

THE FEDERAL SALARY COUNCIL**Minutes of July 23, 2001****MEETING****NO. 01-1**

The Federal Salary Council (FSC) held its first meeting in 2001 on Monday, July 23, 2001. Chairman William J. Sheffield called the meeting to order at 9:30a.m. in Room 5329 of the Office of Personnel Management (OPM).

Present

The following members attended: Governor William J. Sheffield, Chairman; Edmund Bronder (represented Gerri Marullo); Richard N. Brown; Margaret A. Coil; Bobby Harnage, Sr.; Colleen M. Kelley; and Peter A. Tchirkow. Donald Winstead was the Designated Federal Officer.

Eighteen members of the public attended, including Federal employees representing western Massachusetts; Barnstable County, MA; and the Butner, NC, Federal Correctional Complex. Stall representing Senator Edward Kennedy, Senator John Kerry, and Representative William D. Delahunt also attended.

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

Chairman Sheffield began the meeting by welcoming Ms. Kay Coles James, the newly appointed Director of OPM and a member of the President's Pay Agent. Ms. James introduced herself to the Council, acknowledged the importance of the locality pay program, and thanked the Council members for their service.

Chairman Sheffield publicly thanked former Vice Chairman John Leyden for his service on the Council and wished him a happy retirement.

Next, the Council approved the minutes for meeting number 00-1 and turned its attention to the remainder of the agenda.

Briefing by OPM Staff

Donald Winstead, Assistant Director for Compensation Administration, presented a briefing (Council document FSC-01-1-6) on the provisions of Section 637 of the Treasury and General Government Appropriations Act, 2001, as incorporated into Public Law 106-554 by Section 101(a)(3) of that Public Law, and Pay Agent efforts to date under the law. Mr. Winstead explained that Section 637 requires the Pay Agent to report to Congress on two issues: improvement in the National Compensation Surveys (NCS) program and use of commercial salary data to set locality pay in five areas for 2002 and in other areas for 2003 through 2006. Mr. Winstead explained that while the Pay Agent had already submitted its report to Congress on improvement in the NCS, he thought it would be helpful for the Council to review the status of each of the five tasks Pay Agent staff are working on: grade leveling, determining grade levels for supervisors, developing a model to fill in missing data, establishing a crosswalk between General

Schedule (GS) and NCS jobs, and excluding workers above grade GS-15. Mr. Winstead gave the following projected timelines for each of the five tasks:

- Grade leveling is to be phased in over a 5-year period starting in 2002,
- New procedures for grading supervisors are to be incorporated into NCS by 2002,
- The model to fill in missing data will be incorporated by 2002,
- The crosswalk between GS and NCS jobs will be incorporated by 2002, and
- The procedures to exclude workers above GS-15 will be incorporated by 2002.

Mr. Winstead then covered Pay Agent efforts to evaluate commercial salary surveys to set rates of pay for Las Vegas, NV; Nashville, TN; Raleigh, NC; Austin, TX; and Louisville, KY. He reported that Pay Agent staff had obtained commercial data, assigned Federal grades to survey jobs, calculated pay gaps, obtained the services of private sector compensation experts to provide advice on the use of commercial data in the five areas, and discussed the findings with Federal Salary Council representatives. He mentioned that, since Ms. Coil had been one of the private sector consultants hired to advise the Pay Agent, she had recused herself from deliberations with the Council on use of commercial salary data. Mr. Winstead concluded by reminding the Council that any use of commercial salary data in future years would be affected by the Council's recommendations regarding use of commercial salary data in the five metropolitan areas addressed by Section 637.

Governor Sheffield thanked Mr. Winstead for his presentation and turned the floor over to Mr. Tchirkow, who presented the FSC Methodology Working Group's report on commercial salary data.

Report of the Federal Salary Council Methodology Working Group

Mr. Tchirkow discussed the implications of the portion of Section 637 that requires the Pay Agent to report on use of commercial salary data in the five metropolitan areas, and proposed a Council position on the issue, which he read from document FSC-01-1, "Report of the Methodology Working Group." Reading from document FSC-01-1, Mr. Tchirkow summarized the limitations of commercial salary data and concluded by recommending that such data not be used in the locality pay program.

Mr. Tchirkow reported that, while NCS data are not available for Las Vegas or Nashville, they are available for Austin, Louisville, and Raleigh. He said that, although NCS data for these three areas are below BLS standards for sample size in a separate locality pay area survey and are subject to the same problems the Pay Agent is working on, the Methodology Working Group recommends that the Pay Agent use the most recent NCS data, not calibrated and without BLS' experimental method for evaluating supervisory jobs, to make Austin, Louisville, and Raleigh locality Pay Areas in 2002. He said, while the NCS results for these three metropolitan areas may be inaccurate to some degree because of the five areas needing improvement and the small sample size, the Working Group believed that NCS data are more representative of pay in these metropolitan areas than the commercial salary surveys, and that use of the NCS data would address the concerns of Congress. Mr. Tchirkow added that the Working Group had also concluded that the Pay Agent should ask BLS to increase sample size in the three metropolitan

areas, and said that data quality should improve as the five NCS program improvements are implemented and sample sizes are increased. He also said that the Council would need to consult with BLS about the effect removing these three metropolitan areas would have on the "Rest of U.S." (RUS) survey data, which would not be an issue for 2002 because NCS survey data will not be used for RUS in 2002. Finally, Mr. Tchirkow said the Working Group believed that the Pay Agent should await the introduction of some of the improvements before using NCS data to set pay in existing locality areas. He then turned the floor over to Chairman Sheffield.

