

**FEDERAL SALARY COUNCIL MEETING MINUTES
MEETING NUMBER 18-02
NOVEMBER 13, 2018**

The [Federal Salary Council](#) met on November 13, 2018, at the Office of Personnel Management (OPM). Council members who participated in the meeting are listed in the table below. The agenda for the public meeting is provided in Council Document FSC 18-02-A.

Council Member	Title
Dr. Ronald P. Sanders	Federal Salary Council Chair and Director and Clinical Professor School of Public Affairs, University of South Florida
Ms. Jill Nelson	Federal Salary Council Vice Chair and Chair of the Federal Prevailing Rate Advisory Committee
Ms. Katja Bullock	Special Assistant to the President and Associate Director of Presidential Personnel
Mr. J. David Cox	National President, American Federation of Government Employees (AFGE)
Ms. Jacqueline Simon	Public Policy Director, AFGE
Mr. Randy Erwin	National President, National Federation of Federal Employees (NFFE)
Mr. Anthony M. Reardon	National President, National Treasury Employees Union (NTEU)

Mr. Mark Allen, OPM Pay Systems Manager, was the Designated Federal Officer. About 40 members of the public also attended the meeting, including 6 representatives of the media.

Executive Summary

Major Working Group recommendations and corresponding Council actions are summarized below and detailed in the text that follows:

- Working Group Recommendation 1: Should the Council recommend the locality pay rates for 2020, for both current and planned locality pay areas, using the NCS/OES Model results shown in Attachment 2 of the Working Group report?
 - Council Recommendation: Yes.
- Working Group Recommendation 2: Should the Pay Agent adopt the Metropolitan Statistical Areas (MSAs) and Combined Statistical Areas (CSAs) delineated in OMB Bulletin No. 18-04, issued September 14, 2018, for use in the locality pay program?
 - Council Action: Defer action on this issue pending further OPM and Council study.
- Working Group Recommendation 3: Based on results from the NCS/OES Model, should the Council recommend that the Des Moines, IA, research area be established as a separate

locality pay area in 2020, and continue to monitor the pay disparities for other “Rest of U.S.” areas for which BLS has provided salary estimates from the NCS/OES Model?

- Council Recommendation: Yes.
- Working Group Recommendation 4: Should the Council recommend that Imperial County, CA, be established as an area of application to the Los Angeles locality pay area?
 - Council Recommendation: Yes.
- Working Group Recommendation 5: Should the Council recommend any special action be taken for any of the areas listed in Attachment 5 of the Working Group report that do not meet current criteria for inclusion in a locality pay area separate from the “Rest of U.S.?”
 - Council Action: The Council members unanimously agreed to recommend that no special action be taken for any of the areas, *with the exception of Pine County, MN.*¹ Regarding Pine County, Members Cox, Simon, Erwin, and Reardon supported making an exception for Pine County and recommending it be established as an area of application to the Minneapolis locality pay area. Chairman Sanders and Members Nelson and Bullock opposed recommending an exception for Pine County.²
- Working Group Recommendation 6: Based on its review of the criteria used to establish areas of application, what should the Council recommend to the Pay Agent regarding those criteria?
 - Council Recommendation: The Council recommends that the Pay Agent consider, on a case-by-case basis, waiving the General Schedule (GS) employment criterion when (1) the employment interchange rate(s) to adjacent locality pay areas separate from the “Rest of U.S.” is at least 7.5 percent and (2) when select human capital indicators (HCIs) show a significant loss of GS employees to higher-paying locality pay areas and/or inability to recruit.
- Working Group Recommendation 7: Based on its review of the current salary survey methodology, what should the Council recommend to the Pay Agent regarding that methodology?
 - Council Action: Chairman Sanders and Members Nelson and Bullock supported the recommendation by certain members of the Working Group that the Pay Agent consider alternatives to the current salary survey methodology. Members Cox, Simon, Erwin, and Reardon did not support that recommendation. Chairman Sanders offered to have all members state their case in that regard in the Council’s formal

¹ Pine County meets the employment interchange criterion for areas of application but does not meet the GS employment criterion.

² 5 U.S.C. 5304(e)(2)(A) requires that the Pay Agent give thorough consideration to the views and recommendations of the Council and the individual views and recommendations, if any, of the members of the Council. The Council therefore does not operate under a majority rule basis.

report to the Pay Agent. Chairman Sanders and Members Nelson and Bullock also recommended that the Pay Agent consider the five options listed in the table below.

Alternative Survey Methodologies	
Options Not Requiring a Change in Law	Option 1: Continue use of the current salary survey methodology (NCS/OES Model).
	Option 2: Modify or supplement the existing salary survey methodology to reduce the reliance on statistical modeling.
	Option 3: Continue use of the current salary survey methodology, but supplement it with other HCIs (e.g., attrition data) to qualitatively assess the effects of the statistically modeled salary estimates.
Options Requiring a Change in Law	Option 4: Develop a method for taking the cost of major fringe benefits like health insurance and pensions into account when comparing Federal and non-Federal total compensation.
	Option 5: Conduct a comprehensive, periodic review of total compensation for white-collar Federal civilians. Such a review could be similar to the review of total compensation by DOD's most recent Quadrennial Review of Military Compensation.

Meeting Minutes

Agenda Items 1 and 2: Introductions and Announcements / Minutes of April 10, 2018, Meeting

Chairman Sanders introduced himself and called the meeting to order at 1:00 p.m. He noted that the Council had much to cover and would need to move through the agenda efficiently to allow time to discuss the Council's review of the salary survey methodology used in the locality pay program. At Chairman Sanders's request, the other Council members introduced themselves. He then read through the meeting agenda, noting that the minutes of the previous Council meeting (April 10, 2018) had been approved, and then turned the floor over to Mr. Allen.

Mr. Allen thanked everyone for attending the meeting and summarized the Council's role in the locality pay program. He explained that the Council is an advisory body operating under the Federal Advisory Committee Act, and that OPM does not hold membership on the Council or develop its recommendations but does provide the Council with staff support.

Mr. Allen explained that the Council was meeting today to develop recommendations for locality pay in January 2020. He clarified that the Council makes recommendations on the establishment of locality pay areas, the coverage of salary surveys, the processes used for making comparisons between Federal and non-Federal pay, and the level of comparability payments for Federal employees. He said the Council will submit its recommendations for January 2020 locality pay, when finalized, to the President's Pay Agent. He welcomed Member Nelson as a new Council member and turned the floor back over to Chairman Sanders, who proceeded to the next agenda item, a report by the Bureau of Labor Statistics.

Agenda Item 3: Report of the Bureau of Labor Statistics (BLS)

BLS Supervisory Economist Ms. Frances Harris read the following prepared statement to the Council.

I am Frances Harris of the Bureau of Labor Statistics, Office of Compensation and Working Conditions. I am pleased to come before you today to present the work that the Bureau of Labor Statistics does in support of the President's Pay Agent and the Federal Salary Council. The BLS provides pay estimates each year to the Federal Salary Council for broad categories of professional, administrative, technical, clerical, and officer jobs, known as PATCO groups, at the various General Schedule (GS) work levels. These estimates are based on the combined data from the Bureau's National Compensation Survey (NCS) and the Occupational Employment Statistics (OES) programs.

The PATCO estimates are designed to represent the annual earnings of workers in private industries and state and local government. The BLS uses a statistical process to combine the data from the NCS and OES programs to produce estimates of annual earnings by area, occupation, and work level, where the work level is based on information collected on the duties and responsibilities of the occupations sampled in the NCS. The BLS aggregates these estimates across the occupations in the broad category of jobs according to Federal employment weights provided by the Office of Personnel Management (OPM). The BLS then delivers the resulting estimates of annual earnings by area, PATCO group, and work level to OPM. OPM aggregates these estimates to create a single pay gap for each area for use in Federal pay comparisons.

