

FEDERAL SALARY COUNCIL MEETING MINUTES
MEETING NUMBER 19-1
NOVEMBER 5, 2019

The [Federal Salary Council](#) met on November 5, 2019, at the U.S. 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 19-1-1.

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. Katja Bullock	Special Assistant to the President and Associate Director of Presidential Personnel
Ms. Jacqueline Simon	Public Policy Director, American Federation of Government Employees (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 60 members of the public also attended the meeting, including 5 representatives of the media.

EXECUTIVE SUMMARY

Major Council Working Group recommendations and corresponding Council actions are summarized below and detailed in the text that follows. (Note that the numbering of the Council decision points listed below is the same as the numbering used in the Report of the Council Working Group, Council Document FSC-19-1-2. In addition, decision points addressed in the meeting are categorized below as technical issues, methodological issues, or testimony and petitions provided to the Council.)

Technical Issues

Council Decision Point 1(a): Should the Council recommend the locality pay rates for 2021, for both current and planned locality pay areas, using the NCS/OES model results shown in Attachment 2 of the Working Group report? The Council's Working Group recommended that the Council adopt the locality rates in Attachment 2 of the Working Group report as those that would go into effect under FEPCA in January 2021, absent some other provision of law. All Members of the Council concurred.

Council Decision Point 1(b): Should the Council recommend use of updated commuting patterns data in the locality pay program? The Council's Working Group recommended yes; however, the Council Members did not reach agreement on this issue during the meeting but agreed to submit their individual and/or collective views in their formal report to the President's Pay Agent.

Council Decision Point 1(c): Should the Council continue using a 3-year measurement period to evaluate “Rest of U.S.” (RUS) research areas for possible establishment as locality pay areas? The Council’s Working Group recommended yes, and all Members of the Council concurred.

Council Decision Point 1(d): Should the Council adopt use of the SOC 2018 crosswalk developed by OPM staff in the first-stage weighting process used in the development of non-Federal salary estimates? The Council’s Working Group recommended yes, and all Members of the Council concurred.

Council Decision Point 1(e): Should the Council recommend that any locations be established as separate locality pay areas for 2021 *based on the results of the NCS/OES Model*? The Council’s Working Group recommended no, and all Members of the Council concurred; however, several Council Members noted that the Council had the discretion to recommend additional areas based on information other than (or in addition to) the NCS/OES model.

Methodological Issues

Council Decision Point 2(a): Should the General Schedule (GS) employment threshold change for studying RUS research areas with the NCS/OES model? The Council’s Working Group recommended that the Council discuss and provide further guidance on this issue, and all Members of the Council concurred and decided to include this as part of its deliberative cycle in Calendar Year 2020 for locality pay in 2022.

Council Decision Point 2(b): 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? The Council’s Working Group recommended that the Council discuss and provide additional guidance on this issue, and after further discussion, Members of the Council agreed to submit their individual and/or collective views as an Addendum to their formal report to the President’s Pay Agent.

Council Decision Point 2(c): Should requests to establish RUS areas that do not meet existing criteria for establishment as new locality pay areas or areas of application hereafter be supported with detailed Human Capital Indicator (HCI) data covering Federal agencies in the location of concern? The Council’s Working Group recommended that the Council discuss and provide additional guidance on this issue, and after failing to reach agreement, Members of the Council agreed to submit their individual and/or collective views in their formal report to the President’s Pay Agent.

Testimony and Petitions Provided to the Council

Council Decision Point 3: Should the Council make a recommendation for any of the areas listed in Attachment 10 of the Council Working Group report that do not meet current criteria for inclusion in a locality pay area separate from RUS? The Council’s Working Group recommended that the Council discuss and provide it with additional guidance on this issue.

- In that regard, after hearing the testimony of relevant witnesses, Council Members Erwin, Reardon, and Simon made a motion to recommend waiving the GS employment criterion for Wayne County, PA; Olmsted County, MN; and Pine County, MN.