Chairman Sheffield solicited comments from FSC members and called for a vote to approve the Working Group's recommendation. Mr. Brown made a motion to accept the recommendation, and Mr. Harnage seconded the motion. Mr. Brown and Mr. Harnage commended the Working Group's study of the issue and its recommendations.

Mr. Tchirkow thanked the Pay Agent staff for its work and turned the floor over to Chairman Sheffield.

Chairman Sheffield announced that the Council had approved the motion to accept the Working Group's recommendation. He thanked the Pay Agent Staff and FSC Methodology Working Group for work and said the Council was now ready to hear from the three employee groups scheduled to speak before the Council: the Federal Executive Association of Western Massachusetts, the Barnstable County Locality Pay Working Group, and the Federal Triangle Executive Association.

Federal Executive Association of Western Massachusetts

Mr. Jeffrey Anliker of the U.S. Department of Agriculture and Mr. Bruce Sylvia of the Department of Veterans Affairs represented the Federal Executive Association (FEA) of Western Massachusetts. Mr. Anliker is the Chairman of the FEA, and Mr. Sylvia is the Vice Chairman. They proposed adding 21 towns in Hampden and Hampshire Counties to the Hartford, CT, locality pay area. (The FEA proposal is included in document FSC-01-4).

Mr. Anliker presented a number of reasons for adding the 21 Connecticut River Valley (CRV) towns to the Hartford locality pay area. He said the omission of the CRV from the Hartford locality pay area constituted an "egregious oversight." He argued that, since the CRV is a "geographic, social, economic corridor through which trade and employment freely flow," the Northampton/Springfield/Hartford area "must be considered as one for cost of labor, commuting, and pay." He stated that adding the 21 towns to the Hartford locality pay area would provide CRV Federal employers "an additional tool to address recruitment, retention, and relocation obstacles," which he said are mainly due to high living costs in the area. He provided several examples, in the form of anecdotes and letters, where employees expressed dissatisfaction with their pay, given high living costs in the area, and employers reported high turnover "directly associated with the fact that that employees can receive a pay increase if they transfer to other nearby offices." He also reported recent recruitment difficulties in his own office. In closing, Mr. Anliker told the council that approval of their proposal "makes good business sense" and would "enhance the capabilities of Federal agencies in western Massachusetts to recruit, retain, and relocate the best qualified employees possible." He then turned the floor over to Mr. Sylvia.

Mr. Sylvia stated that he would like to follow up on Mr. Anliker's comments by sharing the concerns of representatives from CRV Federal agencies who were experiencing recruitment, retention, and relocation problems. Mr. Sylvia said the healthcare field in the Federal Government is an area in which Federal managers are keenly aware of worker shortages and barriers to recruitment. He said that an aging Federal workforce and the portability of the Federal Employees Retirement System were factors that would make recruitment even more difficult in the future. He told the Council that, while the CRV area does not meet the GS employment criterion of 2000 employees, that criterion should be adjusted. He suggested that, since Federal employment has decreased by approximately 25% over the last 8-10 years, there be a corresponding adjustment to the GS employment criterion. He also said that, while the 1990 census data indicate the CRV area failed the commuting criterion, commuting had increased considerably since the 1990 census data were collected. He told the Council that FEA's proposal would be a "partial remedy" to FEPCA not being fully implemented. He closed by saying that existing recruitment and retention flexibilities were inadequate to address problems he had described, and assured the Council that implementation of the FEA proposal would help with those problems.

Chairman Sheffield thanked the FEA for its presentation and asked the Council if it had questions for the FEA.

Mr. Tchirkow asked the FEA why it had picked only those 21 towns and asked if there were other towns that might be affected.

Mr. Anliker said that the FEA had chosen only towns with high levels of commuting into Hartford. He said, for example, that FEA had excluded Franklin County from its proposal because there was "no real commuting" from Franklin into Hartford.

Mr. Tchirkow asked Mr. Winstead if, by the next FSC meeting, OPM could provide more data on nearby towns that might be affected by the proposal. Mr. Winstead agreed. Mr. Anliker said that he was willing to modify the proposal and add other towns if OPM data warranted such revisions.

The Council agreed that it would consider the matter further after reviewing the proposal and OPM data on other nearby towns. Mr. Sheffield then introduced the next group scheduled to speak before the Council: the Barnstable County Locality Pay Working Group.