In the 2018 delivery, the BLS produced PATCO estimates for 95 areas, including the 47 current locality pay areas as well as a number of areas of interest. The Federal Salary Council requested that the BLS deliver PATCO estimates in 2018 based on the latest revisions to the 2013 OMB Core Based Statistical Area (or CBSA) definitions and including any Areas of Application in the area's definition. For the 2018 delivery, there were minor changes to the definitions for Albuquerque-Santa Fe-Las Vegas, NM; Los Angeles-Long Beach, CA; and San Antonio-New Braunfels-Pearsall, TX. The PATCO estimates for the Rest of the United States (RUS) excluded all current locality pay areas as well as the six areas—Burlington-South Burlington, VT; Virginia Beach-Norfolk, VA-NC; Birmingham-Hoover-Talladega, AL; San Antonio-New Braunfels-Pearsall, TX; Corpus Christi-Kingsville-Alice, TX; and Omaha-Council Bluffs-Fremont, NE-IA—that have been recommended and are awaiting establishment as new locality pay areas. As in prior years, at the request of the Council, BLS provided separate estimates including and excluding the effect of incentive earnings.

The BLS would like to remind the Council that the OES program began collecting data at a more aggregated level than the detailed occupation for four of the 251 occupations in the Federal employment weight file. The OES aggregations were used in this year's delivery of the PATCO estimates. These aggregations are expected to lead to higher quality estimates. The BLS would also like to remind the Council that the PATCO estimates are based on BLS survey data, so the estimates for both the average annual earnings by area and occupation from the OES and the factors for the work level from the NCS are influenced by the units sampled for a particular year. This sampling variation contributes to the year-to-year variation in the PATCO estimates.

The 2018 delivery of the PATCO estimate continued to use a Federal employment weight file based on the 2000 version of the Standard Occupational Classification (SOC). Looking ahead, the Office of Personal Management (OPM) plans to provide a Federal employment weight file to the BLS using the 2018 version of the SOC. The BLS will work with OPM to develop a plan and a timeline for transitioning to the 2018 SOC codes in a future delivery of the PATCO estimates.

Finally, over the last several months, the BLS has provided survey information and methodological input to the Working Group of the Federal Salary Council as it evaluates the Federal pay-setting process. The BLS provided a briefing to the Working Group on the OES and NCS surveys and the modeling methodology currently used in the calculation of the PATCO estimates. The BLS also provided the Working Group with other information, such as tabulations to show differences in work levels between Federal and non-Federal workers. The BLS will continue to support the information needs of the Federal Salary Council as it proceeds in its work to recommend improvements in the process for determining Federal pay.

I will be happy to answer any questions you may have.

Chairman Sanders noted the Council had observed some year-to-year fluctuation in pay disparities calculated using data from the NCS/OES Model.³ Comparing select pay disparities from March 2017 and March 2018, he noted that some pay gaps had decreased while others had increased, and asked Ms. Harris whether those changes were “real” or more likely the effects of sampling variation.

Ms. Harris responded that standard errors are not calculated for the estimates from the NCS/OES Model, so it is difficult to determine whether year-to-year changes in the NCS/OES salary estimates reflect true economic change or simply reflect sampling variation. She explained that both the NCS and OES are sample surveys, that surveyed establishments are included in the sample for 3 years, and that each year some establishments “fall out” of the sample at the end of their 3-year period and are then replaced by new establishments. She said that such survey sample rotation contributes to the year-to-year variation that can be observed in NCS/OES salary estimates.

Chairman Sanders said he understood that changes in the survey samples can lead to changes in NCS/OES Model results and that not every year-to-year change is a cause for concern. He asked Ms. Harris if there is a way of telling at what point an upward or downward trend in a pay disparity might indicate that year-to-year fluctuation can be presumed attributable to factors other than sample rotation. He said his hope is that over time the Council might be able to account for variation due to sample rotation versus other factors somehow. Ms. Harris responded that the BLS would consider the question and provide a more formal response at a later date.

Chairman Sanders said he would like to make sure the Council is able to tell which year-to-year changes warrant concern. The Council needs to determine the number of years of results to consider when establishing a locality pay area. Ms. Harris responded that BLS would research the question of the volatility in the NCS/OES Model results and provide a formal response to the Council.

³ The NCS/OES Model is the salary survey methodology used in the locality pay program. This methodology combines data from two BLS surveys, the National Compensation Survey (NCS) and the Occupational Employment Statistics (OES) program. As explained in previous Council documents, in applying the NCS/OES Model BLS uses NCS data to assess the impact of level of work on occupational earnings, and applies factors derived from the NCS sample to occupational average salaries from OES to estimate occupational earnings by level of work in each locality pay area.

Chairman Sanders thanked BLS for its testimony and its support in Council Working Group meetings in 2018. He then turned to the next item on the agenda, testimony regarding certain proposed locality pay areas.

Agenda Item 4: Testimony Regarding Certain Proposed Locality Pay Areas

Chairman Sanders said representatives from five locales had indicated a desire to provide oral testimony to the Council regarding locality pay: Charleston, SC; Nashville, TN; Imperial County, CA; Pine County, MN; and Mono County, CA. He asked if anyone wished to testify regarding other locations, and no one indicated a desire to do so.

In addition, he indicated that Senator Tom Carper had provided a written statement regarding locality pay in Sussex County, Delaware, and that the senator asked that that statement be read into the record. Accordingly, Chairman Sanders asked OPM staff member Joe Ratcliffe to read the senator's statement into the record.

Agenda Item 4.1: Statement by Senator Tom Carper Regarding Sussex County, DE

Mr. Ratcliffe read the following statement into the record:

“Senator Tom Carper of Delaware has, both through communications by his staff with OPM staff and through conversations the Senator has had with the OPM Director Jeff Pon, raised concerns about Sussex County being covered by the ‘Rest of the U.S.’ locality pay area given concerns about inequities experienced by Federal employees in the county as compared to Federal employees working in adjacent or nearby locality pay areas. Senator Carper encouraged Director Pon and the Federal Salary Council to continue to study avenues to cover Sussex County as a higher-paying locality pay area.”

Chairman Sanders asked OPM staff to review the results of applying current criteria for areas of application to Sussex County, DE. Mr. Ratcliffe did so and concluded that that Sussex County, DE, did not meet the criteria for establishment as an area of application to a locality pay area separate from the “Rest of U.S.” locality pay area. He further noted that Sussex County is part of the multi-county Salisbury, MD-DE Metropolitan Statistical Area (Salisbury MSA) and thus is evaluated as part of a multi-county “Rest of U.S.” location.

Mr. Ratcliffe explained that in order to qualify as an area of application to a locality pay area separate from the “Rest of U.S.,” the Salisbury MSA would need to be adjacent to an established basic locality pay area, have 1,500 or more GS employees, and have an employment interchange rate of 7.5 percent or more with the adjacent basic locality pay area. He noted that the Salisbury MSA has about 382 GS employees, which does not meet the applicable GS employment criterion. He further noted that—

- The Salisbury MSA is adjacent to the Washington-Baltimore basic locality pay area and to the Philadelphia basic locality pay area;
- The Salisbury MSA has an employment interchange rate of 5.96 percent with the Washington-Baltimore basic locality pay area, which does not meet the 7.5 percent employment interchange threshold; and

- The Salisbury MSA has an employment interchange rate of 9.79 percent with the Philadelphia basic locality pay area, which meets the 7.5 percent employment interchange threshold.

Based on Mr. Ratcliffe’s analysis, Chairman Sanders concluded that the location met the employment interchange criterion but not the GS employment criterion. Member Simon noted, and Chairman Sanders confirmed, that elsewhere in the agenda, the Council would address the issue of locations not meeting the GS employment criterion.

