

FEDERAL PREVAILING RATE ADVISORY COMMITTEE

566th FPRAC

SHELDON FRIEDMAN, Chairperson, Presiding

Thursday, August 18, 2011

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

ATTENDANCE:

Members/Alternates:

Management Members**MARK ALLEN**, Office of Personnel Management
SETH SHULMAN, Department of Defense
CARLOS SAAVEDRA, Department of Navy
BARBARA WALKER, Department of Army
THURSTAN HUNTER, Department of Veterans AffairsLabor Members**DENNIS PHELPS**, Metals Trade Department
J. DAVID COX, AFGE
JACQUELINE SIMON, AFGE
EDWARD ELDER, NAGE

Staff Specialists and Visitors:

JEROME MIKOWICZ, Designated Federal Official,
Office of Personnel Management
MADLINE GONZALEZ, Office of Personnel Management
TERRI AVONDET, Office of Personnel Management
ALLEN BROOKS, Office of Personnel Management
TEMPLE WILSON, Office of Personnel Management
DARLENE FREEMAN, U.S. Air Force
TAMMY VANKEUREN, U.S. Air Force
JIM BRADY, Department of Defense
H.L. "Hank" ROVAN, Department of Defense
KARL FENDT, Department of Defense
BECKY CHAVES, Department of Defense
CRAIG JERABEK, Department of Defense
JIM DAVEY, Department of Defense
ANN MARIE HANNON, Department of Veterans Affairs
ANRIKA CORBIN, Department of Veterans Affairs
NELL KORING, AFGERecording Secretary: **VANNESSA BROWN**Assistant Recording Secretary: **FEBBIE GRAY**

[Transcript prepared from digital audio produced by FPRAC.]

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P R O C E E D I N G S

CHAIRMAN FRIEDMAN: Good morning, everyone, and welcome to this 566th meeting of the Federal Prevailing Rate Advisory Committee.

As always, why don't we go around the room and introduce ourselves. My name is Sheldon Friedman, Chairman of FPRAC.

Mark?

MR. ALLEN: Mark Allen with OPM.

MR. SHULMAN: Seth Shulman, Department of Defense.

MR. SAAVEDRA: Carlos Saavedra, Department of the Navy.

MS. WALKER: Barbara Walker, Department of Army.

MR. HUNTER: Thurstan Hunter, Department of Veterans Affairs.

MR. MIKOWICZ: Jerry Mikowicz, OPM, Designated Federal Official.

MR. ELDER: Edward Elder, NAGE.

MS. SIMON: Jackie Simon, AFGE.

MR. COX: J. David Cox, AFGE.

MR. PHELPS: Dennis Phelps, Metal Trades Department.

CHAIRMAN FRIEDMAN: Thank you, everyone. If the people

seated around the edges of the room would also introduce themselves?

MS. CORBIN: Anrika Corbin, Veterans Affairs.

MS. HANNON: Ann Marie Hannon, Department of Veterans Affairs.

MS. GONZALEZ: Madeline Gonzalez with OPM.

MS. AVONDET: Terri Avondet with OPM.

MR. FENDT: Karl Fendt, DoD.

MR. DAVEY: Jim Davey, DoD.

MR. BRADY: Jim Brady, DoD.

MR. JERABEK: Craig Jerabek, DoD.

MS. VANKEUREN: Tammy Vankeuren, Air Force.

MS. FREEMAN: Darlene Freeman, Air Force.

MS. CHAVES: Becky Chaves, DoD.

MR. ROVAN: Hank Rován, DoD.

MS. BROWN: Vannessa Brown, OPM.

MS. GRAY: Febbie Gray, OPM.

MS. KORING: Nell Koring, AFGE.

MS. WILSON: Temple Wilson, OPM.

MR. BROOKS: Allen Brooks, OPM.

CHAIRMAN FRIEDMAN: Thank you, everyone, and good

morning again.

We have a couple of announcements. You have received those, and they're in your kits: a review of Labor membership on FPRAC, and Director Berry's response to the letter he received from the New Jersey congressional delegation.

Unless there are any questions or discussion about either of those items, we'll move on. Is there anything on either of those?

[No audible response.]

