECI, for the quarter ending September 30 of the year before the preceding calendar year, exceeds the ECI for the comparable quarter of the next preceding year (if at all). For example, the annual adjustment for January 2008 was determined by comparing the ECI for the quarter ending September 30, 2006, with the ECI for the quarter ending September 30, 2005. The change in the ECI from the earlier September 30 (3.0%) is reduced by 0.5 percentage points, thereby yielding a 2.5% annual adjustment. Therefore, the data used to calculate the annual adjustment are 15 months old at the time of the adjustment.

In the event of a national emergency or serious economic conditions affecting the general welfare, FEPCA authorizes the President to issue an alternative pay plan that uses a different percentage increase from the one required by the ECI-based formula. The alternative plan must be submitted

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<sup>4</sup> For an analysis of the pay cap, see CRS Report RL34380, *The Executive Schedule IV Pay Cap on General Schedule Compensation*, by Curtis W. Copeland.

<sup>5</sup> For the 2008 salary adjustments, see CRS Report RL33732, *Federal White-Collar Pay: FY2008 Salary Adjustments*, by Barbara L. Schwemle.

<sup>6</sup> According to 5 U.S.C. §5376, the minimum rate of basic pay for SLs and STs is equal to 120% of the minimum rate of basic pay for GS-15; the maximum rate of basic pay for SLs and STs is equal to level IV of the Executive Schedule.

<sup>7</sup> The EX schedule is the pay schedule for cabinet officers and other top government officials. It has five levels of pay in 2009 as follow: EX I-\$196,700, EX II-\$177,000, EX III-\$162,900, EX IV-\$153,200, and EX V-\$143,500.

to Congress by September 1 preceding the scheduled effective date.<sup>8</sup> The President did not issue an alternative plan for the January 2009 annual pay adjustment.

## Locality-Based Comparability Payments<sup>9</sup>

GS employees are also intended to receive locality-based comparability payments.<sup>10</sup> The Pay Agent<sup>11</sup> may also extend these payments to employees in other pay systems and has done so for employees in the Foreign Service and in senior-level (SL), scientific and professional (ST), administrative law judge, administrative appeals judge, and contract appeals board member positions.<sup>12</sup> The Pay Agent determines the applicable pay cap level for certain non-General Schedule employees to whom locality pay is extended.<sup>13</sup> The Office of Personnel Management (OPM) published final regulations in December 2001 to clarify and redefine the limitations.<sup>14</sup>

<sup>8</sup> 104 Stat. 1389, at 1429-1431; 5 U.S.C. §§5301-5303.

<sup>9</sup> A locality rate of pay is considered as basic pay in computing danger pay allowances and post differentials (and for purposes of calculating retirement annuities) for certain employees who are temporarily assigned to foreign areas and for whom the Department of State has established allowances for danger. See 5 C.F.R. 531.610 for other purposes for which locality rates are treated as basic pay. (U.S. Office of Personnel Management, "Locality-Based Comparability Payments," *Federal Register*, vol. 69, August 5, 2004, pp. 47353-47354. U.S. Office of Personnel Management, "Changes in Pay Administration Rules for General Schedule Employees," *Federal Register*, vol. 70, May 31, 2005, pp. 31279-31280, 31305.)

<sup>10</sup> Blue-collar workers under the Federal Wage System (FWS) receive a prevailing rate adjustment that is generally capped at the average percentage pay adjustment received by federal white-collar employees. For FY2008, this provision is at Section 712 of P.L. 110-161, the Consolidated Appropriations Act for FY2008. The House and Senate versions of the Financial Services and General Government Appropriations Act for FY2009 (Section 710 of H.R. 7323, as introduced, and S. 3260, as reported, would have continued this provision. P.L. 110-329, enacted on September 30, 2008, which provides funds for government operations from October 1, 2008, through March 6, 2009, does not include the provision. Notwithstanding the cap, the blue-collar pay adjustment in most locations is no less than the increase received by GS employees in that location. Blue-collar workers in Alaska, Hawaii, and certain other non-foreign areas receive a pay adjustment that is no less than the increase received by GS employees in the Rest of the United States (RUS) pay area. For FY2008, this provision is at Section 740(b) of P.L. 110-161, the Consolidated Appropriations Act for FY2008. The House and Senate versions of the Financial Services and General Government Appropriations Act for FY2009 (Section 737(b) of H.R. 7323, as introduced, and Section 738(b) of S. 3260, as reported) would have continued this provision. P.L. 110-329 includes the provision at Division A, Section 142(b).

<sup>11</sup> The Pay Agent comprises the Secretary of Labor (Elaine L. Chao), the Director of the Office of Management and Budget (Jim Nussle), and the Director of the Office of Personnel Management (Michael W. Hager (Acting)).

<sup>12</sup> The President, by Executive Order, delegated to the Pay Agent the authority to extend locality-based comparability payments to certain categories of positions not otherwise covered. U.S. President (Clinton), "Delegating a Federal Pay Administration Authority," Executive Order 12883, *Federal Register*, vol. 58, December 1, 1993, p. 63281. SL and ST employees will no longer be eligible to receive locality pay as of April 12, 2009, under the provisions of a new pay system established by P.L. 110-372 enacted on October 8, 2008 (122 Stat. 4043-4046).

<sup>13</sup> The President, by Executive Order, delegated to the Pay Agent the authority to determine the applicable pay cap level for certain non-General Schedule employees to whom locality pay is extended. U.S. President (Clinton), "Adjustments of Certain Rates of Pay and Delegation of a Federal Pay Administration Authority," Executive Order 13106, *Federal Register*, vol. 63, December 9, 1998, p. 68152.

<sup>14</sup> The regulations stated the following: "To provide consistent treatment between General Schedule (GS) and non-GS employees receiving locality payments, OPM proposes to provide that (1) non-GS positions whose maximum scheduled annual rate of pay is less than or equal to the maximum payable scheduled annual rate of pay for GS-15 will be subject to a locality pay cap equal to the rate for level IV of the Executive Schedule, and (2) non-GS positions whose maximum scheduled annual rate of pay exceeds the maximum payable scheduled annual rate of pay for GS-15, but is not more than the rate for level IV of the Executive Schedule, will be subject to a locality pay cap equal to the rate for level III of the Executive Schedule." U.S. Office of Personnel Management, "Locality-Based Comparability Payments," *Federal Register*, vol. 65, March 24, 2000, pp. 15875-15877. U.S. Office of Personnel Management, "Locality-Based Comparability Payments," *Federal Register*, vol. 66, December 28, 2001, pp. 67069-67070.