Agenda Item 4.2: Testimony of Representatives from Charleston, SC

Two speakers provided testimony accompanying a detailed, written proposal to establish Charleston, SC, as a locality pay area separate from the “Rest of U.S.” That written proposal is Council Document FSC 18-02-05. The two speakers, in order of testimony, were Mr. Ian Scott, Senior Vice President, Advocacy, Charleston Metro Chamber of Commerce; and Mr. Scott Isaacks, Director and Chief Executive Officer of the Ralph H. Johnson Department of Veterans Affairs (VA) Medical Center in Charleston, SC.

Mr. Scott described the Charleston Metro Chamber of Commerce as the collective voice of 1,600 member-organizations, which employ more than 150,000 people in the Charleston-North Charleston MSA. He explained that he was attending the Council meeting in support of the proposal submitted by the Federal Executive Association of Greater Charleston to establish a special locality pay area for Federal employees in the Charleston-North Charleston MSA. He said his organization encouraged the Council to consider incorporating economic factors such as cost of living into the methodology for determining locality pay areas.

Mr. Scott stated that, in the Charleston area, there are roughly 10,000 non-Department of Defense (DOD) Federal employees executing the missions of 40 different Federal agencies, ranging from the State Department to the National Oceanic and Atmospheric Administration. He added that Federal employment continues to be a critical component of the Greater Charleston area’s economy, but that Federal agencies in the area increasingly struggle to recruit and retain the talented employees they need.

Mr. Scott said that Federal agencies and private-sector employers both compete for talent in Charleston’s fast-growing and costly labor market, but that local Federal employers, unlike private-sector employers, do not have authority to maintain a competitive wage position. He added that a higher locality pay rate for Charleston would help remedy that situation.

Mr. Scott noted that the current methodology for determining locality pay uses “All Occupations” data from the OES survey, for which the annual mean wage is \$44,970 for the Charleston area.⁴ He said the Charleston Metro Chamber of Commerce believes that number is a lagging indicator for Charleston’s rapidly diversifying economy that obscures the significant challenge to recruit and retain employees with high-demand skill sets.

⁴ As explained in the previous footnote, the current salary survey methodology is the NCS/OES Model, which does not use overall average OES salaries. The March 2018 NCS/OES overall average non-Federal salary used for Charleston in pay disparity calculations is \$84,438, and the March 2018 overall average base GS salary to which it is compared to calculate the pay disparity for Charleston is \$60,565.

Mr. Scott stated that the Charleston region's economy has quickly transformed from service-based to skills-based, and that, while many believe that tourism predominates the Charleston economy, the economic impact of the hospitality sector is now eclipsed by technology, logistics, life science, aerospace and automotive industries. He noted, for example, that Boeing, Mercedes, Google, Volvo, Blackbaud, and many other globally renowned firms now call the Charleston region home.

Mr. Scott said that, while the Charleston MSA population is currently ranked 74th nationally, its job growth over the last 5 years ranks 16th in the nation, and over the next 5 years the area is projected to add an additional 35,000 new jobs. Moreover, he noted that the region's labor market grew at a faster rate than population in 2017 and is on pace to do so again in 2018. He stated that, for the last six months with available data, the region's unemployment rate averaged 2.9 percent. He told the Council that recent analysis reports talent supply gaps numbering in the hundreds annually for starting positions in critical sectors like software and manufacturing. He added that strong job growth, low unemployment, and labor shortages have led to rising wages. He said that, across all industry sectors, wages are up an average of 15.5 percent over the past five years, and that in Scientific, Technical, Engineering, Mathematics, and Medical (STEMM) fields and other high-demand fields, wages are up even more.

Mr. Scott stated that, for too many families, income gains are being offset by significant increases in housing costs. He reported that, since 2010, the median home sale price is up 27 percent on average; average rents are up 49 percent over the same period; and every submarket in the region is experiencing similar housing cost increases. He added that the housing affordability problem is likely to get worse before it gets better, and said that while the region consistently adds 7,500 net new households or more per year, Charleston has not permitted that many new housing units in any year in the last decade. He said this supply/demand misalignment will not ease anytime soon.

Mr. Scott said that job growth in the Charleston region, coupled with a high cost of living largely due to housing costs, impacts employee recruitment and retention for all employers. He added that staffing challenges are exacerbated for Federal agencies because of the current "Rest of U.S." designation for the region.

In closing his testimony, Mr. Scott said, "For all these reasons, we encourage you to adopt a locality pay rate for the Charleston-North Charleston MSA to help keep Federal Government salaries in the area competitive with local private industry and able to recruit and retain the talented workers they need to execute their missions. Thank you for your consideration."

The Council then heard testimony from Mr. Isaacks, who began by noting that the Ralph H. Johnson VA Medical Center (VAMC) serves more than 76,000 veterans along the coast of South Carolina and Georgia and is a complex tertiary care referral center providing high-quality medical, specialty and mental health care to veterans across the southeast. He said that, in fiscal year 2017, his VAMC was identified as the second-fastest growing VAMC in the U.S., "with 7.4 percent unique patient growth and a 12.1 percent growth rate from August 2016 to August 2018." He added that such growth is projected to continue. He said his VAMC is known for delivering high-quality, safe care, and he added that the VAMC has sustained high levels of performance and efficiency over the last several years. He said he was mentioning

these facts because veterans deserve nothing less than the very best health care to deal with the injuries and illnesses sustained during their service, which is what his VAMC provides.

Mr. Isaacks said the ability for his VAMC to continue providing the best care for veterans is being severely impacted by Charleston's inclusion in the "Rest of U.S." locality pay area. He added that while his facility can initially attract highly qualified applicants in many instances, all too often excellent candidates decline job offers because they cannot afford to live in the area with its rising living costs when they can work in other areas where locality pay is higher and the cost of living is comparable to or below that for Charleston.

Mr. Isaacks also reported staffing difficulties to the Council. He said his facility has approximately 477 existing vacancies and a current vacancy rate of 14.8 percent—an increase of 77 vacancies since the April 2018 Council meeting. He said his VAMC's current turnover is 10 percent and includes physicians, psychologists, physician assistants, certified registered nurse anesthetists, licensed practical nurses, medical technologists, registered nurses, and physical therapists. He added that psychologists are a prime example of the impact Federal compensation in the Charleston area has on veteran care. He said that, within the past 18 months, the number of job offer declinations for psychologist positions has increased and his VAMC has lost 18 highly qualified, experienced psychologists due to compensation.

Mr. Isaacks said his VAMC currently has 45 vacancies in its mental health and social work positions alone. He recounted that his VAMC had recently been unable to recruit a top candidate, "a highly experienced VA mental health professional from Pennsylvania," because she would have realized a \$19,000 pay cut by transferring to his VAMC. He related another example of an attempt to recruit a psychologist for his VAMC's Substance Treatment and Recovery Program. He said the selectee was being recruited from Guam, but ultimately declined the offer in Charleston stating that she did not believe salary in Charleston would be sufficient. He said the losses he described were critical, especially considering that more than 50 percent of his VAMC's patient population has a mental health diagnosis, and that in the U.S. there are approximately 20 veterans who commit suicide every day.

Mr. Isaacks listed a number of other positions for which his VAMC has difficulty recruiting and retaining, including histopathology technicians, medical technologists, nursing assistants, medical support assistants, and police officers. He said his facility is using title 38 special salary rates and nurse locality pay schedules where authorized, as well as retention, relocation, and recruitment incentives. He added that the Education Debt Reduction Program is offered at his VAMC for title 38 and title 38 "hybrid" positions, and that the Student Loan Repayment Program is used for title 5 positions. He said there are limits to what can be done using these authorities and that the baseline above which pay flexibilities are applied needs to be higher.