CHAIRMAN FRIEDMAN: Okay. The minutes of the last meeting, I know we got those out rather late to people this time.

If it is your preference, we can defer approval of the transcript until the next meeting.

MR. SHULMAN: Please.

CHAIRMAN FRIEDMAN: Okay. Why don't we just do that since we were so late. It was vacations. I won't bore you with the details. We'll make sure it doesn't happen again, anyway.

Bringing up then old business, first item is review of Lee County, Virginia, and there's a couple of new business items that bear on that, so why don't we hold off, I suggest, until we get to the new business section.

The work group, I wonder if we can get that off the agenda for now. That's the in-abeyance work group that we're going to revisit. There's really nothing new on that.

On the (c) item, Special Wage Schedule Pay Practice for Army Corps of Engineers Lock and Dam FWS employees, Barbara, do you have anything new to report on that? You mentioned the last time, you might have some information that bears on that, not to put you on the spot.

MS. WALKER: Well, we did provide the study to the Corps of Engineers, and they've given me a heads-up on what they would like to see happen, just they would like to remain status quo. There is no real justification for why we would change it at this point. There's not enough information to really tell which employees it is that they're talking about. There's a lot of different lock and dam employees, and a lot of it would be based on what position descriptions they are in.

Do they typically travel? Is that a part of their regular reoccurring duties to travel to different sites and locations to do repair work and operations work? Are they on a TDY when they do that? It is not a permanent duty assignment, I would think, but we need a little more information about which

specific positions they're talking about.

CHAIRMAN FRIEDMAN: Well, the request came in originally pertaining to northwest Arkansas, I believe, but I guess it does have broader implications.

Is there any other discussion on this one at this point? I think at some point, we're going to have to focus on it, but I guess it will not be this morning, unless people have more on this right now.

[No audible response.]

CHAIRMAN FRIEDMAN: That brings up item (d). We have also agreed to have a conversation in the work group about that one, the South Bend-Mishawaka MSA as part of a broader conversation about how wage areas are defined.

Then we now come to (e), the management proposal to abolish Montgomery, Pennsylvania, a nonappropriated fund wage area, to which there was a Labor counter-proposal last time, and Management folks said they needed more time to consider that.

Should we review the specifics, or is there any response at this point from management?

MR. ALLEN: Mr. Chairman, I think we need to decide on this, this one at this meeting today, because there is a wage

survey that's scheduled for August, which is not such a big deal, as long as we have a recommendation from the committee on what to do with the employees, because there is currently no capability of conducting a local wage survey in that wage area.

I believe what the suggestion was from a member from NAGE at the last meeting was to move Chester County, Pennsylvania, into the Burlington wage area. We went back and looked at the regulatory criteria analysis that the Department of Defense had done through the DoD Wage Committee, and we really don't see any way that we could at OPM justify issuing a regulation to define Chester County to the Burlington wage area.

When we look at the regulatory criteria, the first criterion is distance, and Chester County is almost twice as far away at least from the point we do the measurement from, from Burlington County as it is from Harford County.

I also took a closer look at other wage areas surrounding, and the York wage area would actually be closer than the Burlington wage area. When I looked at the commuting patterns, commuting out of Chester County is actually less than a quarter of a percent to any of the surrounding NAF survey areas, so that to me is really a nonfactor.

So I think what we're really looking at is proximity, and I think we really do need to stick with the concept that proximity is really what drives the need to define areas of application for nonappropriated fund wage areas. They're a little bit different than how we define the appropriated fund areas, because we have to define every county to the appropriated fund system, and the law was written a little differently for how nonappropriated fund wage areas are to be defined.

That's about all I have on that one.

CHAIRMAN FRIEDMAN: Just so I understand, you're basically sticking with your original proposal and not agreeing to the suggested change proposed by Labor?

MR. ALLEN: We've taken a careful look at it. We really don't see how we could justify.

CHAIRMAN FRIEDMAN: Any discussion? Are there any questions?

MR. ELDER: I do have a question.

At what point do you use to measure the proximity? How do you measure that from Burlington County to Chester County?

MR. ALLEN: It's measured from the location where the main employment location is, so it's measured from Coatesville,

Pennsylvania, which is in Chester County. That's the location of the VA medical center that's there.