- Chairman Sanders said that he supported the motion with regard to Wayne County, since it would meet the GS employment threshold if all of its authorized and funded vacancies were filled. He added, however, that for Olmsted and Pine Counties, he would need to see the impact on other Federal facilities/agencies in those areas before he could make a recommendation regarding those locations. Member Bullock agreed with the Chairman.
- The Council Members were in agreement that they would continue to study other locations that (a) have petitioned the Council to become a new locality pay area or area of application, but (b) do not meet the current statistical criteria for such establishment, to include consideration of witness testimony and other qualitative and quantitative evidence, during the Council's Calendar Year 2020 deliberations.

MEETING MINUTES

Welcome and Opening Remarks, Including Minutes from the Previous Council Meeting

Chairman Sanders introduced himself and called the meeting to order at 1:00 p.m. He said that the Council had much to cover and that this would be the only Council meeting this year. He noted that, in addition to a number of complex technical and methodological issues the Council meeting would need to cover, he understood that witnesses from eight geographic areas wished to provide testimony to the Council. He added that some of those areas had proposed multiple witnesses and that he wanted to give everyone who wished to provide testimony an opportunity to do so if possible. He proposed that, rather than trying to hear from all speakers for one area and then proceeding to another area, the Council would hear three rounds of testimony whereby the Council would hear from one speaker per area in each round. He added that he would provide an opportunity for the Council Members to discuss that plan momentarily, and he then introduced Mr. Allen as the Designated Federal Officer.

Mr. Allen explained that the Council is an advisory body operating under the Federal Advisory Committee Act. He said that OPM provides staff support to the Council Members but does not hold membership on the Council or develop its recommendations. 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 concluded by noting that the Council was meeting today to develop recommendations for locality pay in January 2021 and would submit its recommendations in that regard to the President's Pay Agent.

Chairman Sanders asked the Council Members to introduce themselves. Once they had done so, he announced that Vice Chairwoman Jill Nelson had retired and that the Council wished her well. He noted that minutes from the Council's November 13, 2018, meeting had been circulated for comment, finalized, and posted on the OPM website.

Chairman Sanders then asked the Council Members whether they had any objection to his plan for the order of testimony from the eight areas, and the other Council Members agreed with that plan. He then asked OPM staff member Joe Ratcliffe to assist the Council by summarizing the technical and methodological issues that were listed on the agenda (Council Document FSC-19-1-1) and presented in detail in the Report of the Council Working Group (Council Document

FSC-19-1-2). Discussion in the meeting of those technical and methodological issues is summarized below.

Technical and Methodological Issues

Technical Issues (Working Group Report Decision Points 1(a)-1(e))

Chairman Sanders asked that the Council begin with agenda items he had categorized as technical issues on the meeting agenda: agenda items concerning the BLS Report, 2021 Locality Pay Rates, Updated Commuting Patterns, 3-Year Evaluation Period, SOC 2018 Crosswalk, and Pay Disparities in RUS Research Areas. Proceeding with those items in that order, the Council first heard from Bureau of Labor Statistics (BLS) Supervisory Economist Frances Harris.

BLS Report

Ms. Harris greeted everyone and then 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 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 estimates of annual earnings for workers in private industry and state and local government 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 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. The BLS aggregates these estimates across the occupations into broad categories of jobs according to Federal employment weights provided by the Office of Personnel Management (OPM). OPM then aggregates the resulting estimates to create a single pay gap for each area for use in Federal pay comparisons.

In the 2019 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.¹ The Federal Salary Council requested that the BLS deliver PATCO estimates in 2019 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 2019 delivery, the definition for the Los Angeles-Long Beach, California Combined Statistical Area was changed to include Imperial County, California, as an Area of Application. Also, the calculation of the estimates for the Rest of the United States (RUS) now excludes the Des Moines-Ames-West

¹ With the addition of the six new locality pay areas established by the Pay Agent for 2019, there are 53 locality pay areas.

Des Moines, Iowa Combined Statistical Area because Des Moines has been recommended as a locality pay area. As in prior years, BLS provided separate estimates including and excluding the effect of incentive earnings.

The BLS would 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 levels 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. In September 2019, the BLS delivered a research summary to the Federal Salary Council on the volatility of the PATCO estimates. The research found that the average annual earnings for areas tend to vary by only a few percentage points from year to year.

