

THE FEDERAL SALARY COUNCIL

MINUTES OF OCTOBER 5, 2000

MEETING NO. 00-1

The first meeting of the Federal Salary Council (FSC) for 2000 was held on Thursday, October 5, 2000. Vice Chairman John Leyden called the meeting to order at 9:30a.m. in Room 5329 of the Office of Personnel Management (OPM).

Present

The following members were in attendance: John F. Leyden, Vice Chairman; Peter A. Tchirkow; Margaret A. Coil; Colleen M. Kelley; and Richard N. Brown. Governor William Sheffield, Bobby Harnage, Sr., and Geri Marullo were absent. Donald Winstead was the Designated Federal Officer.

Thirteen members of the public attended, including Federal employees representing Monroe and Palm Beach Counties, Florida and Hampden and Hampshire Counties, Massachusetts. Staff from the offices of Representative Barney Frank (D-MA) and Representative James McGovern (D-MA) also attended.

The following is a summary of the Council's discussions:

Vice Chairman Leyden began the meeting by announcing his recent appointment as Vice Chairman. (The President appointed Mr. Leyden on September 5, 2000. A swearing-in ceremony was held prior to the meeting for Mr. Leyden, Colleen Kelley and Richard Brown.) The Vice Chairman announced that in Governor Sheffield's absence, he would chair the meeting. He stated that he had briefed Governor Sheffield on the agenda for the meeting and that Governor Sheffield indicated that he would support the Council's decisions.

The Vice Chairman then thanked former Vice Chairman Anthony Ingrassia for his contributions to the Council. Other members joined in expressing their gratitude to Mr. Ingrassia for his efforts on behalf of the Council.

Next, the Vice Chairman announced that the minutes for meeting 99-1 had been approved and signed by Governor Sheffield.

Discussion of Correspondence Received Concerning Locality Pay Area Boundaries

Since its last meeting, the Council has received correspondence from a number of Federal employees and Members of Congress requesting that their areas be removed from the "Rest of

U.S." (RUS) pay locality and given area of application or separate pay locality status. (See FSC document 00-1-1.)

At this point, the Vice Chairman asked for comments from the public concerning any of the issues covered in the correspondence.

Jeff Anliker of the U.S. Department of Agriculture, Amherst, Massachusetts, and Bob St. Lawrence of Westover Air Reserve Base represented Hampden and Hampshire Counties. Before beginning their presentation, they distributed additional letters from members of the Massachusetts congressional delegation. (See FSC document 00-1-8.) The letters express support for the Hampden/Hampshire County-Federal Locality Pay Working Group's proposal that Hampden and Hampshire Counties be combined for locality pay purposes and added to the Hartford pay locality as an area of application. (The Hampden/Hampshire County-Federal Locality Pay Working Group's proposal is included in FSC document 00-1-1.)

Mr. Anliker presented a number of reasons for combining Hampden and Hampshire Counties. First, he stated that there is no county government in Massachusetts. He pointed out that the two counties would have to be combined to meet the employment criterion for county-wide areas of application (i.e., a county must have at least 2,000 General Schedule employees). He added that the two counties have economic ties to the Hartford area, and he stated that over 8 percent of the workforce in the two counties commute to Hartford to work. He then gave examples of employees who have left his agency because of pay-related problems, including Federal wage grade (blue-collar) employees.

Mr. St. Lawrence gave additional examples of employees who have left his agency because of pay. He stated that employees are having a difficult time meeting the cost of living. He said that agencies in his area have tried offering bonuses and allowances to deal with recruitment and retention problems, but this is not working. He added that some agencies are reluctant to offer these payments.

Mr. Anliker and Mr. St. Lawrence acknowledged that locality pay does not consider cost of living. However, they believe that adding Hampden and Hampshire Counties to the Hartford pay locality would help agencies in their recruitment and retention efforts.