Among other groups of employees, GS special-rate employees receive either the special rate supplement or the locality payment, whichever is higher. Law enforcement officers receiving special rates under Section 403 of FEPCA receive both special rates and locality pay. White-collar federal employees in Alaska, Hawaii, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands receive a non-foreign cost-of-living (COLA) allowance ranging from 13.0% to 25%, rather than locality pay. Civilian employees of the Department of Defense who are covered by the National Security Personnel System (non-bargaining unit employees) receive a pay adjustment made up of a performance-based pay increase, an adjustment to base salary, and a local market supplement that is equivalent to GS pay.<sup>15</sup>

The locality-based comparability payments procedure established by FEPCA provides that payments are to be made within each locality determined to have a non-federal/federal pay disparity greater than 5%. When uniformly applied to GS employees within a locality, the adjustment is intended to make their pay rates substantially equal, in the aggregate, to those of non-federal workers for the same levels of work in the same locality.

FEPCA authorizes the President to fix an alternative level of locality-based comparability payments if, because of a national emergency or serious economic conditions affecting the general welfare, the President considers the level that would otherwise be payable inappropriate. At least one month before these comparability payments would be payable (by November 30, 2008, for the 2009 payment), the President would have to prepare and transmit to Congress a report describing the intended alternative level of payments, including the reasons why the alternative level would be necessary.<sup>16</sup> The President did not issue an alternative plan for the January 2009 locality pay adjustment.

Once the annual and locality pay percentage amounts are determined, the actual pay rates are calculated in the following way. First, the basic General Schedule (GS) is increased by the annual adjustment percentage, resulting in a new GS schedule. These new basic GS rates are then increased by the locality payments. For 2009, the resulting pay rates (annual + locality) are compared with the 2008 pay rates (annual + locality) to derive the net increases in pay. According to OPM, the net increase is calculated using this formula: 1 plus the new local rate divided by one plus the old local rate times the percentage for the across-the-board increase minus 1 times 100.

## Methodology for Determining the Locality-Based Comparability Payments

Under the law, the Bureau of Labor Statistics (BLS) conducts surveys that document non-federal rates of pay in each locality pay area. (In January 2009, there are 32 pay areas nationwide.) Prior to October 1996, the surveys were conducted under the Occupational Compensation Survey Program (OCSP), which had been approved by the Federal Salary Council<sup>17</sup> and the Pay Agent.

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<sup>15</sup> In January 2008, the average pay adjustment under the National Security Personnel System was 7.6%, resulting from an average 5.9% salary adjustment and an average 1.7% bonus. For information on the upcoming January 2009 pay adjustment, see <http://www.cpms.osd.mil/nsps/docs/factsheets/2009payouts.pdf>.

<sup>16</sup> 104 Stat. 1389, at 1429-1436, as amended by 106 Stat. 1355-1356 and 1360; 5 U.S.C. §§5301-5302 and §§5304-5304a.

<sup>17</sup> The council includes nine members. Members generally recognized for their impartiality, knowledge, and experience in labor relations and pay policy are Terri Lacy, chair; George Nesterzuk, vice-chair; and Rudy J. Maestas. The other members represent the American Federation of Government Employees (J. David Cox); the National Treasury Employees Union (Colleen M. Kelley); the National Federation of Federal Employees (Richard N. Brown); the Association of Civilian Technicians (Thomas G. Bastas); and the Fraternal Order of Police (James Pasco).

Since then, the surveys have been conducted under the National Compensation Survey (NCS) program. The NCS results, however, were not approved for use with the January 2000 through January 2003 locality payments. In its memorandum to the Pay Agent on the January 2001 locality payments, the council recommended five improvements in the NCS program.<sup>18</sup> For the January 2004 through January 2006 locality payments, a phase-in of NCS survey data was approved.<sup>19</sup> The Federal Salary Council recommended that 100% of the NCS data be used beginning with the January 2007 locality payments.

Four of the improvements to the NCS survey have been fully implemented. The fifth enhancement, on the use of four factors to assign the correct federal grade level to non-federal jobs, will not be fully implemented for an estimated three years. According to the council's memorandum on the January 2009 locality payments, "The average pay gap was about 6 points higher in 2007 than in 2006," and the gaps in all locality pay areas, except for Dayton, OH,<sup>20</sup> increased. The Huntsville, AL, and Washington, DC-Baltimore, MD, locality pay areas showed the largest increases in the pay gap from 2006 to 2007; +12.33% and +9.72, respectively. The council stated that "This likely means the new survey methods tend to match survey jobs to lower General Schedule grades."<sup>21</sup>

As requested by the council, the BLS surveys provided pay data both by establishments of all sizes and by establishments with fewer than 50 employees (referred to as small establishments). The council reported that the inclusion of the data from the small establishments "increases the number of non-Federal employees represented by the data by more than 25 percent" and had a "modest" impact on the pay gaps. While not ruling out the possibility that data from small establishments could be used in the future, the council recommended that the data not be used in calculating locality payments for 2009, and that they "be reviewed again next year before making a decision" on its use. In making the recommendation, the council acknowledged that "some Council members have expressed concerns about how well jobs in small establishments match Federal jobs."<sup>22</sup> Since 1994, when locality pay was implemented, the BLS surveys have included data only from establishments with 50 or more workers.

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<sup>18</sup> These recommendations, endorsed by the Pay Agent, were that (1) four factors, rather than nine, be used to assign the correct federal grade levels to the non-federal jobs surveyed, and grade level guides for occupational families be provided; (2) a model be developed to estimate missing data; (3) the matching of federal survey jobs with non-federal survey jobs be improved, and subcategories be provided for occupations that are not elsewhere classified; (4) for supervisory occupations, the highest level of work supervised be graded and the grade level be adjusted based on the level of supervision, instead of grading the supervisory job itself; and (5) criteria be developed to identify and exclude jobs that would be classified above GS-15 in government. (Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2001 and Other Matters Pertaining to the Locality Pay Program* [Washington: October 22, 1999], p. 8.)