If you look at a map, what you actually see is Philadelphia, the city and the suburbs of Philadelphia, east of Coatesville, and then there's a lot of rural area west of Coatesville.

MR. ELDER: So, I mean, it would seem, given what was proposed, the proposal was to move Philadelphia and Montgomery County into Burlington and retain New Castle in the Burlington area. It would seem, just from looking at the map, Chester County is at least as close to Burlington as New Castle. So it doesn't make sense to define Chester into a county to the west, to the southwest, with a smaller population than defining it into the larger population and larger area containing Philadelphia and Burlington. It would seem to me this particular area should be defined into Burlington.

I mean, if you're putting Philadelphia into this wage area, it would seem to shift the center of the Burlington wage area, the center of their employment, west toward Chester County, whereas before it might have been further east in Burlington County.

CHAIRMAN FRIEDMAN: What page is the map that you're referring to?

MR. ELDER: It's a part of 564-MGT-3. It's one of the last pages. The one I'm looking at says "Current Regulations," but there's another map in there as well closer to the front. I think it's Enclosure 1, the proposed regulation, it shows the proposed distribution of the counties.

MR. ALLEN: Okay. What the management proposal does is it looks at each county in the current Montgomery wage area, and it looks at the OPM regulatory criteria generally. The first criterion looked at is proximity, and I think the committee has agreed that's the primary criterion to look at.

The other criteria are actually kind of indeterminate, and the primary reason that the Management proposal recommends moving Chester County to the Harford wage area is proximity from the location where the employees work at the VA medical center in Chester county to the host installation for the Harford wage area, which is Aberdeen Proving Ground.

MR. ELDER: Right. I mean, that still doesn't address the point that I made just a moment ago that Philadelphia should really be considered more of the center now, given the new

boundaries of this wage area. It should really be considered the center for the definition of the Burlington area, and that would move it closer to Chester County and move a larger number of employees, I'm sure, than are in the Harford area. So that would further weight the distribution toward moving Chester into the Burlington wage area.

MR. ALLEN: Actually, what would happen is the city of Philadelphia would not be surveyed any longer, because there would be too few nonappropriated fund employees there to support a separate wage survey.

The center of that wage area actually shifts over to Burlington County, which is why the distances are measured from what would be each area of application county to the closest survey area, which is the reason why we're recommending that Chester County be part of the Harford wage area. When we look at distance, I think it's something like 48 miles to Harford County and 78 miles to Burlington, so it's sort of skipping over Philadelphia because the labor market in Philadelphia for nonappropriated fund employment and the way that the wage schedule is determined, is actually no longer relevant to how pay is set in that wage area.

MR. ELDER: Philadelphia seems like an awfully strange place to just skip over, but for these purposes --

But what about New Castle County? That is also in the Burlington area. How do you justify leaving Chester out while leaving New Castle in the Burlington area?

MR. ALLEN: There was a review of New Castle County some years ago. I'm not sure exactly when, but there was a recommendation from the committee to have it as part of the Burlington wage area, probably again based on distance primarily.

MR. ELDER: Parts of New Castle seem to be further from the center of Burlington than Chester. That's my main concern there.

MR. ALLEN: What we have been seeing with nonappropriated fund wage areas is that there have been multiple abolishments of wage areas over the years as bases have closed, so I can't really claim that every county that's currently defined, if you look at it on the map, that it makes absolute sense if you're looking at patterns with these things, but there was a rationale at some point for FPRAC to recommend that OPM define the counties in a certain way.

MR. ELDER: I'm sure there was a rationale. It just

depends on whether or not we think it makes sense.

I appreciate that. Thank you. Thank you, Mark. I can see that you're not going to change your opinion. Our recommendation to keep Chester County in the Burlington area, to put Chester County in the Burlington area does stand, though.

CHAIRMAN FRIEDMAN: Since there is obviously not consensus on this one, do you want to make a motion, have a vote?

MR. ALLEN: We would like to caucus.

CHAIRMAN FRIEDMAN: Okay. I believe we have the Small Pendleton Room available for caucuses.

[Management caucus held off the record.]