Barnstable County Locality Pay Working Group

Mr. Frank Almeida of the National Oceanic and Atmospheric Administration, National Marine Fisheries, represented the Barnstable County Locality Pay Working Group. He began his presentation by acknowledging Congressional staff from the offices of Senator Edward Kennedy, Senator John Kerry, and Representative William D. Delahunt. (Mr. Almeida later provided the Council with copies of letters from Senator Kerry and Representative Delahunt supporting his proposal.) Mr. Almeida then said that he had become involved in efforts to add Barnstable County to the Boston, MA. locality pay area when the entire state of Rhode Island was added.

He showed the Council a map that indicated that Barnstable was isolated on the northeast coast as the only area in RUS. He provided examples, in the form of letters and anecdotes, of employees having difficulty meeting the area's high living costs and problems agencies had experienced with recruitment and retention. He said that Barnstable County's exclusion from the Boston, MA , locality pay area constituted an "egregious situation" that warrants modification of the Boston locality pay area. He then presented his proposal, which is included in FSC-OI-3.

Mr. Almeida proposed modification of the one criterion Barnstable County failed to meet when considered for inclusion in the Boston locality pay area. He said that Barnstable's failure to meet this criterion was due mainly to small size of the county in comparison to other U.S. counties. He said that Barnstable County is 34.6 percent of the size of the average U.S. county. He proposed that, for Barnstable County and other U.S. counties where land area is less than 50 percent of that of the average U.S. county, the GS employment criterion be based on the ratio of size of the county in question to that of the average U.S. county. In the case of Barnstable County, the criterion would be adjusted to 692 employees, 34.6 percent of the 2000 GS employees normally required. Mr. Almeida also mentioned high living costs in Barnstable County. He closed by thanking the Council for considering his proposal.

Chairman Sheffield thanked the Barnstable County Locality Pay working Group for its presentation, and asked if there were any questions from the Council.

One Council member asked Mr. Almeida what percentage of the Federal employees in Barnstable County commute from the Boston area. Mr. Almeida said that 21 .8% commute.

Another Council Member reminded Mr. Almeida that the Council was not allowed to consider cost of living when making recommendations on locality pay. Mr. Almeida said he was not arguing based on living costs, but was arguing "from the perspective of morale, of which cost of living is a part." Another Council member acknowledged that living costs are an important factor in the eyes of employees when they consider locality pay, regardless of whether the council can consider living costs for setting locality pay.

Mr. Tchirkow said that it would be best to leave the record open on Barnstable until the next Council meeting, by which time the Council would have had more time to consider the proposal. The Council agreed.

Chairman Sheffield then introduced the third group speaking before the Council: the Triangle Federal Executive Association.

Triangle Federal Executive Association

Mr. Allan Goldberg of the Triangle Federal Executive Association (TFEA) presented the proposal included in document FSC-01-5. Mr. Goldberg listed the five facilities located at the Butner Federal Correctional Complex, and explained that only one of the facilities, the Low Security Complex, is located in Granville County, which is not part of the Raleigh-Durham-Chapel Hill Metropolitan Statistical Area (MSA). The other four facilities and 78 percent of GS employees at the facility are located in Durham County, which is part of the Raleigh MSA. Mr.

Goldberg proposed that, if Raleigh is established as a separate locality pay area in 2002, the entire Butner Correctional Complex be included in the Raleigh, NC, locality pay area. He said that doing so would prevent an "administrative nightmare" and would avoid morale problems that would result in paying employees working at the same complex different locality rates for doing essentially the same work. Mr. Goldberg then thanked the Council for hearing his presentation.

Mr. Tchirkow said that it was not yet certain that Raleigh, NC, would be established as a separate locality pay area, but he added that TFEA's proposal seemed reasonable and that to treat the facility otherwise would likely lead to morale problems. Mr. Brown and Mr. Harnage agreed that TFEA's proposal seemed reasonable.

Chairman Sheffield thanked Mr. Goldberg and asked if any Council members cared to comment. Mr. Tchirkow said he would like to say that the Council would deliberate on the matter of Raleigh's boundaries. He explained that, if Raleigh becomes a separate locality pay area, the Pay Agent would publish a Notice in the *Federal Register*, and a comment period would follow. Mr. Tchirkow said that Mr. Goldberg's request sounded reasonable. Mr. Brown and Mr. Harnage agreed. The Council agreed that it would consider the matter further before the next Council meeting. Mr. Tchirkow reiterated that the Council would consider all three proposals before the next Council meeting.

Future Meetings

The Council agreed that staff should schedule the next Council Meeting for October. Mr. Winstead reminded the audience that a Notice of the next meeting would be published in the *Federal Register*.

Public Comments and Adjournment

Chairman Sheffield again thanked the three groups for their presentations, thanked the Pay Agent staff for their work, and thanked the audience for attending. He then asked for public comment from the audience. There was no public comment.

The meeting was adjourned at 11:31 a.m.

APPROVED

SIGNED

William J. Sheffield
Chairman