Mr. Isaacks stated that the Charleston MSA has a higher cost of living than 21 metropolitan areas that are included in locality pay areas separate from the "Rest of U.S." He said that prospective employees coming to the Charleston MSA from those 21 areas would need an increase in annual salary ranging from \$348 to \$7,714 to maintain the standard of living they are currently enjoying. He cited a recent increase in the General Services Administration (GSA) per diem rate for Charleston and noted that the per diem rate for Charleston is high compared to a number of metropolitan areas currently receiving higher locality pay than Charleston. He added, "GSA has

recognized that Federal employees visiting the Charleston area need more money to do so, and that should be recognized in the locality pay rate for Federal employees in the area.”

Mr. Isaacks said that his VAMC, like the overwhelming majority of Federal entities in the Charleston area, are STEMM based. He said that means the bolus of the VAMC’s employees are professionals in higher-graded positions, which often results in pay disparities of anywhere from \$10,000 to \$20,000 between markets such as Laredo, Texas, Denver or Philadelphia as compared to Charleston. He added that, because his VAMC requires larger numbers of scientists, therapists, pharmacists, researchers and other medical professionals to fulfill its mission, the grades of the VAMC’s positions skew the current formula used to determine locality pay.

Mr. Isaacks said that, while his VAMC believes its staff should be fairly compensated in relation to the well-documented high cost of living in Charleston, the request regarding Charleston is about much more than employee compensation and is about keeping the promise of providing quality health care made to the men and women who have served in uniform and sacrificed so much for our Nation. He said that, without the Council supporting the request regarding Charleston, he believed his VAMC’s ability to continue to fulfill its mission both now and in the future will be placed at unnecessary risk. He thanked the Council.

Chairman Sanders said he had a number of questions but would first ask whether other Council members had any. Member Cox said he may have questions or comments later and mentioned his considerable expertise regarding VA healthcare issues.

Chairman Sanders said that Mr. Scott and Mr. Isaacks had both laid out a number of human capital statistics. Chairman Sanders said that such data might serve as an indicator of how accurate the current salary survey methodology is, if the data could be compiled for all agencies across the entire Charleston area. He said certain human capital data such as vacancy and job offer declination rates and time-to-hire data could indicate how well the current salary survey methodology is working. He then asked Mr. Isaacks to what extent VA’s pay-setting authority under 38 U.S.C. 74, which Mr. Isaacks had mentioned previously, had addressed his VAMC’s staffing issues.

Mr. Isaacks responded that use of title 38 authority had helped his VAMC to a degree, but he added, “Even within title 38, there are limits.” He said that when there is a base level of compensation (i.e., regular locality rates of pay) that is lower than it should be, there is a bigger gap to fill to reach a level of compensation that is reasonably competitive. Summarizing that point, he said, “We really need a base that’s accurate.” He added that there are also positions essential to veteran care that are not covered by VA’s title 38 authority, e.g., lab technicians, and added, “We need one or the other—title 38 authority across the board or better pay comparability methods under title 5. The issues with the GS pay schedules need to be settled and living costs need to be better reflected in locality rates.”

Chairman Sanders asked Mr. Isaacks to describe the consequences of the VAMC not being able to meet mission requirements. Mr. Isaacks responded that one consequence is longer wait times for veterans needing care. He added that VA is able to send care out to non-VA hospitals when needed, but that non-VA hospitals have resource constraints limiting their ability to respond quickly, so sending out care does not adequately address the issue of longer wait times.

Returning to the notion that human capital data may be potentially useful to the Council when assessing how well the current salary survey methodology is working, Chairman Sanders said he had some data elements in mind that could be helpful if compiled for an entire geographic area of concern (rather than data for just a subset of agencies in a geographic area). He said these data elements included—

- Vacancy rates and job offer acceptance rates;
- Whether agencies in a location of concern have applied for and received direct hire authority;
- Turnover data, including quits, retirements, and the number of retirement eligible incumbents; and
- Whether agencies in a location of concern have applied for and received special salary rates.

Regarding direct hire authority for his VAMC, Mr. Isaacks said his VAMC has the authority for some but not for all and had just started using the authority in the last year. He said he expected the authority to be expanded, but that those offered jobs will still have to accept in order for the recruiting challenges to be addressed. He added that direct hire authority does not address the problem created by the pay disparity, though it does speed up the hiring process. Regarding special rates, Mr. Isaacks reiterated that his VAMC has used them but that there are some limitations associated with special rates. He said, “It all starts with base pay. I really feel like we need to correct base pay.”

Chairman Sanders asked whether staffing issues are associated with all positions at the VAMC or primarily STEM positions. Mr. Isaacks responded that the staffing issues are mainly with STEM positions, but that a number of non-STEM positions essential to the operation of the VAMC are also affected by the pay disparity in Charleston.

Chairman Sanders observed that both Charleston witnesses had raised the issue of the cost of living and noted that locality pay is based on the cost of labor. But he added that surely there is a relationship between living costs and labor costs, and said he would think that, at some point, a high cost of living would create a high cost of labor in an area.

Mr. Scott said that wage increases in Charleston recently have been larger than the National average, but that there is still a lot of ground to make up. He added that competition for STEM positions is a significant issue in the Charleston area.

Mr. Isaacks said it appeared that, with the current salary survey methodology, the sample size may not be large enough, and that he understood that another problem is that some SOC positions included in the overall OES average salary should be excluded from pay disparity calculations for Charleston. He added that data on living costs would indicate how much it costs to recruit people.

Member Cox noted that Mr. Isaacks had mentioned police officers. He said AFGE had tried to get police officer positions upgraded, but that OPM determined the positions should be

downgraded. He added that the VA Secretary has authority to give law enforcement officer status to VA police officers.⁵

Member Cox said he understood some of the companies Mr. Scott mentioned earlier, such as Boeing and Volvo, had relocated to Charleston, an area that is not highly unionized. Member Cox said that has a rippling effect, and added that his heart bleeds to hear the Charleston VAMC has 477 vacancies and the other staffing he had heard described.

Chairman Sanders said a great case study may be found in an area such as Charleston, where current salary survey results say one thing and the experiences on the ground say something quite different. He added that he recognizes the real-world challenges in Charleston and sympathizes with Federal employers there, and he thanked the speakers from Charleston for their testimony.

Hearing no further comments regarding the testimony on Charleston, Chairman Sanders said the Council would now hear testimony regarding Nashville, TN.

Agenda Item 4.3: Testimony of Representatives from Nashville, TN

Two speakers provided testimony accompanying a detailed, written proposal to establish Nashville, TN, as a locality pay area separate from the “Rest of U.S.” That written proposal is Council Document FSC 18-02-07. The two speakers, in order of testimony, were Mr. Eric Crafton, Director of Real Estate for Naval Facilities Engineering Command (Washington, DC), and Ms. Diane Parks, Chief of Operations, U.S. Army Corps of Engineers, Nashville.

Mr. Crafton greeted the Council. He reminded everyone that he had provided testimony regarding Nashville at the April 10, 2018, Council meeting and said concerns regarding locality pay in Nashville are similar enough to those in Charleston that the Council could take everything the previous witnesses had said about Charleston and insert Nashville.

Mr. Crafton said the reason a difference exists between NCS/OES results and experiences on the ground in Nashville is that automatically including all the occupations averaged in skews down the mean wage. He said the Federal Government does not hire guitar players and tour guides and that Nashville will never measure up using the current methodology.⁶ He said that when the Nashville Locality Pay Initiative Team did its research, the team found that, to believe the results of the NCS/OES Model, one would have to suspend belief in basic economic principles. He said it would be difficult to reconcile NCS/OES Model results with Nashville’s low unemployment and rapidly increasing cost of living.