CHAIRMAN FRIEDMAN: We are back in session.

Mark, is there anything you want to report from your caucus?

MR. ALLEN: Yes, Mr. Chairman.

We discussed this pretty much in depth. We're of the same opinion as stated in the Management proposal.

Just taking a look at the regulation here for 532.219 (c)(1), which is what drives how OPM defines nonappropriated fund wage areas, it says, "Two or more counties may be combined to

constitute a single wage area through consideration of....," and then, one, the first criterion is "proximity of largest activity in each county."

So our rationale for each of the counties in the Montgomery wage area is to look at the location that would be an area of application county and then look at the proposed survey area and measure distance that way, and I think that's been a pretty consistent way that we've tried to measure distances for the Federal Wage System.

I think we need some additional justification why we should change that practice at this point.

MR. ELDER: Well, I wouldn't say you need additional justification; however, I have been told there is a precedent, if you're looking for additional justification, I guess. That would be a precedent for moving entire nonappropriated fund areas from one when dissolving things, as in we're dissolving one here, for moving the entire wage area from one area into another, into a new area, which would justify moving Bucks, Montgomery, Philadelphia, Chester, and Luzerne over into the Burlington area.

MS. SIMON: Mark, isn't that true? Isn't there also precedent for retaining the cluster of counties within a single

wage area?

MR. ALLEN: I think that's true. I would have to go back and look to see what precedent-setting cases there might have been in the past, but that would take us time to do that.

MS. SIMON: Well, I think it's important, because a lot of that time when we have these questions that could go one way or another, we cite precedent on what we've done in the past, and there are operational reasons for wanting to retain the cluster as-is and not break them up and send them off in different directions.

And we think it makes the most sense, certainly, in this situation. You look at a map. There may be, depending again on the points of departure you use for your measurement, a few miles here or there, but the fact of the matter is this isn't a cohesive metropolitan area, and we think that both the precedent of retaining the cluster and the other factors that are listed below "Distance" favor keeping them all together.

CHAIRMAN FRIEDMAN: Do you have a response? How would you like to proceed here?

MR. ALLEN: If the committee does want to defer this to the next meeting, that's what it would take for us to do some

background research and see if entire nonappropriated fund wage areas have been moved and what kind of shape and form might have taken place.

CHAIRMAN FRIEDMAN: Well, given that wages are actually frozen right now, I know you have a schedule to keep in terms of surveys, but given that wages are actually frozen right now, might I suggest we defer? Is there any strong reason not to?

MR. ALLEN: No.

CHAIRMAN FRIEDMAN: So I guess we will all do some more research and hopefully next month actually reach a resolution on this one.

MR. ELDER: Thank you.

CHAIRMAN FRIEDMAN: Which brings up (f), the proposal from AFGE to move Monroe County from the Scranton-Wilkes-Barre wage area to the New York wage area. Anything new on that right now?

MS. SIMON: No.

CHAIRMAN FRIEDMAN: Is that one we wish to defer for now?

MR. ALLEN: As a matter of old business, yes, Mr. Chairman.

CHAIRMAN FRIEDMAN: Okay. That brings us to new business, and the first three items relate to the discussion we were having about Lee County and whether some of the work that the FPRAC work group in 2008, before my time, was doing might bear on situations like Lee County.

So we have the employment breakdown by county for the East Tennessee wage area. We have the list of small, low-populated wage areas. We have the various options that were under consideration in the work group in 2008 and then brought back to FPRAC in that year but, as I understand it, not actually -- well, let me get this right.

I guess there were votes on those. I'm a little bit fuzzy on the outcome. I know we've had this conversation, Mark. No recommendations went forward -- no, wait. Recommendations went forward to the Director, but they weren't implemented at that time; is that correct? I'm talking now about 545-OC-1.

MR. ALLEN: 545-OC-1, yes.

What happened after the conclusion of the working group -- this would have been in 2008 -- FPRAC had deferred most of its business while the working group was taking place, and the working group could not come to consensus on one of five options

that were mapped out on how to adjust the rules under which the committee would operate.

The main point of disagreement was on whether to use GS locality pay areas or not, and there was eventually a majority vote to use, I believe it was, Option 3.