The 2019 delivery of the PATCO estimates continues to use a Federal employment weight file based on the 2000 version of the Standard Occupational Classification (SOC). At the request of the Federal Salary Council, the BLS delivered a test set of PATCO estimates using data from last year's delivery and a Federal employment weight file based on the 2018 version of the SOC. The test estimates based on SOC 2018 were generally similar to estimates based on SOC 2000. The BLS awaits a recommendation from the Federal Salary Council as to whether the Federal weight file based on SOC 2018 should be used for the PATCO estimates starting with the 2020 delivery.

Finally, the BLS would like to mention that the OES program is currently exploring a model-based method for the calculation of its estimates of annual earnings by area and occupation. An article entitled "Model-based estimates for the Occupational Employment Statistics program" in the August 2019 *Monthly Labor Review* provides a summary. This model-based method has the potential to improve the accuracy and reliability of the annual earnings estimates over the current OES estimation method. The BLS will keep the Federal Salary Council informed about this research effort and its implications for the calculation of the PATCO estimates.

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

Chairman Sanders thanked Ms. Harris. He noted her testimony addressed some items that the Council would get to later in the meeting. He asked whether Ms. Harris could elaborate on the portion of her statement regarding BLS's exploration of a model-based method for the calculation of its estimates of annual earnings by area and occupation, particularly with regard to the promise that a model-based estimate might hold for improving the accuracy and reliability of the salary estimates BLS produces for the locality pay program.

Ms. Harris noted that the August 2019 *Monthly Labor Review* paper she referred to in her testimony provided a detailed explanation.² She said that the statistical model BLS is exploring

² See <https://www.bls.gov/opub/mlr/2019/article/model-based-estimates-for-the-occupational-employment-statistics-program.htm>.

has the potential to improve the accuracy and reliability of the earnings estimates over the current OES estimation method. The model uses the information on occupational staffing patterns and the associated wages from the OES survey to predict occupational employment and wages for every unit in the BLS Quarterly Census of Employment and Wages (QCEW). The QCEW represents the target population of workers in the U.S. labor market for the OES estimates. She said that BLS would be happy to arrange a briefing on the model if the Council would like. Chairman Sanders thanked her and said that sounded like a good topic for the Council Working Group to discuss in the upcoming calendar year.

Decision Point 1(a): 2021 Locality Pay Rates

Mr. Ratcliffe summarized the portion of the Working Group report that estimates pay gaps using the current salary survey and pay comparison methodology, noting that the Working Group report acknowledges that certain Members of the Council have recommended changes in that methodology to the President's Pay Agent. Mr. Ratcliffe explained that the pay gaps presented in the Working Group report represent disparities between (1) base General Schedule (GS) salaries exclusive of locality payments and (2) non-Federal average salaries as estimated by BLS in locality pay areas. He noted that, using the current salary survey and pay comparison methodology—

- The estimated March 2019 overall disparity between base GS average salaries and non-Federal average salaries as estimated by BLS was 55.81 percent;
- The amount needed to reduce the pay disparity to 5 percent—the target pay disparity established by the Federal Employees Pay Comparability Act of 1990 (FEPCA)—averages 48.39 percent; and
- When existing locality pay rates (averaging 22.97 percent as of March 2019) are taken into account, the overall remaining pay disparity is estimated at 26.71 percent.

Mr. Ratcliffe noted that, under the current methodology, the average overall March 2019 pay disparity for current and planned locality pay areas is 4.25 percentage points lower than the March 2018 pay disparity for those areas, with the pay disparities for most areas decreasing. He added that the March 2019 pay disparity for Laredo, TX, was an outlier in that it had *increased* considerably—by 25.41 percentage points. He read the following BLS staff explanation for the increase between 2018 and 2019 in the Laredo pay area:

We did look into the 2019 Laredo estimate for Officers-Level 12 (O12), which does show a large increase over the 2018 estimate. The GS employment in the Federal weight file for O12 is almost all matched to the detailed SOC code 33-3021 (Detectives and Criminal Investigators). The sample size for this occupation in Laredo is relatively small, so this can cause the average wage estimate to vary from year to year. We also observed some changes to the occupational coding for Protective Service Occupations (SOC 33-0000) in the sample units from Laredo for this year compared to previous years. These changes also had an effect on the average wage estimate for Laredo for this year compared to last.