<sup>19</sup> For the January 2004 locality payments, equal weights of 50% were applied to the NCS and OCSP results. For January 2005, weights of 75% and 25% were applied to the NCS and OCSP results, respectively. Weights of 90% NCS and 10% OCSP were applied for January 2006.

<sup>20</sup> The council stated that the decrease in the pay gap for Dayton, OH, primarily resulted from the conversion of civilian employees at the Department of Defense from the General Schedule to the National Security Personnel System, thereby removing the employees from the pay comparisons that underlie the locality-based comparability payments.

<sup>21</sup> Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2009 and Other Matters Pertaining to the Locality Pay Program* (Washington: October 25, 2007), p. 3. (Hereafter referred to as Federal Salary Council Memorandum for January 2009.)

<sup>22</sup> *Ibid.*, p. 2.

The BLS survey results are submitted to the Office of Personnel Management (OPM), which serves as the staff to the Federal Salary Council and the Pay Agent. OPM documents federal rates of pay in each of the pay areas and compares non-federal and GS salaries, by grade, for each pay area. The average salaries at each grade, both federal and non-federal, are then aggregated and compared to determine an overall average percentage pay gap for each area. By law, the disparity between non-federal and federal salaries is to be reduced to 5%. Therefore, the overall average percentage pay gap for each pay area is adjusted annually to this level by OPM. This adjusted gap, called the target gap, is used to determine the locality rates for each pay area recommended to the President by the Pay Agent, after receiving advice from the Federal Salary Council. The pay gaps on which the locality payments are based are 22 months old by the effective date of the adjustment; thus, March 2007 gaps determine the January 2009 locality payments.

FEPCA also stipulates that a certain percentage of the target gap between GS average salaries and non-federal average salaries in each pay area is to be closed each year. Twenty percent of the gap was closed in 1994, the first year of locality pay, as authorized by FEPCA. An additional 10% of the gap was to be closed each year thereafter, meaning that 30% of the gap was to be closed in 1995, 40% in 1996, 50% in 1997, 60% in 1998, 70% in 1999, 80% in 2000, and 90% in 2001. By January 2002, and continuing each year thereafter, FEPCA specified that amounts payable could not be less than the full amounts necessary to reduce the pay disparity of the target gap to 5%. In each of the years since 1994, the locality pay increase has been implemented at a much lower percentage than the law requires. As a result, the gap is being reduced slowly; 23.5% of the gap was closed in 1995, 25.9% in 1996, 28.3% in 1997, 29.2% in 1998, 31% in 1999, 33.5% in 2000, 38.1% in 2001, 42.3% in 2002, 44% in 2003, 53.7% in 2004, 58.8% in 2005, 62.7% in 2006, 69.8% in 2007, 58.3% in 2008, and 52.5% in 2009.

### *Evaluating Areas in the Vicinity of Locality Pay Areas*

To evaluate areas currently in the “Rest of the United States” pay area for possible inclusion in adjacent locality pay areas, the following criteria<sup>23</sup> apply:

**For adjacent Metropolitan Statistical Areas (MSAs) and Combined Statistical Areas (CSAs):** To be included in an adjacent locality pay area, an adjacent MSA or CSA currently in the RUS locality pay area must have at least 1,500 GS employees and an employment interchange measure<sup>24</sup> of at least 7.5%.

**For adjacent counties that are not part of a multi-county MSA or CSA:** To be included in an adjacent locality pay area, an adjacent county that is currently in the RUS locality pay area must have at least 400 GS employees and an employment interchange measure of at least 7.5%.

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<sup>23</sup> *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent* (Washington: December 2003), p. 19.

<sup>24</sup> The council recommended that commuting rates be calculated using the employment interchange measure, which is defined by the Office of Management and Budget as “A measure of the ties between two adjacent entities.” It is “the sum of the percentage of employed residents of the smaller entity who work in the larger entity and the percentage of the employment in the smaller entity that is accounted for by workers who reside in the larger entity.” (Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2005 and Other Matters Pertaining to the Locality Pay Program* [Washington: October 28, 2003], p. 7. [Hereafter referred to as Federal Salary Council Memorandum for January 2005.]

**For federal facilities that cross locality pay area boundaries:** To be included in an adjacent locality pay area, the whole facility must have at least 500 GS employees, with the majority of those employees in the higher-paying locality pay area, or that portion of a federal facility outside a higher-paying locality pay area must have at least 750 GS employees; the duty stations of the majority of these employees must be within 10 miles of the separate locality pay area; and a significant number of these employees must commute to work from the higher-paying locality pay area.<sup>25</sup>

Areas already included in a locality pay area through an application of the criteria are not subject to further review.

### *Requests for Changes in Locality Pay Area Boundaries*

To be considered by the council, requests for changes in the boundaries of locality pay areas must include the following information:

- credentials of the requesting group that establish how the group represents GS employees in the area;
- identification of the geographic area covered by the proposal;
- the number of GS employees in the area, by agency;
- a detailed explanation of why the area should be added to the adjacent locality pay area;
- current job vacancy rates in the area for GS positions;
- documentation of recruitment or retention problems for GS employees in the area;
- documentation that agencies have tried other pay flexibilities, including requests for special salary rates and use of recruitment, retention, and relocation payments, and that these flexibilities did not solve recruitment and retention problems;
- an indication that the headquarters of affected agencies know about and support the request;
- distance measures, by road, between the requesting area and the locality pay area;
- a summary of transportation facilities linking the requesting area and the locality pay area, including commuter rail or other mass transit facilities; and
- agency organizational relationships between activities covered by the proposal and activities in another locality pay area.<sup>26</sup>

<sup>25</sup> Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2007 and Other Matters Pertaining to the Locality Pay Program* [Washington: October 21, 2005], p. 5, and *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent* [Washington: December 2005], p. 13.

<sup>26</sup> Federal Salary Council Memorandum for January 2005, p. 10.