There were several recommendations in Option 3, most of them having to do with things that FPRAC wanted to consider, such as if you have a wage area with fewer than 300 employees, then you should consider it for abolishment. If there was a county with more than 300 employees, then it should be included in a survey area and that type of thing.

There were no changes made in OPM's operating regulations as a result of these recommendations, and I believe we are currently considering these again as part of the new working group, not the Survey Issues Working Group dealing with the FPRAC recommendation from back in October but from a new Wage Area Definition Study Working Group that was established prior to that under our new Chairman. And I think we're actually looking at a lot more than we had been in the previous working group.

CHAIRMAN FRIEDMAN: Okay. In view of these options -- and you say Option 3 was voted on, I think?

MR. ALLEN: By the majority vote, yes.

CHAIRMAN FRIEDMAN: Is there any further discussion now of any of these three pieces of paper, or in relation to Lee County?

MS. SIMON: Well, Mark, what would it take to adopt one of these ideas, consider abolishing a wage area with fewer than 300 FWS employees? When you say consider it, let's say we considered it and then somebody said, "Well, nowhere is it written that a wage area with fewer than 300 FWS employees must be abolished; therefore, we shouldn't do it." Do we have to actually change the regulation? Does OPM actually have to change the regulation in order to -- I don't want to say compel, but even realistically allow for FPRAC to take an action like that?

MR. ALLEN: What happened with the last working group was that we basically wanted to establish some ground rules within the committee in order to provide to OPM recommendations, and I believe that 300 figure was something that all the members agreed to, but it was not a hard-and-fast rule.

In fact, what we did with, I believe it was, the New London wage area, after the working group meetings had ended, we took a look at the New London wage area, and it was slightly

below 300 employees, but there were some indications that the employment level was stable and had actually been increasing by a few employees in the previous few years. In that case, it was a consensus recommendation to leave the New London wage area as a separate wage area.

MS. SIMON: What you just said was your response to that's what "consider it" means?

MR. ALLEN: Yes. It was not a proposal to change OPM's regulations to say that if a Federal Wage System wage area falls below 300 employees, then it must be combined with another area.

CHAIRMAN FRIEDMAN: Where did 300 come from instead of 500, or 200? I'm just curious about that.

MR. ALLEN: In the working group, we went through a detailed study of what would happen if the figure was 300, 400, or 500, and maps were provided to everybody that showed what would happen at each level if a wage area was abolished, if it fell below a certain threshold.

I should say that the main reason for proposing something like that was the capability of the host installation within a wage area to continue supporting a local wage survey, so we have some wage areas that are on the 566-OPM-2 list that are

below 100 employees now.

MR. PHELPS: Did I read something somewhere where the number was 100 and wanted to raise it to 300, that if it dropped below 300, or is that something else?

MR. ALLEN: Actually, there is no criterion on OPM's regulation that sets the minimum level for employment within an existing wage area. There is a criterion that says 100 employees to establish a wage area. Actually, I think it's 100 employees of an agency to establish an area.

MR. PHELPS: Yeah, I think that's what I saw.

MR. ALLEN: There is nothing about disestablishing a wage area.

CHAIRMAN FRIEDMAN: Any thoughts about whether we continue discussing this right now?

MR. PHELPS: I would think that since we're looking at a lot of things that would tie in with this in the work group that it might be better to defer until we see what happens in the current work group.

CHAIRMAN FRIEDMAN: Seem reasonable?

MR. ALLEN: I think that's a good idea.

CHAIRMAN FRIEDMAN: Okay. In that case, that brings up

the last new business item, a letter from the Department of the Army concerning the proposal to consolidate wage areas that lie within GS locality pay areas, 566-MGT-1, which I take it, is just to be input to our committee and everybody has a copy.

Is there any discussion of that? Does everybody in fact have a copy? It was e-mailed out, and it should be in your packets as well. It is.

MR. ALLEN: I believe, Mr. Chairman, our member from the Department of the Army would like to read this letter into the record.

CHAIRMAN FRIEDMAN: Well, you are free to do that, although we could just instruct the transcriptionist to include it. I will leave it up to you.