After thanking Mr. Anliker and Mr. St. Lawrence for their presentation, the Vice Chairman asked if they were aware of any agencies in Hampden and Hampshire Counties that were using recruitment and retention bonuses. They responded that the Department of Veterans Affairs (VA) in Northampton, Massachusetts, offers these payments to employees.

One member then asked the two presenters if they knew the dollar difference in the hourly wage of blue-collar employees in Hartford and Western Massachusetts and New York and Western Massachusetts. They responded that blue-collar employees in Hartford and New York are paid between \$1.25 and \$2.05 more per hour than employees in Western Massachusetts.

Another member asked for the percentage difference between the Hartford and RUS locality pay rates. Allan Hearne of OPM responded that locality pay rates in Hartford are 4.2 percent higher than the RUS rate.

Next, Derek Mousseau from the office of Representative Barney Frank and Ryan Thrasher from the office of Representative James McGovern spoke on the issue of locality pay for employees in the Attleboro/Fall River, Massachusetts, area. The Attleboro/Fall River area, which is currently in the RUS pay locality, will be completely surrounded by the Boston pay locality when the State of Rhode Island is added as an area of application. They pointed out that many employees who live in the Attleboro/Fall River area have to commute only 10 miles or so to work in the Boston pay locality, where they receive a higher locality pay rate. This has resulted in recruitment and retention problems for agencies in the Attleboro/Fall River area. Mr. Mousseau and Mr. Thrasher anticipate that the problems will only get worse once Rhode Island is added as an area of application. They asked that the Council do something to rectify this situation.

In response, the Vice Chairman informed Mr. Mousseau and Mr. McGovern that the Council's Methodology Working Group had reviewed the situation in Attleboro/Fall River. He informed them that the Council would present its recommendations concerning locality pay areas later in the meeting. He then thanked them for their statements.

The last presenters were Edward Seiler and Cheryl Korman of the West Palm Beach VA Medical Center. Mr. Seiler represented the South Florida Federal Executive Board (FEB). He presented the Board's proposal that Monroe and Palm Beach Counties be combined for locality pay purposes and added to the Miami pay locality as an area of application. (The FEB's proposal is included in document 00-1-1.) Mr. Seiler began by stating that the situation in the Miami area has changed since the boundaries of the Miami Consolidated Metropolitan Statistical Area (CMSA) were set in the mid-1990s. There has been tremendous economic growth and expansion in Monroe and Palm Beach Counties since that time. The VA Medical Center opened in 1995, and the level of commuting between the areas has grown to about 16 percent. Mr. Seiler noted that about 95 percent of the land area of Monroe County is uninhabited. (The county includes two large national parks.) The other 5 percent--about 80 miles long--consists of the Florida Keys and is highly populated. About 500 to 600 General Schedule (GS) employees work in this area. Mr. Seiler added that agencies in Key West and Monroe County are having an extremely difficult time recruiting and retaining employees. Employees stay for short periods of time and then move to Miami for higher pay.

One member wanted to know the percentage difference between the Miami locality pay rate and the RUS rate. Allan Hearne of OPM responded that locality pay rates in Miami are 2.8 percent higher than RUS rates.

Report of the Methodology Working Group

After hearing the presentations, the Vice Chairman submitted the report of the Council's Methodology Working Group.

The Methodology Working Group met on September 18 and 19, 2000, to prepare its recommendations for locality payments and locality pay area boundaries for 2002. It also discussed other matters concerning the locality pay program. The Vice Chairman read from FSC document 00-1-7, the report of the Methodology Working Group. The report contains the Working Group's recommendations on survey methodology, locality payments, and locality pay areas for 2002.