Mr. Ratcliffe then posed the Working Group recommendation to the Council for decision:

Council Decision Point 1(a): Should the Council recommend the locality pay rates for 2021, for both current and planned locality pay areas, using the NCS/OES model results shown in Attachment 2 of the Working Group report? The Council's Working Group recommended that the Council adopt the locality rates in Attachment 2 of the Working Group report as those that would go into effect under FEPCA in January 2021, absent some other provision of law.

With the understanding that the NCS/OES model results shown in Attachment 2 of the Working Group report are based on the best data currently available to the Council for reporting locality rates that would go into effect under FEPCA absent another provision of law, all Members of the Council concurred with the Working Group's recommendation.

Decision Point 1b: Updated Commuting Patterns

Mr. Ratcliffe noted that, since December 2016, Council recommendations for establishing areas of application have been based on employment interchange rates calculated using commuting patterns data collected by the U.S. Census Bureau between 2009 and 2013 as part of the American Community Survey (ACS). He explained that the Census Bureau had issued updated commuting patterns data collected between 2011 and 2015 as part of the ACS and that the Working Group had recommended those updated commuting patterns be used in the locality pay program. Mr. Ratcliffe then posed the Working Group recommendation to the Council for decision:

Council Decision Point 1(b): Should the Council recommend use of updated commuting patterns data in the locality pay program? The Council's Working Group recommended yes.

When Chairman Sanders asked the Council Members for their thoughts on this issue, Member Simon said she was not sure she would support use of the new commuting patterns data if the Council would not be recommending that the Pay Agent adopt the MSAs and CSAs defined in OMB Bulletin No. 18-04, issued September 14, 2018, for use in the locality pay program. When other union members on the Council agreed, Chairman Sanders said the MSA/CSA issue would be addressed later in the meeting, and he tabled this issue until that time. He then asked Mr. Ratcliffe to present the next agenda item.

Note: The Council Members did not reach agreement on Decision Point 1(b) during the meeting but agreed to submit their individual and/or collective views in their formal report to the President's Pay Agent.

Decision Point 1(c): 3-Year Evaluation Period

Noting that the Council had asked BLS to provide information on whether it should continue using a 3-year measurement period to evaluate RUS research areas for possible establishment as locality pay areas, Mr. Ratcliffe referred Members to the paper BLS had provided in Attachment

3 of the Working Group report. He further noted that, based on that paper, the Working Group concluded it would be appropriate for the Council to continue examining 3 years of pay gaps for the purpose of determining whether a RUS research area should be recommended for establishment as a new locality pay area. Mr. Ratcliffe then posed the Working Group recommendation to the Council for decision:

Council Decision Point 1(c): Should the Council continue using a 3-year measurement period to evaluate RUS research areas for possible establishment as locality pay areas? The Council's Working Group recommended yes.

All Members of the Council concurred with the Working Group's recommendation.

Decision Point 1(d): SOC 2018 Crosswalk

Mr. Ratcliffe noted that a three-stage weighted average is used in the pay disparity calculations and that the weighting in the first stage requires a crosswalk between GS occupations and BLS's Standard Occupational Classification (SOC) codes. He further noted that SOC 2000 codes were still being used in that crosswalk and that BLS and OPM staff had been working in 2019 to develop a plan and a timeline for transitioning to the SOC 2018 codes in a future delivery of the NCS/OES salary estimates. He said that, after OPM staff tested the impact of using the updated crosswalk as described in the Working Group report, the Working Group had recommended use of the SOC 2018 crosswalk developed by OPM staff in the first-stage weighting process used in the development of non-Federal salary estimates. Mr. Ratcliffe then posed the Working Group recommendation to the Council for decision:

Council Decision Point 1(d): Should the Council adopt use of the SOC 2018 crosswalk developed by OPM staff in the first-stage weighting process used in the development of non-Federal salary estimates? The Council's Working Group recommended yes.