MS. WALKER: Well, the organization asked me to please be their representative and to read this into the record since they could not be here personally.

CHAIRMAN FRIEDMAN: You're a speed reader, right?

MS. WALKER: I hope so. I'll try not to get too --

CHAIRMAN FRIEDMAN: Okay.

[Laughter.]

MS. WALKER: Anyway, this was a letter that came from

U.S. Headquarters, Army Materiel Command. It is the higher headquarters for Tobyhanna Army Depot. It is a memorandum through Dr. Susan Duncan, who is the AG-1 for Civilian Personnel, Army, to Chairman Friedman. The subject is the impact of the application of locality pay to Federal Wage System employees.

The Federal Prevailing Rate advisory Committee has been discussing the application of locality pay to Federal Wage System (FWS) employees at locations where locality pay is given to General Schedule (GS) employees. This letter -- this is to express the concerns of the U.S. Army Materiel Command (AMC) as to the significant impact this change would have on AMC.

One AMC installation, Tobyhanna Army Depot, specifically exemplifies the financial impacts of the FPRAC decision. In 2005, Monroe County, Pennsylvania, was placed in the New York locality pay area. A consequence of this decision was that GS employees at Tobyhanna Army Depot were added to the New York locality pay area. Since that time, the American Federation of Government Employees Local 1647 has been advocating for New York locality pay for FWS employees. In light of the Union's request before the FPRAC, we write to place on the record our concerns about the impact of an FPRAC decision on the cost to

operate Tobyhanna Army Depot.

Tobyhanna Army Depot is located in the northwest border of Monroe County, 22 miles from Scranton, Pennsylvania, and 101 miles from New York City, New York. While approximately 18 percent of residents in the eastern portion of Monroe County commute out of Monroe County to work, particularly in high-paying jobs in the New York-New Jersey metropolitan areas, the vast majority of Tobyhanna Army Depot's 4,250 employees reside outside of Monroe County. Lackawanna County hosts 1,510 Tobyhanna Army Depot employees, and Luzerne County has 1,070 Tobyhanna Army Depot employees. Both Lackawanna and Luzerne Counties lie in the Rest of the U.S. (RUS) for locality pay purposes. Fewer than 600 Tobyhanna Army Depot employees reside in Monroe County. Only 15 percent of the depot workforce resides in Monroe County and adjacent Pike County, which is also in the New York locality pay area. No Tobyhanna Army Depot employees commute from New York City to Tobyhanna, PA, and only seven Tobyhanna Army Depot employees live in New York State or New Jersey.

Commuting to Tobyhanna Army Depot does not appear to be a concern because Tobyhanna Army Depot's location on the western border of Monroe County facilitates travel for the majority of

the employees. Most employees (60 percent) travel by interstate highway from Luzerne and Lackawanna Counties to Monroe County. Public transportation is readily available to Tobyhanna Army Depot via van pool and bus. Tobyhanna Army Depot has the largest Mass Transportation Benefit Program outside of the National Capital Region. The average value of a Mass Transportation Benefit Program voucher per Tobyhanna Army Depot employee is \$158 per quarter, or \$632 annually. Given that few (seven) employees commute from New York State or New Jersey to Tobyhanna Army Depot, the assumption that New York and New Jersey commuters living in Monroe County impact Tobyhanna Army Depot is false.

The mission of Tobyhanna Army Depot is to provide depot maintenance on weapons systems for the Department of Defense (DOD). Tobyhanna Army Depot is one of five maintenance depots under AMC Command, all of which are Army Working Capital Fund activities. Accordingly, the Depot is not an appropriated activity but competes for its funding from other DoD customers that choose to have their weapons systems repaired at Tobyhanna Army Depot. Cost is a primary consideration in the decision to utilize Tobyhanna Army Depot as opposed to another maintenance provider in the DoD depot system or the private sector.

Consequently, Tobyhanna Army Depot strives to be the most efficient and cost-effective depot in the DoD. Like Tobyhanna Army Depot, this Command is also concerned with costs. The transfer of GS employees to the New York locality pay area in 2005 has already impacted Tobyhanna Army Depot's cost of operations and, consequently, the rate charged to DoD customers.