Mr. Crafton mentioned that he had relocated from Nashville to Washington, DC, since he provided testimony in the April 10, 2018, Council meeting. He said he could tell the Council from his own experience that the cost-of-living difference between the two areas is miniscule.

⁵ Special base rates for law enforcement officers (as defined in 5 U.S.C. 5541(3) and 5 CFR 550.103) are authorized by section 403 of the Federal Employees Pay Comparability Act of 1990, as amended. By law, these rates must be the basis for computing locality payments. (5 CFR part 531, subpart F.)

⁶ The NCS/OES Model uses data on earnings for the 251 occupations in the Federal employment weight file. It does not use data on earnings for all occupations.

Mr. Crafton said he thought the current salary survey methodology works for some areas but not for all. He said that the “market basket” approach suggested in the Nashville proposal (Council Document FSC 18-02-07) could be used as an alternative methodology for areas such as Nashville and Charleston where the current methodology is not working. He proposed that the Council use Nashville as a test case for using the market basket approach the Nashville Locality Pay Initiative Team had suggested.

Mr. Crafton thanked OPM staff for helping to get the Nashville Locality Pay Initiative Team on the Council’s meeting agenda and for providing technical information on the locality pay program so that the team would be better prepared to provide testimony. He noted that OPM staff had been very helpful in responding to inquiries he made in preparation for his testimony. There was applause from the Council members and audience.

Ms. Parks greeted the Council, introduced herself, and noted that she would be taking over Mr. Crafton’s role on the Nashville Locality Pay Initiative Team. She said the problems described in the April 10, 2018, Council meeting remain but that there had been some changes of note since then.

She reminded everyone that the April 10, 2018, testimony on Nashville mentioned the issue of Federal Wage System (FWS) increases being greater over an extended period than GS increases in Nashville. She noted that FWS employees in Nashville had received another pay adjustment since the April 2018 Council meeting. She said that DOD sets wages for FWS positions based on a comparison of like jobs. She said that half of her employees are covered by the FWS and the other half are GS. She said the GS employees are well aware that the FWS increases are higher.

Ms. Parks noted that OPM has suggested special salary rates as an alternative to locality pay. She said some positions she manages are covered by special rates, but only hydropower engineers, who are now paid more than engineers not in hydropower.⁷ She said that engineers in Nashville other than those specializing in hydropower also do important work—e.g., navigation engineers who move vessels through the commerce system. Referring to relocation incentives, she said she had used them to get people in the door, but that the relocation incentives do not address retention issues. She said people are leaving her facility to get higher locality pay or special rates for hydropower engineering positions. She agreed with Mr. Crafton that Nashville’s low unemployment rate is another indicator that the current salary survey methodology is not working for Nashville.

Chairman Sanders said he found the market basket idea or some variant of that approach intriguing. He said that, in considering such an idea, he would need to know whether the problem is one of market sensitivity across the board or in certain occupations. He said it would be helpful to ascertain which occupations are most severely affected. He said the question is whether the problem is across the board or limited to certain occupations, occupational families, and/or work levels.

⁷ At the request of the Departments of Energy, Defense, and Interior, OPM implemented special rates effective May 27, 2018 for certain engineering positions performing work directly involved in the generation and/or transmission of electric power, as well as supervisors of such positions, and at those departments’ request OPM limited coverage of the special rates to positions with such duties.

Responding to Chairman Sanders, Ms. Parks said that STEMM positions comprise a significant portion of her mission critical occupations, but that support positions are important too, and are impacted by the level of locality pay rates applicable for the Nashville area. She mentioned some examples of positions currently receiving GS locality pay in Nashville, including engineering technicians, park rangers, and biologists.

Mr. Crafton said that he had the opportunity to meet with all other agencies represented in the Nashville proposal, and that the information he gained in doing so indicates a pay disparity exists for all positions in Nashville. He added that, in doing his research, he found that the pay disparities are less a problem at the entry level than at the journey level.

Member Cox asked how Mr. Crafton thought a pay freeze might impact recruitment and retention. Mr. Crafton responded that a pay freeze would make already significant staffing challenges worse. Member Cox said that is very important to recognize.

Chairman Sanders pointed out that locality pay increases have not been large in recent years and that such increases in the near future would likely not be large enough to address the issues described today for Nashville and Charleston. He said he would work with OPM to put together a set of human capital metrics the Council can use so that data can be collected in order to get a better handle on the scope of recruitment and retention problems and their causes.

Hearing no further comments regarding the testimony on Nashville, Chairman Sanders said the Council would now hear testimony regarding Pine County, MN.

Agenda Item 4.4: Testimony of Representatives from Pine County, MN

Mr. Michael Weber, President of AFGE Local 683, provided testimony regarding Pine County, MN, a “Rest of U.S.” location which he proposed be added to the Minneapolis locality pay area. His presentation focused on the Bureau of Prisons (BOP) Federal Correctional Institution (FCI) Sandstone, which is located in Pine County.

Mr. Weber said that, of FCI Sandstone’s 185 GS employees, 38 percent live outside of Pine County and commute there to work and 62 percent both live and work in the county. Regarding recruitment for the facility’s positions, he said that job fairs play a key role in recruitment of GS employees at FCI Sandstone, and that more than half of the job fairs in which FCI Sandstone has participated over the last 5 years have been held in locations for which Minneapolis locality pay is applicable.

Mr. Weber noted that, while FCI Sandstone requires 3 years of work experience and has an hourly starting wage of \$19.74, the Pine County Sheriff’s Department does not require work experience—only a driver’s license and a high-school diploma or General Education Diploma is required—and hourly wages depend on experience and range from \$18.77 to \$24.86 in 2018.

Mr. Weber said that, within the last 5 years, 33 staff with BOP experience accepted jobs with FCI Sandstone and remain at the facility; 140 other staff with BOP experience left FCI Sandstone due to transfer, retirement, resignation, termination, or death; and that of those 140 staff, 30 were lateral transfers to other BOP facilities and 24 were resignations. He said the number of current vacancies is very concerning.

Mr. Weber said that some examples of positions advertised for FCI Sandstone include UNICOR Assistant, Physician Assistant, Nurse, Residential Drug Addiction Program Psychologist, Clinical Director, Clinical Psychologist, Dentist, and Teacher. He noted that correctional officer positions have had a shortage of applicants such that these positions have remained below 90 percent filled, which creates unsafe conditions and the need to pay overtime.

Mr. Weber said that, according to the Minnesota Department of Employment and Economic Development, the annual cost of living for Pine County exceeds that for several Minnesota counties receiving Minneapolis locality pay.

To show that the current shortage of correctional officers creates unsafe conditions, Mr. Weber discussed guard-to-inmate ratios. For example, he said that, in the facility's dorm-style housing units, with full staffing there would be 1 corrections officer for every 120 inmates between 4:00 p.m. and midnight but that currently there is 1 corrections officer for every 129 inmates.

Mr. Weber cited four recent news articles headlines regarding incidents in which corrections officers were killed or injured in the line of duty. He pointed out that, while these news articles were about locations other than FCI Sandstone, such articles do affect BOP recruitment and retention throughout the Country. In closing his presentation, he said, "It's not about *wanting* more pay; it's about *needing* it to staff our facility safely."

During his presentation, Mr. Weber had noted that the period January 2018 - September 2018, there have been 884 assaults on BOP staff with an average of about 98 such assaults per month. Regarding those assaults, Chairman Sanders asked whether the numbers were nationwide, and Mr. Weber confirmed they were.

Chairman Sanders confirmed with OPM staff his understanding that Pine County, MN, passes the employment interchange criterion for areas of application but does not pass the GS employment criterion. When OPM staff confirmed Chairman Sanders was correct, he said the Council would further discuss the GS employment criterion later in the meeting.