All Members of the Council concurred with the Working Group's recommendation.

Decision Point 1(e): Pay Disparities in Rest of U.S. (RUS) Research Areas

Mr. Ratcliffe noted that the Council is currently monitoring pay disparities in 38 research areas not approved for establishment as separate locality pay areas. He said that the Working Group had studied pay disparities for those areas, compared to the RUS pay disparity, over a 3-year period (2017-2019), and that the results were provided in Attachment 6 of the Working Group report. He noted that none of the 38 research areas had a pay disparity exceeding that for the RUS locality pay area by more than 10 percentage points on average over the 3-year period studied, the principle standard established by the Council to trigger a Council recommendation to establish a research area as a new locality pay area. Mr. Ratcliffe then posed the Working Group recommendation to the Council for decision:

Council Decision Point 1(e): Should the Council recommend that any locations be established as separate locality pay areas for 2021 based on the results of the NCS/OES Model? The Council's Working Group recommended no.

The Council Members agreed that none of the RUS research areas met the standard established by the Council as described above to trigger a Council recommendation to establish a research area as a new locality pay area. Chairman Sanders said he was not ruling out a Council recommendation to establish as a separate locality pay area a locale that does not meet the pay disparity criterion established by the Council, but that he would first want to see quantitative evidence that would support such a recommendation. He said the Council would later be discussing Human Capital Indicators that areas should consider providing to the Council in that regard. He then asked Mr. Ratcliffe to continue with agenda items categorized as methodological issues.

Methodological Issues (Working Group Decision Points 2(a)-2(c))

Chairman Sanders asked Mr. Ratcliffe to present agenda items categorized as methodological issues on the meeting agenda: GS Employment Threshold, OMB MSA and CSA Definitions, and HCI Data.

Decision Point 2(a): GS Employment Threshold

Mr. Ratcliffe noted that NTEU had proposed lowering the GS employment threshold for RUS research areas. He added that NTEU had included language in the Working Group report explaining that, when the NCS/OES model was implemented in 2012, the Council set a threshold level of 2,500 GS employees for these research areas to focus its attention on those areas affecting the most employees. Mr. Ratcliffe then posed the Working Group recommendation to the Council for decision:

Council Decision Point 2(a): Should the General Schedule (GS) employment threshold change for studying RUS research areas with the NCS/OES model? The Council's Working Group recommended that the Council discuss and provide further guidance on this issue.

Member Simon said that the rationale for having the 2,500 or more GS criterion no longer applied because that criterion was intended to prioritize resources when the full-sample National Compensation Survey program was used in the locality pay program. She added that it really only made sense to have such a criterion when there were greater resource costs associated with studying non-Federal pay in additional geographic areas, which is not a concern associated with use of the NCS/OES model.

Member Reardon asked Mr. Steve Keller, NTEU Senior Counsel for Compensation and a member of the Council's Working Group, to speak to this issue. Mr. Keller agreed with Member Simon that when the 2,500 GS employment threshold was first established, it was a way of prioritizing the study of non-Federal pay in areas, with those with larger workforces studied first.

Chairman Sanders asked what the threshold would be lowered to under the NTEU proposal. Mr. Keller responded that while conceptually, GS employment was not a relevant consideration, as a practical matter, it depended on BLS's ability to provide PATCO estimates for locales with lower GS employment.

Chairman Sanders pointed out that if the GS employment criterion were eliminated altogether, BLS, OPM, and the Council would have to study every single area not currently designated as a locality pay area.

Mr. Allen said that, in his view, the Council Working Group should look further into this issue. He noted that there may be a number of considerations associated with studying pay in more research areas; for example, the Council may see more anomalies such as large year-to-year changes in pay gaps calculated for the additional research areas. He added that he would be happy to provide the Council with more staff support to help the Working Group deliberate further on this issue.

Chairman Sanders thanked Mr. Allen and clarified that the Working Group should consider how many and which additional areas could be studied without increasing the likelihood of statistical anomalies in the PATCO estimates.

