### FEDERAL PREVAILING RATE ADVISORY COMMITTEE

## 594th FPRAC

SHELDON FRIEDMAN, Chairperson, Presiding

Thursday, May 15, 2014

Room 5526 Office of Personnel Management Washington, D.C. 20415

## **ATTENDANCE:**

## Members/Alternates:

Management Members: Mark Allen, OPM Tracy Schulberg, Navy Gary Buck, Army

Labor Members: Bill Fenaughty, MTD Jacque Simon, AFGE Adair Gregory, NAGE

# Staff Specialists and Visitors:

Jeanne Jacobson, Designated Federal Officer, OPM Madeline Gonzalez, OPM Luis Lynch, AF David Pedersen, Navy

# Recording Secretaries:

Mike Eicher, OPM Terri Wallace, OPM

[Transcript prepared from digital audio produced by FPRAC.]

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  - c. Hypothetical Payline Estimates for Augusta, ME and Portsmouth, NH Using Raw Data from Outside Counties, 594-DOD-1
  - d. Definitions of Metropolitan Statistical Areas, 594-MGT-1

### PROCEEDING

CHAIRMAN FRIEDMAN: Good morning, everyone. Welcome to this, our 594th meeting of the Federal Prevailing Rate Advisory Committee. My name is Sheldon Friedman, Chair of the Committee.

We are a little bit short on attendance today with our members, but maybe we will get more people staggering in. We will see. Meanwhile, I think we should get started. As we usually do, let's go around the room and introduce ourselves. Let's start with you today, Bill, please.

MR. FENAUGHTY: Bill Fenaughty with Metal Trades.

MS. SIMON: Jacque Simon, American Federation of Government Employees.

MR. GREGORY: Adair Gregory, National Association of Government Employees.

MR. ALLEN: Mark Allen with OPM. MS. SCHULBERG: Tracy Schulberg, Navy. MR. BUCK: Gary Buck, Army. CHAIRMAN FRIEDMAN: Thank you. And there is no one on the phone; is that correct? MS. GONZALEZ: Correct.

CHAIRMAN FRIEDMAN: Jeanne, would you go ahead,

please.

MS. JACOBSON: Jeanne Jacobson, OPM, Designated Federal Officer.

MR. LYNCH: Luis Lynch, Air Force.MR. PEDERSEN: David Pedersen, Navy.MR. EICHER: Mike Eicher, OPM.MS. GONZALEZ: Madeline Gonzalez, OPM.MS. WALLACE: Terri Wallace, OPM.CHAIRMAN FRIEDMAN: Okay, thank you.

Well, let's start with a couple of announcements. I circulated to everyone the final regulation regarding the Special Wage Schedule for Nonappropriated Fund Auto Mechanics. People may remember we dealt with that issue previously at FPRAC. There was no consensus, but we voted on it a couple years back. It is finally being implemented, and I thought people might want to be aware that the regulation was issued.

One of the provisions is an every-3-year review by FPRAC to see how people's wages are going to be affected by the change.

Any questions about that?

MR. ALLEN: I should add, Mr. Chairman, this regulation has an effective date of April the 24th, but it is

not actually applicable until the first pay period after June 23rd.

CHAIRMAN FRIEDMAN: Okay. Anything else on that one? [No audible response.]

CHAIRMAN FRIEDMAN: The other announcement pertains to the every-2-year review of Labor membership on FPRAC, which statute requires, and you will see there is no change indicated based on OPM staff analysis of union representation data for FWS employees. Any questions about that?

[No audible response.]

CHAIRMAN FRIEDMAN: Okay. That brings up the minutes of our last meeting. Are there any other corrections or changes beyond those we have heard from you about already?

[No audible response.]

CHAIRMAN FRIEDMAN: If not, does anyone disagree with the idea that we should adopt the transcript of our last meeting?

[No audible response.]

CHAIRMAN FRIEDMAN: Hearing no disagreement, the transcript is adopted.

That brings up Old Business. Anybody have anything on items (a) through (d) that they want to bring up this morning?

[No audible response.]