Member Simon asked Mr. Weber how many employees FCI Sandstone has and how many it would have if fully staffed. Mr. Weber said the facility has 185 employees and would have 211 if fully staffed.

Hearing no further comments regarding the testimony on Pine County, Chairman Sanders said the Council would now hear testimony regarding Mono County, CA.

Agenda Item 4.5: Testimony of Representatives from Mono County, CA

Colonel Kevin Hutchison, Commanding Officer of the Marine Corps Mountain Warfare Training Center (MCMWTC) in Mono County, CA, provided testimony accompanying a detailed, written proposal to include Mono County, CA, "Rest of U.S." location, in the Sacramento locality pay area. That written proposal is Council Document FSC 18-02-09.

Colonel Hutchison provided information on the MCMWTC and its staffing challenges. He said the MCMWTC is truly unique. He added that the facility has been training Marines since 1951, in one of the most isolated, arduous environments, in mountainous terrain with extreme weather.

He said that the battles of tomorrow are won on the training grounds of today, and that the MCMWTC's work is saving future American lives today. He added that the facility is suffering significant financial hardships.

Colonel Hutchison said that, while military personnel have on-base access to medical care and dining and have commissary privileges, civilians have no such access. He added that the nearest stop light from the base is over 55 miles away, that many staff live 50-plus miles away, and that most staff need a four-wheel drive vehicle.

Colonel Hutchison described MCMWTC's staffing challenges, with turnover of about 15 to 25 percent per year. He said that declination rates are also significantly high and have ranged in recent years from 26 percent to 46 percent. He said that the staff the MCMWTC does manage to recruit receives costly training and then often leaves the facility.

Colonel Hutchison said pay is a problem county-wide and not just for the MCMWTC. He said that higher locality pay being available in Carson City and Douglas County, areas of application to the Sacramento locality pay area, is a major factor in the staffing issues Federal agencies face in Mono County.

Colonel Hutchison said he appreciated that managers and policymakers have to be conscientious stewards, but that normal models of efficiency will not work for Mono County. He asked the Council to consider the challenges the MCMWTC faces. In closing, he said an increase in locality pay will ensure investment in the MCMWTC will continue to pay significant dividends.

Chairman Sanders said it would help to know to what extent the Marine Corps and DOD had been using such pay flexibilities as recruitment, retention, and relocation incentives to address staffing difficulties in Mono County. He asked whether Mono County being designated as separate from the "Rest of U.S." would solve the problems Colonel Hutchison had described, and Colonel Hutchinson said that change would help a great deal.

Regarding the concern Colonel Hutchison raised regarding personnel being trained and then leaving the facility, Chairman Sanders said that people come to the Federal Government, receive training, and then go elsewhere. He said that will be a problem the Government will contend with more and more, since career patterns are changing. He then asked if there were further questions or comments regarding Mono County.

Colonel Hutchison said he would like to point out that it is important for the Council to consider the real-world issues facing Federal employers in Mono County. He said the MCMWTC's numbers are so small they just don't register when presented as a mathematical abstraction.

There were no additional questions or comments at this time regarding Mono County.⁸

⁸ Later in the meeting, Mr. Brad Hurley, a MCMWTC communications officer who accompanied Colonel Hutchison to the meeting, asked for an opportunity to speak. He emphasized the significance of points made in the written proposal accompanying Colonel Hutchison's testimony regarding staffing challenges in Mono County and the remoteness of the MCMWTC.

Agenda Item 4.6: Testimony of Representatives from Imperial County, CA

Mr. Mike Matzke, President, AFGE National Border Patrol Council Local 2554, spoke on behalf of Federal employees in Imperial County, CA, a “Rest of U.S.” location adjacent to the Los Angeles and San Diego locality pay areas. His testimony accompanied the written proposal in Council Document FSC 18-02-08. Because the Council Working Group report recommended that the full Council recommend that Imperial County, CA, be established as an area of application to the Los Angeles locality pay area, Mr. Matzke kept his remarks brief. (See the Working Group report, Council Document FSC 18-02-18, for background and reasoning behind the Working Group recommendation regarding Imperial County.)

Mr. Matzke said the situation in Imperial County has worsened since his presentation to the Council in April 2018. “We’re at a mission critical point where you really can help a lot.” He thanked the Working Group for its support.

Agenda Items 5 and 6: Consideration of the Report and Recommendations of the Federal Salary Council Working Group

Chairman Sanders asked Mr. Ratcliffe to present the Council Working Group report (Council Document FSC 18-02-18) to the Council. The Working Group report contained seven recommendations (numbered accordingly below) for the Council’s consideration. The Council’s actions with respect to each of those recommendations were as follows:

- **Recommendation 1:** Based on the report of the Council’s Working Group, the Council agreed to recommend to the President’s Pay Agent that locality pay rates for 2020, for both current and planned locality pay areas, be as estimated by the NCS/OES Model, as shown in Attachment 2 of the Working Group report.
- **Recommendation 2:** Based on the report of the Council’s Working Group, the Council agreed to defer any action or recommendation with respect to the revised definitions of Metropolitan Statistical Areas (MSAs) and Combined Statistical Areas (CSAs) delineated in OMB Bulletin No. 18-04, issued September 14, 2018, pending further OPM and Council study.
- **Recommendation 3:** Based on the report of the Council’s Working Group, and the results of the NCS/OES Model, the Council agreed to recommend that the President’s Pay Agent establish the Des Moines, IA, research area as a separate locality pay area in 2020, and continue to monitor the pay disparities for other “Rest of U.S.” areas for which BLS has provided salary estimates from the NCS/OES Model.
- **Recommendation 4:** Based on the report of the Council’s Working Group, the Council agreed to recommend to the President’s Pay Agent that Imperial County, CA, be established as an area of application to the Los Angeles locality pay area.
- **Recommendation 5:** Based on the report of the Council’s Working Group, the Council then discussed action with respect to those areas listed in Attachment 5 of the Working Group report that did not meet the established criteria for designation of a locality pay area or area

of application. Chairman Sanders called for a vote recommending that those areas remain part of the “Rest of U.S.” category.

- In response, Member Cox moved to grant an exception for Pine County, MN, and recommend that it be made an area of application to the Minneapolis locality pay area, even though it did not meet the established criteria for an area of application. Council members unanimously agreed to recommend that those areas that did not meet established criteria remain part of the “Rest of U.S.” for locality pay purposes, *with the exception of Pine County, MN.*
- Regarding Pine County, Members Cox, Simon, Erwin, and Reardon supported making an exception for Pine County and recommending it be established as an area of application to the Minneapolis locality pay area. Chairman Sanders and Members Nelson and Bullock opposed granting an exception for Pine County. Chairman Sanders instructed that the minutes reflect the separate views of each of the Members on this point, noting that it did not meet established criteria, and that such criteria would be discussed later in the Council’s agenda.
- **Recommendation 6:** The Council then discussed the Working Group’s recommendations with regard to the criteria used to establish areas of application. In that regard, the Working Group report proposed that the Council recommend that the Pay Agent consider, on a case-by-case basis, waiving the GS employment criterion for proposed areas of application when (1) the employment interchange rate(s) to adjacent designated locality pay areas was at least 7.5 percent and (2) when human capital indicators (HCIs) show a significant loss of GS employees to higher-paying adjacent locality pay areas or inability to recruit.
 - In ensuing discussion, Member Simon commented that using the number of GS employees does not take vacancies into account, as would full-time equivalent (FTE) numbers. She added that the GS employment criteria for areas being evaluated as potential areas of application—400 or more GS employees for single-county locations and 1,500 or more GS employees for CSAs containing at least one MSA and for multi-county MSAs—are arbitrary. She said the Council had heard a lot of testimony regarding loss of staff and vacancy rates. She added that employers face such staffing problems throughout the Country, and she added that there is plenty of evidence the GS employment criteria are arbitrary.
 - Chairman Sanders responded that he was concerned that in every case the Council could probably find *some* examples of staffing challenges. He said he thought the Council was obliged, if it does not use GS employment as a trigger, to establish some discipline about what other data to consider before breaking from established precedent. He also recommended that the Council make sure affected agencies have done everything they can to address staffing problems where they exist before the Council treats an area as an anomaly and recommends a change in locality pay for all positions in that area.
 - Member Simon said one possibility would be to use authorized GS FTEs. Chairman Sanders responded that he would be happy to work with other Council members to

develop other measures to use in combination with or as a substitute for GS employment. He emphasized that it would be best to look consistently at the same set of human capital measures for areas under consideration.