Member Simon said she would like to see elimination of not only this particular GS employment criterion but also the GS employment thresholds used for areas of application (currently 400 or more for single counties and 1,500 or more for CSAs and multi-county MSAs). She added that many RUS locations that contacted the Council or OPM staff in 2019 met the commuting criterion but not the GS employment criterion. She said that commuting is the real test of whether a location adjacent to a locality pay area is part of the same local labor market and that the GS employment criterion is irrelevant in that regard.

Chairman Sanders said that, regarding the current GS employment threshold for RUS research areas, he would not be comfortable supporting a recommendation to reduce or eliminate that threshold without exploring the issue further as Mr. Allen had recommended.

Member Erwin and Member Reardon both indicated they agreed with Member Simon that the GS employment criterion for RUS research areas should be eliminated, but that they would support further study if that was a path forward that the Council Members could all agree on. They also expressed support of eliminating the GS employment criteria for areas of application.

All Members of the Council agreed to analyze this issue further and to include it as part of the Council's deliberative cycle in Calendar Year 2020 for locality pay in 2022.

Decision Point 2(b): OMB MSA and CSA Definitions

Mr. Ratcliffe noted that the Office of Management and Budget (OMB) had updated its definitions of metropolitan statistical areas (MSAs) and combined statistical areas (CSAs) on September 14, 2018, and that the Council had to determine if it would adopt those definitions. He noted that the Council has traditionally done so as a basis for defining locality pay area boundaries. He also noted that—

- The September 2018 OMB update was a “mid-decade revision” that was more significant than previous updates over the past few years;

- Use of the updated MSAs and CSAs in the locality pay program could result in RUS locations moving to separate locality pay areas and locations in separate locality pay areas moving to the RUS locality pay area;
- If updated MSAs and CSAs are to be recommended for use in the locality pay program, the geographic specifications provided by OPM to BLS for producing the non-Federal pay estimates could also be significantly affected;
- The Council recommended in its May 2019 report that the Pay Agent defer on any decision to use the updated MSAs and CSAs in order to give the Council more time to study their impact on locality pay areas; and
- OPM staff conducted a preliminary analysis of that impact and identified locations that would be impacted if their geographic definitions were based on the updated MSAs and CSAs, as shown in detail in Attachment 8 of the Working Group report. In that regard, the OPM staff found that—
 - 25 locations now in the RUS that would be added to separate locality pay areas, which would impact about 5,834 employees;
 - 33 locations in separate locality pay areas that would become part of the RUS, which would impact about 5,478 employees; and
 - 3 locations that would move between separate pay areas, which would impact about 2,815 employees.

The Working Group recommended that the Council should adopt the revised OMB MSA/CSA definitions where they expanded the boundaries of a designated locality pay area or area of application. However, the Working Group members did not reach full agreement regarding what the Council should recommend for locations that OMB’s new definitions would remove from current locality pay areas and/or areas of application. In that regard, the Working Group identified three options to deal with locations that would otherwise be re-designated as RUS locations under the updated MSA and CSA definitions:

1. Follow past practice by “grandfathering” all current basic locality pay areas/areas of application, regardless of whether they had been removed from existing MSAs or CSAs as a result of the new OMB definitions;
2. Re-designate as RUS all current basic locality pay areas/areas of application that are no longer included in OMB’s new MSA or CSA definitions; or
3. Take a case-by-case approach, analyzing each current basic locality pay area/area of application adversely impacted by the new OMB MSA/CSA definitions to determine whether they should be retained or removed (note that the Council agreed that all such areas should be temporarily “grandfathered” pending the results of that case-by-case review).

Mr. Ratcliffe then posed the Working Group recommendation to the Council for decision:

Council Decision Point 2(b): 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? The Council's Working Group recommended that the Council discuss and provide it with additional guidance on this issue.

Chairman Sanders said he was uncomfortable following the OMB definitions blindly, especially since they did not take their effects on the Federal locality pay program into account when they were revised. He also stated that he could not support a recommendation to follow the OMB definitions only when they would expand a basic locality pay area/area of application, but not when they had the opposite effect...that is, when they contracted the boundaries of an existing locality pay area.