The Working Group's major recommendations are as follows:

- 1) The Working Group continues to believe that salary surveys conducted under the Bureau of Labor Statistics' (BLS) National Compensation Survey (NCS) Program are not currently suitable for use in the locality pay program. Therefore, the Working Group recommends continued use of surveys conducted under BLS' Occupational Compensation Survey Program (OCSP). The most recent OCSP survey data should be aged to March 2000 using the change in the nationwide Employment Cost Index. The pay gaps should be recalculated using March 2000 GS employment and salary data.
- 2) The overall average of locality rates should be 25.93 percent. (Under 5 U.S.C. 5304(a)(3)(I), the percentage of comparability payments due in January 2002 may not be less than the full amount of the target gap, the amount needed to reduce the pay disparity to 5 percent. According to OPM calculations, the target gap averages 25.93 percent.)
- 3) Although Huntsville, Indianapolis, Kansas City, and Orlando have pay gaps below RUS, the Working Group recommends that they not be dropped as pay areas at this time. The Council had recommended that areas with pay gaps 2/10 of a percentage point or more below RUS or below RUS for three surveys be dropped and the resources used to survey these areas reallocated to survey new areas that may have pay gaps above RUS. The Working Group believes it is not feasible to reallocate survey resources, since it is recommending that NCS surveys not be used. The Working Group recommends that the pay gaps in these locations be combined with RUS in a cost-neutral fashion for the 2002 payments.
- 4) New London County, Connecticut; Santa Barbara County, California; and Edwards Air Force Base no longer meet the area of application criterion of 2,000 GS employees for counties or 1,000 GS employees for installations. However, the Working Group recommends that they continue as areas of application to their respective locality pay areas at least until new Census data are available for evaluation and new metropolitan areas are defined in 2003. (See FSC documents 00-1-4 and 00-1-5 for the final recommendations of the Metropolitan Area Standards Review Committee.)

- 5) The 32 existing locality pay areas, plus the current areas of application, should be continued, and the State of Rhode Island and Monterey County, California, should be added as areas of application as previously recommended. The Council should recommend no additional modifications to pay area boundaries until it has had the opportunity to review newer empirical data on population and commuting patterns from the 2000 Census. The Working Group also recommends that no new locations be added as separate locality pay areas.
- 6) The Council should continue to review, comment on, and support all NCS survey improvements. (FSC documents 00-1-2 and 00-1-3 contain information concerning the status of NCS improvements.)
- 7) The Council should ask the Pay Agent to consult the Federal Salary Council on the use of commercial salary surveys in the locality pay program before the Pay Agent makes any decisions on the matter. (The pending FY 2001 Treasury/Postal appropriations bill contains language requiring the President's Pay Agent to use salary survey data from commercial vendors to determine whether five cities-- Raleigh, Austin, Las Vegas, Louisville, and Nashville--warrant separate locality pay area status. See FSC document 00-1-6 for the text of the draft language.)
- 8) The Council should recommend that the Pay Agent direct OPM to revise regulations to hold the current metropolitan area portion of locality pay areas constant until the Pay Agent and the Council have had an opportunity to review the new metropolitan area definitions.
- 9) Funds available for locality pay in 2001 should be allocated based on the size of the pay gap in each locality, instead of applying a uniform phase-in factor (across-the-board) to all localities. Under this method, areas with bigger pay gaps than the average target gap (25.63 percent based on 1999 data for 2001 payments) would receive bigger increases than those resulting from application of the uniform phase-in factor, while areas with smaller gaps than the average would receive smaller increases. (Attachment 5 of document FSC 00-1-7 shows the locality rates for 2001 based on the Working Group's recommended approach.)

After reading the Working Group's report, the Vice Chairman asked the other Council members for their comments. One member pointed out that the August 16, 2000, *Federal Register* notice concerning the addition of Rhode Island and Monterey County, California, as areas of application is still out for comment. (The comment period ends on October 16, 2000.) He noted that the Pay Agent is responsible for considering all comments regarding areas of application and suggested that employees and other groups could use this as a vehicle to make their case for additional areas of application. He reiterated that the Council members are concerned about making additional changes in locality pay boundaries until they have had an opportunity to review the upcoming Census data and the proposed metropolitan area changes. The member

stated that he continues to believe that agencies can deal with any recruitment or retention problems through the use of special salary rates and recruitment and retention payments.