# January 2009 Pay Adjustment

## Annual Pay Adjustment

Recent ECI data indicate that the annual across-the-board pay adjustment in January 2009 should be 2.9%. This figure reflects the September 2006 to September 2007 change in private-sector wages and salaries of 3.4%, minus 0.5%.<sup>27</sup> Because President Bush did not issue an alternative plan for the annual pay adjustment, FEPCA required that the annual adjustment be 2.9% in January 2009.

## Locality-Based Comparability Payments

The Federal Salary Council reported that as of March 2007, the overall gap between GS average salaries (excluding existing locality payments, special rates, and certain other payments) and non-federal average salaries was 43.73%.<sup>28</sup> The amount needed to reduce this disparity to 5%, as mandated by FEPCA, averages 36.89% for 2009. To meet the target for closing the pay gap, the council recommended locality pay raises ranging from 23.40% in the “Rest of the United States” (RUS) pay area to 59.65% in the San Jose-San Francisco pay area. The payment recommended for the Washington, DC, pay area was 53.94%.<sup>29</sup> Because the new locality rates replace the existing locality rates, the rate change is derived by comparing 2008 locality payments with those recommended for 2009. This comparison results in recommended net increases for 2009, if the ECI and locality-based comparability payments were granted as required by law, of 12.19% in the RUS pay area, 23.96% in the San Jose-San Francisco pay area, and 31.03% in the Washington, DC, pay area. The nationwide average net pay increase, if the ECI and locality-based comparability payments were granted as required by law, would have been 19.24% in 2009.

The council recommended that the 32 locality pay areas recommended for 2008 continue in 2009. In not recommending any new pay areas, the council noted that, were new areas to be proposed, criteria for their establishment would have to be developed and the BLS would need additional funding. According to the council, “BLS has indicated that, based on its current funding and resources, it cannot expand its current NCS program to increase samples in existing locality pay areas or to cover more areas.”<sup>30</sup> The pay gaps in Louisville, KY, Austin, TX, and Memphis, TN, will continue to be reviewed as the BLS continues the redesign of the salary survey. The council’s memorandum on the 2009 locality payments found that the pay gap in Louisville, KY, was 0.33 points above the pay gap in RUS, while the pay gaps in Austin, TX, and Memphis, TN, were below that in RUS by 1.56 and 3.65 points, respectively.<sup>31</sup>

The memorandum also noted the pay gaps in Anchorage, AK (54.96%), and Honolulu, HI (41.72%), and that the BLS plans to conduct future surveys in Honolulu, but not Anchorage. On

<sup>27</sup> U.S. Department of Labor, Bureau of Labor Statistics, Employment Cost Index—September 2007 (Washington: October 31, 2007), pp. 2, 14.

<sup>28</sup> The calculation of the overall average pay gap excludes the locality payments made in 2007. The average locality rate paid in 2007 was 16.88%; the overall average pay gap in 2006 was 22.97%.

<sup>29</sup> Federal Salary Council Memorandum for January 2009, p. 3 and Attachment 3.

<sup>30</sup> Ibid., p. 6.

<sup>31</sup> Ibid., pp. 4-5.

May 30, 2007, OPM submitted a legislative proposal to Congress that would gradually replace the cost-of-living allowance currently paid in the non-foreign areas (Alaska, Hawaii, Guam, Puerto Rico, the Northern Mariana Islands, and the U.S. Virgin Islands) with locality pay. The council recommended that, were the legislation to be enacted, BLS reinstate the Anchorage survey and “ensure that both the Anchorage and Honolulu surveys are as robust as feasible.”<sup>32</sup>

After considering the council’s recommendations, the Pay Agent endorsed them in its December 6, 2007, annual report to the President on the 2009 locality payments. The Pay Agent stated that, “Given the current national emergency, however, ... it would be unwise to allow the locality pay increases shown in [its] report to take effect in January 2009.”<sup>33</sup>

The Pay Agent estimated that the cost of the January 2009 locality-based comparability payments would be about \$12.1 billion if the full amount necessary to reduce the pay disparity of the target gap to 5% were provided in January 2009 as required by FEPCA.<sup>34</sup> **Table 2** shows the council’s and the Pay Agent’s recommended locality payments for January 2009.

As for the improvements in the BLS National Compensation Survey (NCS) Program, the Pay Agent noted that “four of the five NCS improvements are fully incorporated into surveys used this year.”<sup>35</sup> The Pay Agent agreed with the council’s recommendations regarding the survey data from small establishments and that new locality pay areas for 2009 not be designated.<sup>36</sup>

The Pay Agent reiterated that it “has serious concerns about the utility of a process that requires a single percentage adjustment in the pay of all white-collar civilian Federal employees in each locality pay area without regard to the differing labor markets for major occupational groups or the performance of individual employees” and “continue[s] to believe it is imperative to develop performance-sensitive compensation systems.”<sup>37</sup>

A hearing conducted on June 26, 2008, by the House Subcommittee on Federal Service, Postal Service, and the District of Columbia of the Committee on Oversight and Government Reform included an examination of the federal locality pay program. The subcommittee received testimony reiterating that FEPCA should be fully implemented and recommending that the government consider initiatives that would help federal employees in areas where housing costs are particularly high. For example, the representative for the American Federation of Government Employees (AFGE) recommended that

the federal government begin to provide a variety of housing assistance programs, under well-defined circumstances. We propose pilot programs that would address the particularly acute problems faced by federal employees and agencies in counties with median house prices that are at least 25% above the median house price within a locality.... In addition ...

<sup>32</sup> Ibid., p. 9.

<sup>33</sup> *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President’s Pay Agent* (Washington: December 6, 2007).

<sup>34</sup> Ibid., p. 21.

<sup>35</sup> Ibid., p. 3.

<sup>36</sup> Ibid., p. 13.