CHAIRMAN FRIEDMAN: If not, we can move on to (e), which is also part of (a) through (c) under New Business, all of which we will discuss together. If people are agreeable, I would like us to skip down to item (d) on New Business and see if perhaps we can dispose of that one.

Mark, would you please summarize that one for us?

MR. ALLEN: Sure. As everybody knows, we have new Metropolitan Statistical Area definitions that are issued by the Office of Management and Budget, and we are starting to take a look at how those new MSA definitions impact Federal Wage System wage areas, being that regulations indicate it is only permissible for MSAs to be split by FWS wage area boundaries in unusual circumstances.

We have identified three Metropolitan Statistical Areas that are currently split by wage areas, and based on the analyses we have done, we are recommending that Culpepper and Rappahannock Counties, Virginia, be redefined from the Hagerstown-Martinsburg-Chambersburg, Maryland, area of application to the Washington, D.C., area of application; Fillmore County, Minnesota, be redefined from the Southwestern Wisconsin area of application to the Minneapolis-St. Paul, Minnesota, area of application; and Chester County, South Carolina, be redefined from the Columbia, South Carolina, area of application to the Charlotte, North Carolina, area of application.

Of particular interest to this Committee should be Culpepper and Rappahannock Counties. There are seven employees with the Department of Veterans Affairs in Culpepper County and one employee with the Department of the Interior in Rappahannock County. The other two counties that are affected and covered in this proposal have no Federal Wage System employees in them.

I will also draw your attention to the fact that at least some of the employees in Culpeper and Rappahannock Counties would experience a reduction in pay by being placed into the Washington, D.C., wage area because the wage schedule for Hagerstown is higher at the lower grade levels than the Washington, D.C., wage area schedule.

> CHAIRMAN FRIEDMAN: Any questions or discussion? [No audible response.]

MR. ALLEN: There is a map immediately following the analysis of Culpepper and Rappahannock Counties where you can see the magenta-colored proposed Washington, D.C., Metropolitan Statistical Area. Rappahannock and Culpepper Counties are shown in the magenta color on the outside of the blue wage area boundary line. It is a pretty sizeable Metropolitan Statistical Area and there are two counties that are not included in that Washington, D.C., wage area, currently. That is really what is driving this proposal for this Metropolitan Statistical Area.

CHAIRMAN FRIEDMAN: These are newly defined to the Washington Metropolitan Statistical Area?

MR. ALLEN: That is correct, yes.

MS. SIMON: Do you know if those counties are coming into the Washington-Baltimore GS locality pay area?

MR. ALLEN: I believe they should already be in it. MS. SIMON: As a result of this?

CHAIRMAN FRIEDMAN: I actually looked this up. I was curious. Culpepper County already is.

MS. SIMON: Oh, okay.

CHAIRMAN FRIEDMAN: It was in 2003, for some reason, it met some other criterion. It wasn't yet part of the Metropolitan Statistical Area, but it met some other locality pay area criterion.

Rappahannock County was just recommended in December for addition to the Washington-Baltimore locality pay area, based on some other criteria. MS. SIMON: Probably the commuting data.

CHAIRMAN FRIEDMAN: Yes, probably commuting. I presume that recommendation was not adopted. It was part of the report of the Federal Salary Council.

MS. SIMON: Okay.

MR. ALLEN: That sounds right, yes.

CHAIRMAN FRIEDMAN: But I guess, presumably, it now would be at some point, due to the change in definition of the Washington MSA.

MS. SIMON: Okay.

MR. FENAUGHTY: I want to be sure I understand. So the seven employees that are affected --

CHAIRMAN FRIEDMAN: Yes.

MR. FENAUGHTY: -- they would experience a loss in wages because they are low-graded employees. Is that what you said?

MR. ALLEN: We would have to look grade by grade to see the difference in the wage schedules for the employees.

CHAIRMAN FRIEDMAN: If I read it correctly, more employees' rates would actually go up. One or two go down, but more go up.

MS. SIMON: More wages go up, but how about for the

positions that are currently held?

CHAIRMAN FRIEDMAN: Yes. That's what I was referring to.

MS. SIMON: Okay.