Based on the forgoing discussion, all Council members agreed to recommend that when considering the designation of areas of application, the Pay Agent consider exceptions to the established GS population and interchange rate criteria if (1) additional human capital indicators (HCIs) submitted by the relevant organizations revealed severe recruiting and/or retention challenges, and (2) the organizations experiencing those challenges had employed every other applicable personnel flexibility to address the situation, without success. Chairman Sanders further indicated that he would work with OPM staff to develop a checklist of HCIs and relevant flexibilities for the Council’s consideration and if appropriate, for transmittal to the Pay Agent.

- **Recommendation 7:** The Council then discussed the Working Group’s recommendations with regard to the methodology used to determine salary disparities in existing and/or proposed locality pay areas. In that regard, the Council considered the Working Group’s consideration of following alternative methodologies.

Options Council Working Group Considered for Salary Survey Methodology	
Options Not Requiring a Change in Law	Option 1: Continue use of the current salary survey methodology (NCS/OES Model).
	Option 2: Modify or supplement the existing salary survey methodology that reduces the reliance on statistical modeling.
	Option 3: Continue use of the current salary survey methodology, but supplement it with other HCIs (e.g., attrition data) to qualitatively assess the effects of the statistically modeled salary estimates.
Options Requiring a Change in Law	Option 4: Develop a method for taking the cost of major benefits (such as health insurance, pensions, etc.) into account when comparing Federal and non-Federal total compensation.
	Option 5: Conduct a comprehensive, periodic review of total compensation for white-collar Federal civilians. Such a review could be similar to the review of total compensation by DOD’s most recent Quadrennial Review of Military Compensation.

In calling for Council discussion on this recommendation, Chairman Sanders emphasized that the Council does not operate by a consensus or majority rule, since the law requires that the Pay Agent give thorough consideration to the views and recommendations of the Council, as well as the individual views and recommendations, if any, of the members of the Council. In that regard, he stated that each Council member would have the opportunity to express his or her views both in the public meeting and in the Council’s report and recommendations to the Pay Agent.

- With respect to the alternatives considered by the Working Group, Chairman Sanders noted that in his view, the current methodology for estimating pay gaps is problematic, and while it may be the “best that the BLS budget can buy,” it doesn’t tell the whole story based on what the Council has heard from those providing testimony; He also noted that the five options in the Working Group report were not necessarily mutually exclusive—it’s not as if one option would have to be selected to

the exclusion of all others; finally, he acknowledged that there was not a Working Group consensus on whether to move forward on one or more options.

- Member Cox said he did not believe the current methodology is broken. He said the union members on the Council had prepared and signed a response to the portion of the Working Group report concerning the salary survey methodology, and he asked that Member Simon read the response into the record. Member Simon did so, and the statement was as follows:

Union Statement for the Record: Chapter 53 of Title 5 describes the Federal government’s pay comparability system. Its language is clear and easy to understand. Chapter 53 begins with a statement of “Policy” that is unambiguous. It states that General Schedule pay should “be based on the principles that –

- (1) There be equal pay for substantially equal work within each local pay area;
- (2) Within each local pay area, pay distinctions be maintained in keeping with work and performance distinctions;
- (3) Federal pay rates be comparable with non-Federal pay rates for the same levels of work within the same local pay area; and
- (4) Any existing pay disparities between Federal and non-Federal employees should be completely eliminated.

Later, the law defines “pay disparities” with respect to a locality as follows:

“...the extent to which rates of pay payable under the General Schedule are generally lower than the rates paid for the same levels of work by non-Federal workers in the same locality; except as otherwise required in this subchapter, a pay disparity shall be expressed as a single percentage...”

Likewise, the law states that comparability payments, which are meant to reduce and ultimately eliminate pay disparities to within five percent of non-Federal pay “shall be stated as a single percentage, which shall be uniformly applicable to General Schedule positions within the locality...” Surveys conducted by the Bureau of Labor Statistics are identified in the law as the basis on which “pay disparities” will be measured. With regard to the Federal Salary Council, the law directs the Pay Agent to give “thorough consideration” to members’ views regarding four items, including “the process of comparing the rates of pay payable under the General Schedule with rates of pay for the same levels of work performed by non-Federal workers,” in other words, the process for measuring pay disparities by locality.

Nowhere in the law is there any mention of authority for the Federal Salary Council to redefine pay disparities to include non-salary benefits such as pensions or health insurance. Nowhere in the law is there any mention of the Federal Salary Council studying, measuring, or recommending pay disparities by any factor other than locality. There is no instruction to measure pay disparities by race, gender, educational attainment, age, or occupation. There is simply a straightforward charge to measure pay disparities by locality.

Nevertheless, the Trump administration has produced a “Report of the Federal Salary Council Working Group, November 13” that goes far afield from the law

and does not accurately reflect the law's description of the purpose of the Federal Salary Council. Indeed, the law specifically directs that the Federal Salary Council's purpose is to elicit "the views and recommendations submitted as provided in this subsection by the Council, by any member of the Council, and by employee organizations not represented on the Council" for consideration by the President. It is not meant to be a platform for the President's own views as expressed by his appointee. This year's Workgroup Report, however, is a clear attempt to politicize what has been for the last 26 years a technical, apolitical report that has followed the law's instructions regarding measurement of pay disparities and boundaries of pay localities. As such, the undersigned members of the Federal Salary Council and the Workgroup who represent Federal employees strongly oppose key portions of this "workgroup report."

When considering the Workgroup Report, please understand that wherever the words "some members of the workgroup" appear, it means the Administration's political appointees to the Council. The members of the workgroup and Federal Salary Council from employee organizations (the American Federation of Government Employees, AFL-CIO, the National Treasury Employees Union, the National Federation of Federal Employees, AFL-CIO, and the Fraternal Order of Police, AFL-CIO) did not support the Chairman's effort to use the Council to promote the Administration's policy agenda of redefining "pay disparities" to include non-pay benefits or replacing the locality pay system with one that varies pay adjustments by occupation and manager discretion.

Another problematic element of this highly political "Workgroup Report" is its repeated identification of the "heavy" use of statistical modeling as a shortcoming or "con" of the current system for measuring pay disparities. The use of statistical modeling, even the "heavy" use, is a scientific and economical way to generate measurements that have an extremely high level of validity. Random sampling and linear regression may be confusing to the unnamed "observers" that are cited repeatedly and ominously, in the November 13 Workgroup Report, but the observers' apparent lack of understanding about the validity of statistical modeling should not be grounds for abandoning the scientific method for handling data. Instead, perhaps, an effort should be made to educate them so that they understand that their doubts about accuracy and validity are unfounded. The expression of doubt that is based on lack of knowledge or understanding should not dictate our practices.