<sup>37</sup> Ibid., cover letter.

agencies should be able to provide lump sum housing allowances equivalent to those provided to the military.<sup>38</sup>

## The President's Recommendation

The President usually includes a proposal on the federal civilian pay adjustment in the *Budget of the United States* issued in February of each year. The FY2009 budget included a proposed 2.9% pay adjustment for federal civilian employees. This percentage is the overall average increase, including locality pay adjustments.<sup>39</sup> President Bush did not issue an alternative plan for the annual pay adjustment; therefore, under FEPCA, the January 2009 annual adjustment must be 2.9%. Congress authorized an average 3.9% pay adjustment in P.L. 110-329, the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009, as discussed below under "Continuing Appropriations." (The President's budget also included a proposed 3.4% pay raise for the uniformed military.<sup>40</sup> Division A, Title VI, Subtitle A, Section 601(b) of P.L. 110-417, the Duncan Hunter National Defense Authorization Act for FY2009 (S. 3001), enacted on October 14, 2008, provides a 3.9% pay adjustment for the uniformed military.)

As in the previous two fiscal years, the FY2009 budget states that OPM will support pay-for-performance demonstration projects in the executive branch agencies that would replace the General Schedule with a system for classification, pay, and performance management that is modern, focused on results, and based on the market.<sup>41</sup> It does not provide any details on this initiative. The 110<sup>th</sup> Congress did not consider any legislation to amend the annual and locality pay adjustment process established under FEPCA.

## Congressional Actions

The pay adjustment is considered annually by Congress, which may legislate an adjustment that is different from the one recommended by the President or that might be authorized by the President in an alternative plan. The January 1999, January 2000, January 2002 through January 2006, and January 2009 overall pay adjustment amounts were set by Congress.<sup>42</sup> On January 30, 2008, 10 Members of Congress from the Washington, DC, metropolitan area wrote a letter to President Bush asking him to "embrace the principle of pay parity" between federal civilian employees and the uniformed military. The Members stated that, "with many of our most experienced employees poised to retire," the ability "to recruit and retain quality employees" is critical.<sup>43</sup>

<sup>38</sup> Testimony of Jacqueline Simon, Public Policy Director, American Federation of Government Employees, AFL-CIO, June 26, 2008, pp. 4-5.

<sup>39</sup> U.S. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government Fiscal Year 2009; Analytical Perspectives* (Washington: GPO, 2008), p. 172.

<sup>40</sup> See CRS Report RL33446, *Military Pay and Benefits: Key Questions and Answers*, by Charles A. Henning.

<sup>41</sup> U.S. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government Fiscal Year 2009; Appendix* (Washington: GPO, 2008), p. 1097. See also, CRS Report RL34529, *Pay-for-Performance: Linking Employee Pay to Performance Appraisal*, by Wendy R. Ginsberg.

<sup>42</sup> P.L. 105-277, P.L. 106-58, P.L. 107-67, P.L. 108-7, P.L. 108-199, P.L. 108-447, P.L. 109-115, P.L. 110-161, and P.L. 110-329, respectively, provided the pay adjustments but reserved to the President the decision as to how the increases would be allocated between the annual and locality pay adjustments.

<sup>43</sup> The letter was signed by Representatives Elijah E. Cummings, Thomas M. Davis, III, Steny H. Hoyer, James P. Moran, C.A. "Dutch" Ruppersberger, John P. Sarbanes, Chris Van Hollen, Frank R. Wolf, and Albert R. Wynn, and (continued...)

The Concurrent Resolution on the Budget, which provides the framework within which Congress subsequently considers spending legislation, has several times in the past included language expressing the sense of Congress on the federal civilian pay adjustment. The FY2009 budget resolution as agreed to by the House (H.Con.Res. 312) on March 13, 2008, by a 212-207 vote (Roll No. 141), includes such a provision at Section 610 which states the Sense of the House that federal civilian pay should be adjusted at the same time and in the same proportion as pay for the uniformed military. The Senate's version of the budget resolution (S.Con.Res. 70) as agreed to by the Senate on March 14, 2008, by a 51-44 vote (No. 85), does not include such a provision. The Senate Committee on the Budget report (S. Prt. 110-039) included the views of Senator Susan Collins expressing her continued support for parity in the pay adjustments for federal civilians and the uniformed military to ensure that talented individuals are recruited and retained in public service.<sup>44</sup> S.Con.Res. 70, as agreed to by the House and Senate, includes the provision on parity between pay for federal civilians and the uniformed military at Section 518.<sup>45</sup>

## Financial Services and General Government Appropriations Act

Any congressional recommendation on the pay adjustment has usually been included in the appropriations bill which provides funding for the general government. In the 110<sup>th</sup> Congress this bill is called the Financial Services and General Government Appropriations (FSGG) Bill. The House and Senate versions of the Financial Services and General Government Appropriations Act for FY2009 (Section 737(a) of H.R. 7323, as introduced, and Section 738(a) of S. 3260, as reported) would have provided a 3.9% pay adjustment for federal civilian employees, including civilian employees in the Department of Homeland Security (DHS).<sup>46</sup>

## Continuing Appropriations

Division A of P.L. 110-329, the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (H.R. 2638), enacted on September 30, 2008, provides funds for government operations from October 1, 2008, through March 6, 2009.<sup>47</sup> Division A, Section

(...continued)

Delegate Eleanor Holmes Norton.

<sup>44</sup> U.S. Congress, Senate Committee on the Budget, *Concurrent Resolution on the Budget FY2009*, S. Prt. 110-039, 110<sup>th</sup> Cong., 2<sup>nd</sup> sess. (Washington: GPO, 2008), p. 169.

<sup>45</sup> S.Con.Res. 70, Enrolled, June 5, 2008, as agreed to by the House and Senate, p. 46. See also, U.S. Congress, Conference Committees, 2008, *Concurrent Resolution on the Budget for Fiscal Year 2009*, conference report to accompany S.Con.Res. 70, 110<sup>th</sup> Cong., 2<sup>nd</sup> sess., H.Rept. 110-659 (Washington: GPO, 2008), p. 47. The Senate agreed to the conference report on a 48-45 (Record No. 142) vote on June 4, 2008. The House agreed to the conference report on a 214-210 (Roll No. 382) vote on June 5, 2008.