CHAIRMAN FRIEDMAN: You might want to see if I got that right, as I was eye-balling it.

MR. ALLEN: If we look at Wage Grade 6 for Culpepper County where there are four employees, if we look at the Step 2 rate for Washington, D.C., that is \$20.51 an hour. For Hagerstown, it is \$20.13 an hour. It's not saying that all the employees are Step 2, just to give you a kind of perspective on that.

MS. SIMON: They are mostly Grade 6?

MR. ALLEN: Four employees at Grade 6. There are two employees at Wage Grade 5. For Wage Grade 5, the Washington, D.C., rate is \$18.77 at Step 2, and it is currently \$19.38 at Step 2 for the Hagerstown wage area.

There is also an employee at WS-5, which is \$27.01 in the Washington, D.C., area, \$26.34 in the Hagerstown area.

MS. SIMON: Okay.

MR. ALLEN: The Chairman is right. Most employees will receive an increase in pay. Those who would be placed on a

lower wage schedule, if they were not currently at Step 5, could be bumped up, possibly. If that could not happen, then they would be covered by pay retention provisions.

> MS. SIMON: Okay. CHAIRMAN FRIEDMAN: Any more discussion of this one? [No audible response.] CHAIRMAN FRIEDMAN: Is there a consensus to adopt it?

CHAIRMAN FRIEDMAN: So hearing that there is a consensus, we have adopted 594-MGT-1. Thank you.

[No audible response.]

So this brings up the abolition of the Portland, Maine, wage area. The abolition of the wage area is necessary because employment has dwindled, and the closure of the host installation in 2011 has left the wage area without an activity having the capability to conduct local wage surveys. We have a Management proposal on the table as to how the counties of the wage area should be reassigned. Labor has indicated its dissent from that proposal and is formulating a counterproposal.

We have some new documents that were requested at our previous meeting.

We are shy of a quorum and, therefore, can't vote today, but I see no reason why we can't begin discussion on this issue and perhaps move forward on it.

Would it be helpful to have a summary of the three new documents for starters?

MS. SIMON: Yes.

CHAIRMAN FRIEDMAN: Okay. Mark, you're on.

MR. ALLEN: All right. In document 594-OPM-1, we were asked to take a look back at how wage areas had been abolished back around the time the Federal Wage System was established and prior to that under the coordinated Federal Wage System. As you can see from this document, there's really a mixed-bag approach. There is no one right way to redefine the counties of an abolished wage area.

Just to give you some examples, the Montgomery, Alabama, wage area was abolished in 1971, and the entire wage area was redefined to the Columbus, Georgia, area of application. A couple of years prior to that, in 1969, the counties of the Fort Smith, Arkansas, wage area were split between two wage areas. In 1971, the Colorado Springs wage area was abolished due to having inadequate wage data, so two survey areas were combined. There is no definite pattern to these things. It has always been up to the Committee's discretion to say what best fits the situation for each wage area or whether a survey area should be expanded or not when a wage area is combined with another one.

CHAIRMAN FRIEDMAN: I have a question. One thing I noted is that sometimes under the rationale column, when distance was mentioned, it referred to distance to survey area. Has there been any change in how we view distance in FPRAC?

MR. ALLEN: Usually, what we do in our analyses' packages is we measure distances between main city or cities in a survey area as well as measuring between host installations, because the host installation tends to have the majority of the Federal Wage System employees in most of the wage areas.

CHAIRMAN FRIEDMAN: So when this says proximity to survey area, it is really shorthand for saying proximity to a major city in the survey area?

MR. ALLEN: Yes.

CHAIRMAN FRIEDMAN: Is that way of measuring distance still used by OPM staff?

MS. GONZALEZ: In the past, the analysis reviews were a lot shorter. The explanations were shorter than what we're used to today. I agree with Mark that distance was measured to major cities in survey areas because you have to measure to a point, not to a whole area. There's no mention in the old reviews of measuring to host installations, at least on the appropriated side. Today OPM staff measures to the major city or cities and to the host installation.

CHAIRMAN FRIEDMAN: Right. And measuring to a major city can give you a different result than looking at distance to an installation.