In Fiscal Year '10, for example, the New York locality pay was 28.72 percent greater than the Rest of the United States (RUS).

In this time of budget constraints, diminishing Federal resources, high unemployment, and the general condition of our nation's economy, costs should be a factor in the committee's analysis. Secretary of Defense Resource Management Directive 7032A eliminated approximately \$834 million from the Army Operations and Maintenance Account (OMA). Accordingly, by memorandum dated 11 July 2011, the Army has directed the elimination of 8,741 full-time equivalents (FTEs or positions). The specific impact of the OMA reduction on weapon system support and maintenance has yet to be determined, but it is reasonable to conclude that depot maintenance programs will be cut or eliminated. Unnecessary increases, such as those resulting from the AFGE proposal, will further impact AMC's ability to cost

effectively maintain critical weapon systems.

With respect to the need for New York locality pay at Tobyhanna Army Depot, the current average salary of a Tobyhanna Army Depot employee is \$55,472. The average salary for an FWS employee is \$49,035 and \$64,009 for a GS employee. In 2010, the average salary of a private sector employee was \$38,522 in Monroe County, \$35,672 in Lackawanna County, and \$36,137 in Luzerne County. According to the U.S. Bureau of Labor Statistics annual report for the New York-Northern New Jersey-Long Island-Eastern Pennsylvania Metropolitan Statistical Area, the average salary of a private sector employee in the New York locality pay area is \$54,250. The Cost of Living Index score for Monroe County is 95 in comparison to a score of 167 in New York City. Thus, the overwhelming majority of employees at Tobyhanna Army Depot earn more than a private sector employee in either Monroe County or the New York locality pay area, while enjoying a substantially lower cost of living than a New York City resident. The absence of FWS locality pay does not appear to have discouraged applicants for employment at Tobyhanna Army Depot. Historically, Tobyhanna Army Depot's attrition rate is low, 6 percent in 2011, and there is a well-qualified labor pool to fill vacancies. In

Fiscal Year 2010, for example, Tobyhanna received over 40,000 applications for employment.

FWS salaries will increase by approximately 25 percent, the New York locality pay differential rate if this proposal is approved. For example, a Wage Grade-10, Step 3 employee was paid \$21.96 per hour in 2010 under the RUS locality pay adjustment. If Tobyhanna Army Depot was included in the New York locality pay, that Wage Grade-10 employee would receive \$27.53 per hour. The FY11 cumulative impact would be almost \$27 million in increased salary costs to Tobyhanna Army Depot. This proposal would increase the cost to Tobyhanna Army Depot and its customers by approximately \$130 million over a five-year period and would have a negative impact on the Depot's competitiveness and could actually force the Depot to release personnel.

In conclusion, the current methodology of defining locality pay boundaries is troublesome and inconsistent, and further study is needed of this issue. Although it may generally seem logical to apply locality pay on a county-wide basis, the Tobyhanna Army Depot situation shows that this has resulted in a large salary disparity between public and private sector salaries. In this era of fiscal austerity and dramatic budget

cuts, the FPRAC should review current rules for applying locality pay, particularly where it leads to the increase rates at Tobyhanna Army Depot and the potential for additional reductions in force. There needs to be a comprehensive nationwide pay-setting process that is truly equitable, representative, and considers the financial impact of the decision. A more clearly defined process would both reduce the cost of government and restore balance and fairness to pay setting for all Federal employees. Further, the financial and staffing impacts of any decision, to include the potential loss of workload and personnel, must be considered. In light of these concerns, AMC recommends that the FPRAC (1) refuse to extend the locality pay decision to FWS employees and (2) revisit the validity of the 2005 decision applying New York locality pay to Tobyhanna Army Depot's GS employees.

Thank you for providing us with an opportunity to comment on this matter of extreme importance.

CHAIRMAN FRIEDMAN: Okay. Is there any discussion?

[No audible response.]

CHAIRMAN FRIEDMAN: If not, please thank Mr. Marriott for providing this input to our committee.

MS. WALKER: I will do that. I have a couple of other comments, and this is something that has really confused me since this whole matter was kind of brought before the FPRAC.