The statistical models used by the professional economists at the Bureau of Labor Statistics in support of the Federal pay comparability system are of extremely high quality. Indeed, on several occasions BLS economists attended Workgroup meetings and patiently explained to the members exactly how the models have been created and improved over the years, how they perform under rigorous testing protocols, how the raw, observed data are collected, what assumptions underlie the models and why, what degree of certainty (probability) the results of the regression analysis provide, and so on. The November 13 Workgroup Report repeatedly uses the term "estimate" derisively, implying BLS's regression results, called "estimates" are no more than guesses. That is simply untrue. Statistical modeling is how data are interpreted. It may be complicated, but science is complicated.

Under this Administration, ridicule of science may be in vogue, but the employee organizations represented on the Federal Salary Council respect science, scientific methods and objective truth, and we will not allow the data interpretation work performed scientifically by experts at BLS and the Office of Personnel Management to be dismissed so easily. The statistical models used by BLS and the resulting measurements reflect an honest use of valid statistical methods to interpret data on pay disparities, and thus produce “estimates” of those disparities that are as close an approximation to accuracy as it is possible to measure. And they are honest and explicit about the degree of certainty associated with their estimates.

Regression analysis is a tried and tested method in the hard sciences as well as economics. It is widely used in scientific and medical research. Our health depends on it. For example, much of what we know today about the causes of heart disease emerged from the pioneering Framingham Heart Study that Congress began in 1948. Today millions of people around the world watch their cholesterol, tobacco use, weight, and blood pressure because regression analyses taken from sample data—conducted carefully over decades—showed that these were the risk factors that increased the chances of dying suddenly from a heart attack.

In biology, regression analyses helped show the effects of one of our most ill-fated environmental experiments. For years after World War II, DDT was sprayed around American cities and farms in an effort to control mosquitoes and other insect pests. Even as the mosquitoes developed resistance, pesticide residues accumulated in bald eagles and other birds of prey, thinning their eggshells, and eventually bringing our national symbol to the brink of extinction. Regression analyses were used to show how the eagles’ birthrate declined with the increasing level of a specific DDT breakdown product in the environment—and then began to recover after the EPA banned the chemical in 1974. Today, the eagles are a common sight across much of the U.S., moving from the endangered list to a species of “least concern.”

Regression analysis—or “statistical modeling”—is not something to be avoided.

No one expects the government to record every salary of every person performing a job similar to that performed by a Federal employee. That would be wasteful. Every survey is a sample. The “benchmark” approach would involve sampling and would, if used properly, rely as “heavily” on statistical modeling as the current system. All measurements of pay disparities are therefore “estimates” and all use probability.

Much of the Workgroup Report was slanted in a way meant to cast doubt on the estimates derived from BLS’s statistical modeling. To supplement the sowing of confusion, there are proposals to use non-salary data for salary comparisons, and to assemble a council of (corporate?) elders to recommend changes in all elements of Federal employee compensation every few years. The undersigned employee organization members of the Federal Salary Council and workgroup oppose this agenda.

The foregoing has only to do with item 7 in the Workgroup Report. We concur with the presentation and recommendations presented in items 1 through 6.

In closing, Member Cox said that what Member Simon had just read into the record was a clear statement of AFGE's views on the issue. He added that the Council had heard people asking that higher locality pay be provided, not that benefits should be reduced. He said he was sure that the Charleston VAMC would have even more trouble if unable to offer the benefits that are now provided.

- With respect to the methodological options considered by the Council, Member Bullock said she did not recall anyone saying “ditch the whole system.” She supported the use of human capital metrics in the Council's analysis and emphasized the importance of being able to identify staffing problems across Government. Member Nelson agreed, and said she had not advocated throwing anything out but rather had supported having all the options listed in the Working Group report on the table.
- Member Erwin thanked those who provided testimony to the Council. He said that he had been coming to Council meetings for 15 years and found today's testimony to be especially compelling and professionally presented.
 - He added that the Council always considers testimony and written materials submitted to the Council very carefully. He praised the witnesses for their testimony. He said they were the “squeakiest of wheels” and had presented some of the most egregious cases he had seen, but that staffing problems exist throughout the Country. He said that, until locality pay increases are fully funded, Government will never function optimally.
 - Member Erwin continued. He said the elephant in the room is the fact that Congress and Presidents over time have not fully funded locality pay adjustments. He noted that, in 2005, the average pay gap was 13 percent, and that by 2017 the pay gaps had increased to 32 percent. He said it is important to remember that when considering what is appropriate regarding the salary survey methodology.
 - He added that it is very important to maintain a consistent time series of data, without any “convoluted additions.” Regarding the five options for a salary survey methodology, he said NFFE would oppose anything other than the status quo. He added that the Federal Government has good benefits, and said that is how it should be; the Federal Government should be a model for other employers.
- Member Reardon said he would also like to thank those who came and presented today. He said NTEU was a signatory of what Member Simon had read into the record. He noted that the Council had heard today that a pay freeze would worsen staffing problems where they were already significant.
 - He said the idea of a pay freeze calls into question how much the Administration demonstrates that it values Federal employees. He said a pay freeze would do nothing to help recruit and retain, and that attacks on retirement or due process are also unhelpful. He added that a comparison of

benefits should not be considered by the Council and is beyond the scope of the locality pay statute.

- Finally, Member Reardon expressed concern that a comparison of benefits would be used as a justification to reduce Federal benefits. He agreed with Member Erwin that the Federal Government should be a model employer. He said he would oppose allocating scarce Federal resources to an unnecessary political debate. He added that any use of outside consultants could potentially expose these programs to unnecessary partisanship.
- Chairman Sanders said he echoed what Members Nelson and Bullock had said, noting that no one had proposed abandoning the current salary survey methodology, but that while that methodology may be the best the BLS budget can buy with current resources, it was clear from what the Council had heard today that the single-number results from the current methodology do not tell the whole story. Regarding the point about not closing the gap entirely, he said the gap had not been closed because no one believes the single-number results of the current methodology. He added that HCIs, to the extent they would support pay gaps calculated using current methods, might help address that problem.
 - Member Simon said she would like to clarify for everyone’s benefit that the Council does not use a single number across areas—that the “single number” is different for different localities. She added that the current methodology had not shown that Charleston has no pay disparity but rather that the pay gap for Charleston had not been sufficiently above the “Rest of U.S.” gap to warrant designation.
 - Chairman Sanders acknowledged Member Simon’s point but added that single-number results are used within each locality pay area and that everyone looks with skepticism at the overall average pay gap across locality pay areas reported each year by the Council. He said that the nuances in an area are lost with single-number results, which had been demonstrated by representatives from the areas that had provided testimony today.
 - Chairman Sanders noted that Options 2, 3, 4, and 5 would likely cost more but added that having a compensation system that works would be worth the investment. He added that, with a Federal payroll in excess of \$200 billion, including benefit costs, using the current salary survey methodology without careful validation or considering other options would be “penny wise and pound foolish.”
 - Regarding Options 4 and 5, Chairman Sanders said the idea was not to reduce Federal employee benefits but rather to provide insight into whether the total cost of the salaries and the benefits provided to Federal employees was keeping pace with its competition in the overall labor market. In so doing, he noted that every other employer took both salaries and benefits into account when determining (and adjusting) its overall cost of employment, and that it

made no sense for the Federal government to ignore what amounts to almost a third of its own employment costs. Nevertheless, he again emphasized that this was not about reducing benefits, but to acknowledge their contribution to the ‘total compensation’ costs of the Federal workforce.

When the discussion concluded, Chairman Sanders stated that Council as a body would take no position with respect to the question of alternative methodologies. Rather, given the differing views of Council Members on this question, he stated that each member would be given the opportunity to express their individual views in the Council’s official report and recommendation to the President’s Pay Agent when that report is submitted later this year.

Agenda Items 7 and 8: Public Comment Period and Adjournment

There was no public comment. Chairman Sanders adjourned the meeting at 3:59 p.m.

CERTIFIED

SIGNED

Ronald P. Sanders, DPA
Chair