MR. ALLEN: The real detailed analyses that FPRAC started to do were really around 1993, 1994, in which the Committee decided it was appropriate to measure from counties in areas of application to cities in survey areas or host installations. There's not actually anything in regulation, at least with the Appropriated Fund wage areas that says the distance has to be measured from a county to a host installation, but it's something the Committee decided to look at.

CHAIRMAN FRIEDMAN: Do you want to go through the other new documents, too, then?

MR. ALLEN: Okay. We were also asked to provide a kind of an addendum to the review of the Portland wage area just to add the number of employees who are still working in the counties of the wage area.

Principally, we are looking at Cumberland and

Sagadahoc Counties. There were around 37 employees in these two counties of the Portland wage area that we did not identify in the previous analysis that we presented to the Committee.

Currently, there are approximately 80 employees in the Portland wage area that is proposed to be abolished.

One other thing I probably should point out here is -Madeline, please correct me if I am incorrect about this, but is the largest employer in the Portland wage area that we are interested in located in Sagadahoc County?

MS. GONZALEZ: Correct.

MR. ALLEN: Okay. And that county has no Federal Wage System employees in it.

CHAIRMAN FRIEDMAN: That's the employer that is used for the Monroney Amendment purposes in Portsmouth.

MR. ALLEN: That's correct.

CHAIRMAN FRIEDMAN: Any questions about that document? [No audible response.]

CHAIRMAN FRIEDMAN: We've got one more document to discuss, I think, as a new business item.

MR. ALLEN: The next document is actually a DoD document, 594-DOD-1. Management was asked to come up with a hypothetical payline, if the data for the Portland survey counties, as contained in the Management proposal, would be added to the Portsmouth, New Hampshire, wage area data. This document is really something that I would need DoD staff to explain in detail to show what all the implications are. I understand some of them, but I think they are in a better position to --

MS. SIMON: But this is basically adding some of the counties that were in Portland to the survey area of both Augusta and Portsmouth.

MR. ALLEN: Yeah, that's right.

CHAIRMAN FRIEDMAN: Yes.

MS. SIMON: Okay.

CHAIRMAN FRIEDMAN: And these are -- I am pretty sure these are unrestricted paylines.

MS. SIMON: Right.

CHAIRMAN FRIEDMAN: Not what would be the actual pay rates--

MS. SIMON: Right, I understand.

MR. ALLEN: These pay lines are, again, hypothetical. If a survey were done, it could be something markedly different from what is hypothesized here, but this gives an idea of the impact using the data that DoD has currently. MS. SIMON: Okay. And the Management proposal remains to put some of the counties into Augusta and some into Portsmouth?

MR. ALLEN: Yes.

MS. SIMON: And the Labor counter, which is to put the whole thing into Portsmouth, has that ever been voted on?

CHAIRMAN FRIEDMAN: No. We haven't had any votes on this at all.

MS. SIMON: Okay.

CHAIRMAN FRIEDMAN: The part of the Labor proposal that hasn't been specified is what to do about survey counties; in other words, is the Labor proposal to retain some or all of the current Portland survey counties, as survey counties after the Portland wage area is abolished,, or not?

MS. SIMON: Do we ordinarily vote on survey counties?

CHAIRMAN FRIEDMAN: We just need to know what it is that we are being asked to adopt.

MS. SIMON: Okay.

MR. ALLEN: Yes. The current Management proposal would add counties to the survey areas, and the information contained in 594-DOD-1 is important information to kind of provide a long-range view to see what the impact would be on employees in the Portsmouth or Augusta wage areas.

Now, having said that, this year, Federal Wage System wage schedules are limited to a 1 percent increase. They can't go down. They can only go up by 1 percent, and there is a provision in the President's Budget Proposal for FY 2015 that would do the same thing.

MS. SIMON: Oh, believe me, we know.

MR. ALLEN: Okay.

CHAIRMAN FRIEDMAN: So even in the case of a consolidation of a wage area that moves everybody up to a different payline, they wouldn't move up to it? Is that what you're saying?

MS. SIMON: They can still move up to the new payline. It's just that whatever the payline is would be adjusted 1 percent.