<sup>46</sup> U.S. Congress, House Committee on Appropriations, Financial Services and General Government Appropriations Bill, 2009, report to accompany H.R. 7323, 110<sup>th</sup> Cong., 2<sup>nd</sup> sess., H.Rept. 110-920 (Washington: GPO, 2008), p. 108. The House Subcommittee on Financial Services and General Government marked up the bill and forwarded it to the full committee by voice vote on June 17, 2008. The Committee on Appropriations marked up the bill and ordered it reported by voice vote on June 25, 2008. Representative Jose Serrano introduced H.R. 7323 on December 10, 2008, and the House Committee on Appropriations reported it the same day. U.S. Congress, Senate Committee on Appropriations, *Financial Services and General Government Appropriations Bill, 2009*, report to accompany S. 3260, 110<sup>th</sup> Cong., 2<sup>nd</sup> sess., S.Rept. 110-417 (Washington: GPO, 2008), p. 124. The Senate Subcommittee on Financial Services and General Government marked up the bill and forwarded it to the full committee by a 9-0 roll call vote on July 9, 2008. The Committee on Appropriations marked up the bill and ordered it reported by a 29-0 roll call vote on July 10, 2008, and reported S. 3260 on July 14, 2008.

<sup>47</sup> Section 106 of P.L. 110-329 provides that, "Unless otherwise provided for in this joint resolution or in the applicable (continued...)"

142(a) of the law provides a 3.9% pay adjustment for federal civilian employees, including DHS employees. The pay increase will become effective on the first day of the first applicable pay period beginning after January 1, 2009. The law provides that the pay raise will be paid from the appropriations for salaries and expenses made to each department and agency for FY2009 (Section 142(c)). These provisions apply notwithstanding any other provision of the joint resolution (Section 142(d)).

The Federal Salary Council, in its October 14, 2008, report to the Pay Agent recommended “that funds allocated for locality pay raises be distributed so that locations with the largest pay gaps receive the largest increases and that employees in each locality pay area receive at least some portion of the locality pay funds, after payment of an across-the-board increase of at least 2.9%.”<sup>48</sup>

On December 18, 2008, the President issued Executive Order 13483, which allocated the pay increase as a 2.9% annual (basic) adjustment and 1.0% locality pay adjustment.<sup>49</sup> (Individuals who are paid under the schedule for the Senior Executive Service do not receive locality pay. As of April 12, 2009, employees in senior-level (SL) and scientific or professional (ST) positions will not be eligible to receive locality pay under the provisions of a new pay system established by P.L. 110-372 enacted on October 8, 2008.) OPM published the 2009 salary tables on its website and these are available at <http://www.opm.gov>. **Table 2** shows the recommended locality payments, the authorized locality payments, and the net annual and locality pay increases for January 2009.

## Legislation Related to Pay

Legislation (S. 1045) to require federal employees to receive a summary performance rating of at least fully successful to receive a pay adjustment was introduced, but saw no further action, in the 110<sup>th</sup> Congress. A bill (S. 1046) to increase the limitation on basic pay for senior-level and scientific and professional positions passed the Senate and the House of Representatives and became P.L. 110-372 on October 8, 2008.

## Performance Appraisal

On March 29, 2007, Senator George Voinovich, Ranking Member of the Senate Homeland Security and Governmental Affairs’ Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, introduced S. 1045, the Federal Workforce Performance Appraisal and Management Improvement Act of 2007. (He introduced similar

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(...continued)

appropriations Act for fiscal year 2009, appropriations and funds made available and authority granted pursuant to this joint resolution shall be available until whichever of the following first occurs: (1) the enactment into law of an appropriation for any project or activity provided for in this joint resolution; (2) the enactment into law of the applicable appropriations Act for fiscal year 2009 without any provision for such project or activity; or (3) March 6, 2009.”

<sup>48</sup> U.S. Federal Salary Council, Memorandum for the President’s Pay Agent, *Level of Comparability Payments for January 2010 and Other Matters Pertaining to the Locality Pay Program*, October 14, 2008, pp. 10-11.

<sup>49</sup> U.S. President (Bush), “Adjustments of Certain Rates of Pay,” Executive Order 13483, *Federal Register*, vol. 73, December 23, 2008, pp. 78587-78598.

legislation, S. 3492, in the 109<sup>th</sup> Congress.) It was referred to the Senate Committee on Homeland Security and Governmental Affairs. No further action on the bill occurred. Among other provisions, the bill would have required agencies to establish one or more performance appraisal systems having at least three summary rating levels—unacceptable, fully successful, and above fully successful; made it mandatory that managers and supervisors receive training in performance management; and required agencies to establish comprehensive management succession programs providing training to develop employees to become managers. S. 1045 also would have required an employee to receive a summary performance rating of at least fully successful to receive a within-grade increase, an annual pay adjustment, a locality pay adjustment, a special rate, or a prevailing rate (blue-collar) adjustment. Agencies would have been required to provide employees with annual performance evaluations in writing.

## Basic Pay Limitation for Senior-Level (SL) and Scientific or Professional (ST) Positions

Senator Voinovich also introduced S. 1046, the Senior Professional Performance Act of 2008, on March 29, 2007. (In the 109<sup>th</sup> Congress, similar provisions were included in S. 3492 at Section 6.) In his statement upon introducing the bills, Senator Voinovich stated that “employees should receive annually a rigorous evaluation” with pay determined “by the productivity, effectiveness, and the contributions of an employee.” He stated that the amendments proposed in S. 1046 would keep SL and ST employees “on equal footing” with members of the Senior Executive Service in terms of pay and performance management.<sup>50</sup> The bill was referred to the Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia of the Committee on Homeland Security and Governmental Affairs. It was marked up and ordered reported without amendment by the full committee on June 13, 2007. The committee reported S. 1046, without amendment, on April 22, 2008 (S.Rept. 110-328).<sup>51</sup> During Senate consideration of the bill, a substitute amendment offered by Senator Voinovich was agreed to and the Senate passed S. 1046 by unanimous consent on July 11, 2008.<sup>52</sup> The bill as passed by the Senate was referred to the House Committee on Oversight and Government Reform on July 14, 2008. The Congressional Budget Office estimated that implementation of S. 1046 would cost “roughly \$7 million between 2008 and 2012.”<sup>53</sup> The House of Representatives passed S. 1046 under suspension of the rules on a 419 to 0 (Roll No. 659) vote on September 26, 2008. During the House debate, Representative Christopher Shays stated that “the purpose of the bill is to align the pay system for ... [SL’s and ST’s] with that of the Senior Executive Service Members.”<sup>54</sup> President Bush signed the bill on October 8, 2008, and it became P.L. 110-372.<sup>55</sup>

Among other provisions, the law amends 5 U.S.C. §5376(b)(1)(B) to provide that SL and ST employees in agencies whose performance appraisal systems have been certified by OPM as making meaningful distinctions in performance, may receive basic pay up to Level II of the

<sup>50</sup> Statement of Senator George Voinovich, *Congressional Record*, daily edition, vol. 153, March 29, 2007, p. S4180.