I still don't understand the genesis and the justification for the linking of the FWS pay to the GS locality pay to begin with. Is there a way that we could get the history of that since that seems to be kind of at the crux of this whole issue? Because that didn't happen until, what, 2004, 2005? But prior to that, the FWS salary was in no way linked to the GS locality pay.

MR. ALLEN: I guess what Barbara is talking about is the floor increase provision.

CHAIRMAN FRIEDMAN: That's what I assumed she was talking about.

MR. ALLEN: It's in the legislation, which OPM did not have anything to do with. That was a congressional action. That was a pay parity initiative that the Congress had been interested in.

MS. WALKER: I think that that's something that if we all understand what the genesis of that was, maybe it will shed some light on the validity of making any changes.

Also, as you heard in the letter, Tobyhanna is very concerned about the fact that the GS locality area was moved to the New York area. It's been very costly to Army. Army has paid the biggest bill due to these changes, and we don't understand how that happened either, because DoD nor Army was a part of the Federal Salary Council that even made that decision. And I realize that GS pay is not what we do here on the FPRAC committee --

CHAIRMAN FRIEDMAN: That's correct.

MS. WALKER: -- but it does impact what we have on the floor in front of us right now to decide.

So, if we could possibly get -- and I'm assuming that that information is open to the public, since public funds are paying the bill -- how we came to that decision, the GS employees from Monroe County to New York?

CHAIRMAN FRIEDMAN: I believe if you consult the reports of the Federal Salary Council for whatever the relevant year is, I guess it would be 2004, something like that. That would have the rationale, and I believe it was based on commuting patterns at the time.

MS. SIMON: Didn't Allan Hearne come and give a

briefing at some point?

CHAIRMAN FRIEDMAN: He did, indeed.

MS. SIMON: Yeah. Maybe it might have been right before you came on.

MS. WALKER: No, he didn't cover that. He covered the process of how --

MS. SIMON: Well, that's the answer to the question.

MS. WALKER: -- the locality pay is determined.

MS. SIMON: Well, that's the answer to your question, because it's based on Census data, and the Decennial Census of 2000 had commuting data, and that brought Monroe County into the -- is it the combined statistical area or the metropolitan statistical area that includes New York City?

MR. ALLEN: CSA.

MS. SIMON: CSA. It's a combined statistical area.

And the GS system has adopted a regulation that concludes an entire combined statistical area in one GS locality, so it was sort of automatic in that regard.

MS. WALKER: Well, I think Army would like --

CHAIRMAN FRIEDMAN: I'm sorry. I don't mean to cut you off in any way, but you can certainly get your question answered

by top experts at OPM right around the table here, Jerry and Mark, who can give you all the history of the Federal Salary Council, and that would be the correct body, I think, not this one, for any questions about how Monroe County came to be redefined to the New York GS locality pay area. You certainly have avenues to raise that there.

MS. WALKER: And we will do that, because making that kind of a financial decision without the input of the Department of Defense is probably not a good way to do this based on the information that is in the report that I just read. Increasing the salaries will basically cost us twice as much money, because we will be paying the salaries as well as paying higher cost for the work that's done at Tobyhanna, so it's going to be a bigger financial impact on the Department of Defense.

CHAIRMAN FRIEDMAN: In other words, the white collar people already had a pay boost that you don't agree with, and then to also boost the pay of the blue collar people would compound something that you already don't agree with.

MS. WALKER: Well, they have to increase their cost of labor, and what they charge the Department of Defense to make the repairs on these weapon systems will increase using that.

CHAIRMAN FRIEDMAN: Well, may I suggest that we have a work group to consider implementation of this proposal, and when its work is done, it will be brought back here, and that would, I think, be the time to revisit the issue as far as the FWS is concerned.

Anything else on this?

[No audible response.]

CHAIRMAN FRIEDMAN: Any other business that we need to address this morning?

[No audible response.]

CHAIRMAN FRIEDMAN: If not, how do people feel about adjourning?

MR. PHELPS: So moved.

MR. ALLEN: And seconded.

CHAIRMAN FRIEDMAN: Okay. Hearing no objection, we are adjourned, and we will have a work group meeting in -- let's make it six minutes or seven minutes.

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