MR. ALLEN: Yes.

What would happen is the Portsmouth wage schedule would only be adjusted by 1 percent in FY 2015. So regardless of the data being imported to the Portsmouth wage area, it would have no effect on the actual payable rates for employees, assuming there is the same 1 percent pay increase provision for Federal Wage System employees. MS. SIMON: But can't it alter the slope of the payline?

MR. ALLEN: It could, yes. It most likely would, but it wouldn't have any effect on the wage schedule rates. It would only have an effect on the unrestricted payline rates.

MS. SIMON: Okay.

MR. FENAUGHTY: Pretty much what we are going through now.

MR. ALLEN: Yes.

MS. SIMON: Yes.

CHAIRMAN FRIEDMAN: Well, okay. Let me make sure I understand this. Let's say you take one of the abolished Portland counties, and combine it with the Portsmouth wage area, and let's say that's a step down in pay for some of those people. Does that mean those people don't even get the 1 percent pay adjustment?

MR. ALLEN: No. The way the language is written in the appropriations law, there must be a 1 percent adjustment to the wage schedule.

CHAIRMAN FRIEDMAN: But they would be moved to a new schedule, right?

MR. ALLEN: They would be moved to a new wage

schedule. It's a separate action for moving employees to a schedule and then after that adjusting the wage schedule through the annual wage survey process.

So employees I think in most cases for the Portland wage area, if they would go into the Portsmouth wage area, they would receive an increase in pay by being placed on the Portsmouth wage schedule on a grade-for-grade, step-for-step basis. So they would see their pay go up.

Then in subsequent wage surveys, the wage schedule would only be adjusted by 1 percent.

CHAIRMAN FRIEDMAN: Okay. Let's look at 594-DOD-1. I am looking at two columns. One says Portsmouth, and one says Portland. I understand these are the unrestricted paylines, not the actual paylines.

So, for example, somebody who is in Grade 1, in Portland they are getting \$13.20, in Portsmouth they are getting \$12.16, right? Suppose all of a sudden they are moved from Portland to Portsmouth. Let's say you adjust Portsmouth by 1 percent.

> MR. ALLEN: These are the wage survey payline results. CHAIRMAN FRIEDMAN: Yes.

MR. ALLEN: These are not actual payable rates.

CHAIRMAN FRIEDMAN: Right.

MR. ALLEN: And there can be a divergence between the wage schedule rates and the payline rates by as much as 30 percent in either direction.

MS. SIMON: But, Mark, I think the question that is being asked is what happens if the payable rate in Portsmouth or Augusta is lower than the payable rate was in Portland.

MR. ALLEN: That would be the case for employees who would be moving from Coos County, from the Portland wage area to the Augusta wage area. The rates on those wage schedules are lower on the Augusta wage schedule than they are on the Portland wage schedule. So employees in Coos County would be placed on a lower wage schedule.

MS. SIMON: Right.

MR. ALLEN: And regardless of the wage survey payline results, next fiscal year, if the expected 1 percent increase goes into effect, employees would receive a 1 percent adjustment, regardless of which wage schedule they are on.

MR. FENAUGHTY: But they would be in a lower --

MS. SIMON: They wouldn't be in the safe pay?

MR. ALLEN: If somebody is on pay retention, they would get half of the increase.

MS. SIMON: Yes. So they wouldn't automatically get the 1 percent.

MR. ALLEN: That's true.

MS. SIMON: Okay.

Well, that's the answer to your question: No.

CHAIRMAN FRIEDMAN: It seems to me -- and I guess we would have to look at the actual wage schedules, which are different from these unrestricted paylines, but it seems to me that in either direction, people could be going down in pay. I'd have to look at the actual wage schedules which we have in one of our other documents.

MR. ALLEN: That is really the thing to look at.

CHAIRMAN FRIEDMAN: So it does seem to me that if Labor wants to have a counterproposal, it does need to include as part of it what happens to the current Portland survey counties.

MS. SIMON: Right, I get it. I understand what you are saying.

CHAIRMAN FRIEDMAN: Without that, it is not quite a proposal.