<sup>51</sup> U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, *Senior Professional Performance Act of 2007*, report to accompany S. 1046, 110<sup>th</sup> Cong., 2<sup>nd</sup> sess. (Washington: GPO, 2008).

<sup>52</sup> *Congressional Record*, daily edition, vol. 154, July 11, 2008, pp. S6609-S6610.

<sup>53</sup> U.S. Congressional Budget Office, *Cost Estimate, S. 1046 Senior Professional Performance Act of 2007*, September 12, 2007.

<sup>54</sup> *Congressional Record*, daily edition, September 25, 2008, p. H9884.

<sup>55</sup> 122 Stat. 4043-4046.

Executive Schedule (\$177,000, as of January 2009). In agencies whose performance appraisal systems have not been so certified by OPM, SL and ST employees may receive basic pay up to Level III of the Executive Schedule (\$162,900, as of January 2009). SL and ST employees will not receive locality pay. According to OPM, guidance on implementing the law will be provided to departments and agencies and the provisions will become effective on April 12, 2009.

**Table I. Annual and Locality Pay Adjustments under FEPCA, 1991 to 2009**

| Year | EI-Based Annual Adjustment Required by FEPCA | Annual Adjustment Authorized | Locality Payments Required by FEPCA (National Average) | Locality Payments Authorized (National Average) | Net Increase, Annual and Locality Pay (National Average, Weighted) |
|------|--|------------------------------|--|---|--|
| 1991 | —  | 4.1%                         | —  | —   | 4.1%   |
| 1992 | 4.2%   | 4.2%                         | —  | —   | 4.2%   |
| 1993 | 3.7%   | 3.7%                         | —  | —   | 3.7%   |
| 1994 | 2.2%   | 0                            | 3.95%  | 3.95%   | 3.95%  |
| 1995 | 2.6%   | 2.0%                         | 6.44%  | 5.05%   | 3.08%  |
| 1996 | 2.4%   | 2.0%                         | 8.58%  | 5.56%   | 2.49%  |
| 1997 | 2.3%   | 2.3%                         | 11.29%   | 6.37%   | 3.09%  |
| 1998 | 2.8%   | 2.3%                         | 14.30%   | 6.93%   | 2.84%  |
| 1999 | 3.1%   | 3.1%                         | 16.95%   | 7.50%   | 3.65%  |
| 2000 | 3.8%   | 3.8%                         | 20.62%   | 8.62%   | 4.89%  |
| 2001 | 2.7%   | 2.7%                         | 23.12%   | 9.77%   | 3.76%  |
| 2002 | 3.6%   | 3.6%                         | 25.92%   | 10.95%  | 4.72%  |
| 2003 | 3.1%   | 3.1%                         | 27.59%   | 12.12%  | 4.21%  |
| 2004 | 2.7%   | 2.7%                         | 25.71%   | 13.81%  | 4.24%  |
| 2005 | 2.5%   | 2.5%                         | 25.51%   | 15.01%  | 3.54%  |
| 2006 | 2.1%   | 2.1%                         | 25.85%   | 16.22%  | 3.19%  |
| 2007 | 1.7%   | 1.7%                         | 24.15%   | 16.80%  | 2.24%  |
| 2008 | 2.5%   | 2.5%                         | 31.02%   | 18.13%  | 3.58%  |
| 2009 | 2.9%   | 2.9%                         | 36.89%   | 19.42%  | 3.99%  |

**Sources:** Locality-based comparability payments began in 1994. For the ECI-required annual adjustment, see U.S. Department of Labor, Bureau of Labor Statistics, *Employment Cost Index*, September of each year. For the locality payments required by FEPCA, see *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent*, December of each year. For the annual and locality pay adjustments authorized, see E.O. 12736, Dec. 12, 1990; E.O. 12786, Dec. 26, 1991; E.O. 12826, Dec. 30, 1992; Presidential memorandum of Dec. 1, 1993; E.O. 12944, Dec. 28, 1994; E.O. 12984, Dec. 28, 1995; E.O. 13033, Dec. 27, 1996; E.O. 13071, Dec. 29, 1997; E.O. 13106, Dec. 7, 1998; E.O. 13144, Dec. 21, 1999; E.O. 13182, Dec. 23, 2000; E.O. 13249, Dec. 28, 2001; E.O.s 13282, Dec. 31, 2002, and 13291, Mar. 21, 2003; E.O.s 13322, Dec. 30, 2003, and 13332, Mar. 3, 2004; E.O. 13368, Dec. 30, 2004; E.O. 13393, Dec. 22, 2005; E.O. 13420, Dec. 21, 2006; E.O. 13454, Jan. 4, 2008; and E.O. 13483, Dec. 18, 2008.