Another member stated that the arguments for additional areas of application have been based mostly on anecdotal evidence. She stated that without empirical evidence, she is reluctant to suggest additional changes to the boundaries of existing locality pay areas. She suggested that the new Census data may support some of the arguments, but she would like to review the data first before agreeing to recommend additional changes.

After hearing the Methodology Working Group's report and the additional comments by Council members, the Council voted to approve the Working Group's recommendations.

Recommendations for the 2001 Federal Pay Increase

Based on the President's budget proposal for a 3.7 percent average pay adjustment, the Council voted to support a 2.7 percent general increase (the amount that would be granted under the GS ECI formula in current law) and increases in locality payments equaling 1.0 percent of payroll.

Future Meetings

The Council agreed to delay scheduling its next meeting until further notice.

Public Comments and Adjournment

Edward Seiler of the West Palm Beach VA Medical Center made an additional comment in support of the South Florida Federal Executive Board's request that Palm Beach and Monroe Counties be combined and added to the Miami pay locality as an area of application. Mr. Seiler argued that if the counties were combined, they would meet all of the Council's criteria for areas of application. In response, Allan Hearne of OPM noted that Monroe County passes the commuting criterion, but Palm Beach County does not. (The level of commuting to and from Monroe County and the core of the Miami CMSA is 8.6 percent. The level of commuting to and from Palm Beach County and the core of the Miami CMSA is 1.7 percent.) Mr. Hearne added that based on OPM data, the counties still would not meet the requirement for 2,000 GS employees, even if they were combined. (As of March 2000, Monroe County has 474 GS employees, and Palm Beach County has 1,321 GS employees.) He then suggested that the employment numbers used in the FEB's proposal might have included wage grade employees in addition to GS employees. Mr. Hearne then stated that there was some question about why the counties should be combined, since they are not adjacent to each other.

Next, the Vice Chairman told Mr. Seiler that the Council would be happy to receive any information to substantiate the FEB's employment data.

Derek Mousseau of Representative Barney Frank's office reiterated that something needs to be done to remedy the situation with the Attleboro/Fall River area. One member responded that the

FSC's Methodology Working Group spent a lot of time discussing the issue of locality pay for this area. However, he said the Working Group members concluded that they should not recommend additional changes in locality pay area boundaries at this time. He stated that this area probably deserves relief more than any of the other areas, and he noted that under the Council's recommendations, the Pay Agent could still decide to make adjustments in pay areas to address egregious situations.

Next, Nick Andrus of the General Accounting Office complimented the Council on its deliberations. He also expressed his appreciation to Anthony Ingrassia for his work as Vice Chairman of the Council.

The meeting was adjourned at 10:50 a.m.

APPROVED

SIGNED

William J. Sheffield
Chairman

Documents Distributed:

- 00-1-1 Correspondence from Members of Congress and Federal employees requesting changes to locality pay area boundaries.
- 00-1-2 Presentation by the OPMIBLS/OMB Working Group concerning its progress on NCS improvements.
- 00-1-3 Report by the OPMIBLS/OMB Working Group on the status of NCS improvement projects.
- 00-1-4 Summary of the Metropolitan Area Standards Review Committee's final recommendations to OMB concerning changes to metropolitan area standards.
- 00-1-5 The Metropolitan Area Standards Review Committee's final report and recommendations.
- 00-1-6 Draft language contained in the pending FY 2001 Treasury/Postal appropriations bill concerning the use of commercial salary surveys.
- 00-1-7 Report of the FSC Methodology Working Group concerning its recommendations for locality pay in 2002.
- 00-1-8 Additional letters from Members of Congress concerning locality pay for employees in Hampden and Hampshire Counties in Massachusetts.