Is there any more discussion of this today? We do have to resolve it. We can't have a vote today, but we could talk more about it if we want to come closer to getting a resolution on it today.

MS. SIMON: Well, we could draft the Labor proposal to include recognition of the necessity to add the former Portland survey areas to the Portsmouth survey areas, but we are not really -- are we considering any proposals today?

CHAIRMAN FRIEDMAN: Well, actually, if we had a fully defined Labor proposal and we have already the Management proposal and people had that going into the next meeting, that does move us a little bit closer to a decision.

MR. ALLEN: What I have heard from the Labor members is that they are interested in moving the counties of the Portland wage area as a whole into the Portsmouth wage areas. Then the remaining question would be whether adding counties proposed for inclusion in the survey area that are in the Management proposal should continue to be included in the Labor proposal, to add those to the Portsmouth survey area. Am I correct?

MS. SIMON: Yes.

MR. ALLEN: Okay.

CHAIRMAN FRIEDMAN: Well, there are three survey counties in Portland currently.

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MS. SIMON: Okay.

CHAIRMAN FRIEDMAN: Under the Management proposal, all three would remain survey counties. Two of them would go to Portsmouth. One would go to Augusta.

MS. SIMON: Right.

CHAIRMAN FRIEDMAN: So for the Labor proposal, it sounds like you are thinking that you want to retain some or all of those counties?

> MR. ALLEN: It could be two of the three rather than--MS. SIMON: Rather than all three, yes.

CHAIRMAN FRIEDMAN: One question in my mind is -- DoD tells us that they get the data for Portsmouth under Monroney from Sagadahoc County, which is a survey county in Portland. So if Sagadahoc would no longer be a survey county, where would they get that Monroney data from? I don't know the answer to that, but I don't know if anyone knows. I don't know if there's something in the law that would tell them where to look next.

MR. ALLEN: Yes. It is the next closest one, which I believe would be down in the Tidewater Area in Virginia.

CHAIRMAN FRIEDMAN: Wow! That's not too close.

MS. SIMON: No.

MR. ALLEN: There's not a really big ship-building

industry on the Atlantic Coast anymore.

CHAIRMAN FRIEDMAN: Nothing in Rhode Island or Connecticut?

MS. SIMON: Rhode Island has nothing anymore?

MR. ALLEN: Not much.

MS. SIMON: Pennsylvania has nothing? Philadelphia nothing? I guess not.

MR. ALLEN: I think once you get past Norfolk and Virginia Beach, you have to go all the way around to the Gulf Coast to see the major shipyards that are left there.

CHAIRMAN FRIEDMAN: So that might be thought of as an argument for retaining Sagadahoc, if I am pronouncing it correctly, as a survey county.

MS. SIMON: As a survey county, yes.

CHAIRMAN FRIEDMAN: So do you want to do a little more work offline finalizing Labor's proposal?

MS. SIMON: I guess we would have to write it down.

CHAIRMAN FRIEDMAN: Okay. Hopefully, we will get everybody here next time.

MS. SIMON: Okay.

CHAIRMAN FRIEDMAN: I don't know what I have to do to make it happen, but we'll see. Prizes? Maybe a door prize?

Raffle?

[Laughter.]

MS. SIMON: It would be nice if we had snacks, but I guess that's not in the budget.

CHAIRMAN FRIEDMAN: Snacks. I'm sorry. I've been informed that's against the law.

MR. ALLEN: I have one banana. I could bring a bunch. [Laughter.]

MS. SIMON: Free coffee.

CHAIRMAN FRIEDMAN: We could voluntarily contribute to a refreshment fund, but that gets complicated, doesn't it?

MS. SIMON: Yeah.

CHAIRMAN FRIEDMAN: All right. Well, anyway, okay. I guess this is as far as we can take it today. Anything else on this?

[No audible response.]

CHAIRMAN FRIEDMAN: Any other New Business?

[No audible response.]

CHAIRMAN FRIEDMAN: We do have a working group meeting shortly after we adjourn here.

Is there any objection to our adjourning?
[No audible response.]

CHAIRMAN FRIEDMAN: Hearing no objection, we are adjourned.

See you all next month. Thank you.