**Table 2. January 2009 Recommended Locality Payments**

| <b>Pay Areas</b>  | <b>2009<br/>Recommended<br/>Locality Payments</b> | <b>2009 Authorized<br/>Locality<br/>Payments</b> | <b>Net Increase,<br/>Annual and<br/>Locality Pay<br/>(weighted)</b> |
|---|---|--|---|
| Atlanta-Sandy Springs-Gainesville, GA-AL, CSA   | 35.99%  | 18.55%   | 4.00%   |
| Boston-Worcester-Manchester, MA-RI-NH, CSA, plus Barnstable County, MA, and Berwick, Eliot, Kittery, South Berwick, and York towns in York County, ME | 44.42%  | 23.98%   | 4.13%   |
| Buffalo-Niagara-Cattaraugus, NY, CSA  | 30.66%  | 16.39%   | 3.81%   |
| Chicago-Naperville-Michigan City, IL-IN-WI, CSA   | 42.73%  | 24.47%   | 3.99%   |
| Cincinnati-Middletown-Wilmington, OH-KY-IN, CSA   | 25.44%  | 18.28%   | 3.35%   |
| Cleveland-Akron-Elyria, OH, CSA   | 32.71%  | 18.16%   | 3.82%   |
| Columbus-Marion-Chillicothe, OH, CSA  | 28.02%  | 16.62%   | 3.63%   |
| Dallas-Fort Worth, TX, CSA  | 36.81%  | 19.95%   | 3.95%   |
| Dayton-Springfield-Greenville, OH, CSA  | 24.84%  | 15.90%   | 3.47%   |
| Denver-Aurora-Boulder, CO, CSA, plus the Ft. Collins-Loveland, CO, MSA  | 35.98%  | 22.03%   | 3.75%   |
| Detroit-Warren-Flint, MI, CSA, plus Lenawee County, MI  | 37.92%  | 23.56%   | 3.76%   |
| Hartford-West Hartford-Willimantic, CT, CSA, plus the Springfield, MA, MSA and New London County, CT  | 40.50%  | 25.08%   | 3.82%   |
| Houston-Baytown-Huntsville, TX, CSA   | 40.66%  | 28.28%   | 3.62%   |
| Huntsville-Decatur, AL, CSA   | 32.54%  | 15.46%   | 4.01%   |
| Indianapolis-Anderson-Columbus, IN, CSA, plus Grant County, IN  | 24.27%  | 14.23%   | 3.55%   |
| Los Angeles-Long Beach-Riverside, CA, CSA, plus the Santa Barbara-Santa Maria-Goleta, CA, MSA and Edwards Air Force Base, CA                          | 43.90%  | 26.51%   | 3.93%   |
| Miami-Fort Lauderdale-Pompano Beach, FL, MSA, plus Monroe County, FL  | 35.55%  | 20.21%   | 3.85%   |
| Milwaukee-Racine-Waukesha, WI, CSA  | 30.53%  | 17.65%   | 3.71%   |
| Minneapolis-St. Paul-St. Cloud, MN-WI, CSA  | 33.29%  | 20.36%   | 3.70%   |
| New York-Newark-Bridgeport, NY-NJ-CT-PA, CSA, plus Monroe County, PA, and Warren County, NJ   | 50.28%  | 27.96%   | 4.20%   |
| Philadelphia-Camden-Vineland, PA-NJ-DE-MD, CSA, plus Kent County, DE, Atlantic County, NJ, and Cape May County, NJ                                    | 36.76%  | 21.25%   | 3.85%   |

| Pay Areas   | 2009<br>Recommended<br>Locality Payments | 2009 Authorized<br>Locality<br>Payments | Net Increase,<br>Annual and<br>Locality Pay<br>(weighted) |
|---|--|---|---|
| Phoenix-Mesa-Scottsdale, AZ, MSA  | 34.81%                                   | 16.08%                                  | 4.10%   |
| Pittsburgh-New Castle, PA, CSA  | 28.84%                                   | 15.86%                                  | 3.73%   |
| Portland-Vancouver-Beaverton, OR-WA,<br>MSA, plus Marion County, OR, and Polk<br>County, OR   | 33.56%                                   | 19.71%                                  | 3.76%   |
| Raleigh-Durham-Cary, NC, CSA, plus the<br>Fayetteville, NC, MSA, the Goldsboro, NC,<br>MSA, and the Federal Correctional<br>Complex, Butner, NC                                     | 25.23%                                   | 17.38%                                  | 3.39%   |
| Richmond, VA, MSA   | 25.92%                                   | 16.10%                                  | 3.52%   |
| Sacramento - Arden-Arcade - Yuba City,<br>CA-NV, CSA, plus Carson City, NV  | 39.35%                                   | 21.53%                                  | 4.00%   |
| San Diego-Carlsbad-San Marcos, CA, MSA  | 43.49%                                   | 23.44%                                  | 4.11%   |
| San Jose-San Francisco-Oakland, CA, CSA,<br>plus the Salinas, CA, MSA and San Joaquin<br>County, CA   | 59.65%                                   | 34.35%                                  | 4.31%   |
| Seattle-Tacoma-Olympia, WA, CSA, plus<br>Whatcom County, WA   | 39.35%                                   | 21.06%                                  | 4.03%   |
| Washington-Baltimore-Northern Virginia,<br>DC-MD-VA-WV, CSA, plus the<br>Hagerstown-Martinsburg, MD-WV, MSA,<br>the York-Hanover-Gettysburg, PA, CSA,<br>and King George County, VA | 53.94%                                   | 23.10%                                  | 4.78%   |
| Rest of the U.S. (RUS)  | 23.40%                                   | 13.86%                                  | 3.52%   |
| Average   | 36.89%                                   | 19.42%                                  | 3.99%   |

**Sources:** Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2009 and Other Matters Pertaining to the Locality Pay Program* (Washington: October 25, 2007), Attachment 3. *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent* (Washington: December 6, 2007), p. 18. U.S. President (Bush), "Adjustments of Certain Rates of Pay," Executive Order 13483, *Federal Register*, vol. 73, December 23, 2008, pp. 78587-78598. MSA refers to a Metropolitan Statistical Area. CSA refers to a Combined Statistical Area. The locality pay areas are listed at 5 C.F.R. §531.603. See also, U.S. Office of Personnel Management, "Locality Pay Areas," *Federal Register*, vol. 72, June 22, 2007, pp. 34361-34363.

**Notes:** The actual pay rates are calculated in the following way. First, the basic General Schedule (GS) is increased by the annual adjustment percentage, resulting in a new GS schedule. The new basic GS rates are then increased by the locality payments. The resulting pay rates (annual + locality) are compared with the pay rates (annual + locality) for the previous year to derive the net increases in pay for the current year. According to OPM, the net increase is calculated using this formula:  $(I + L) - (I + L)_{old} \div (I + L)_{old} \times 100$ . For example, the calculation for 2009, in the Washington, DC, pay area, is  $(1.2310/1.2089 \times 1.029 - 1) \times 100 = 4.78\%$ . Salary tables for 2009 are available on the Internet at <http://www.opm.gov>.

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