Member Simon said she was in favor of following past practice—expanding locality pay areas in accordance with the new OMB definitions, but retaining counties in their existing localities. She opposed grandfathering, because pay retention rules would necessitate a two-tiered pay system, with new employees in those locations paid as part of RUS. She also added that the number of employees that would be added if the updated OMB definitions were adopted would be relatively small. Member Erwin and Member Reardon agreed.

Member Bullock said she could not agree with the union members on this issue. She said that if the rule is always expand but never contract, the entire country might just as well be one large locality pay area. She added that the Council Working Group should study this issue further and that she strongly opposed the idea of following the OMB definitions except when someone dislikes the results of doing so.

Chairman Sanders said the Council had been created as an independent body and that its members should be able to express their views independently. He said that following past practice in this instance could have potentially troubling results, and he cited two examples: (1) in New Mexico, the new OMB definitions, coupled with past practice, would create a single locality pay area across the entire state, and (2) in Columbus, GA, Federal employees there would be added to the Atlanta locality pay area, essentially covering half of the entire state, when it was not clear that those employees were actually part of the Atlanta labor market, at least for Federal jobs. He agreed with Member Bullock that the Council Working Group should study this issue further.

Member Simon said it appeared the Council Members would have to make separate recommendations on this issue. Chairman Sanders responded that he was not ready to make recommendations one way or the other without further study and proposed that as a matter separate from the Council's 2019 Report to the President's Pay Agent for locality pay in 2021, the Council's Working Group, in conjunction with OPM and BLS, look at each affected area and make a case-by-case recommendation to the Council for consideration at its next public meeting; in the interim, he stated that he was prepared to recommend that the Pay Agent "grandfather" affected areas pending that separate review.

Council Members all agreed to this approach, but with Members reserving their right to offer their individual recommendations regarding the above options in the 2019 Report to the Pay Agent for locality pay in 2021, regardless of the outcome of that subsequent case-by-case review. Chairman Sanders agreed, and the matter was tabled.

Decision Point 2(c): HCI Data

The Council then took up the matter of whether it should require additional quantitative data from those locales petitioning to become a locality pay area or an area of application, where those locales (a) did not meet the Council's basic quantitative test for being designated as such, but that (b) they contended that extenuating circumstances warranted such designation.

Mr. Ratcliffe noted that the Council and OPM staff receive numerous requests each year in that regard, with those requests supported by everything from simple phone calls or emails from individual employees to detailed petitions and presentations by organized groups at Council meetings. In an effort to formalize that process and make sure that it is more data-driven, the Chairman had proposed that the Council require such petitioners to support their requests with detailed Human Capital Indicator (HCI) data covering all Federal agencies in the location of concern. He had asked that OPM prepare draft instructions for submitting such HCI data for the Council's consideration (are provided in Attachment 9).

Mr. Ratcliffe then posed the Working Group recommendation to the Council for decision:

Council Decision Point 2(c): Should requests to establish RUS areas that do not meet existing criteria for establishment as new locality pay areas or areas of application hereafter be supported with detailed Human Capital Indicator (HCI) data covering Federal agencies in the location of concern? The Council's Working Group recommended that the Council discuss and provide it with additional guidance on this issue.

Chairman Sanders said that his goal with respect to the HCIs was to add some quantitative rigor and consistency to the Council's review of areas that do not meet the Council's current quantitative standards for designation as a locality pay area/area of application, but that still come before it seeking higher locality pay.

Member Simon argued that the Council's review of areas that come before it should remain formulaic; however, she also argued that that formula be modified by eliminating the current GS employment criterion (that criterion requires that a locale employ at least 2,500 GS employees to qualify as a new locality pay area, 400 or more GS employees to qualify as a single-county area of application, or 1,500 or more GS employees to qualify as a multi-county area of application). She said her concern regarding the use of HCIs is with the risk of designing criteria that would be favorable for one group but unfavorable for another. She added that using objective criteria guarantees fairness and that, except for the GS employment criterion, the Council already employs a test that is reasonable and logical: that is, that a qualifying area have an overall average "pay gap" exceeding that for the RUS locality pay area by 10 percentage points or more for at least 3 years.

Chairman Sanders responded that under that formulation, all of the petitioners slated to testify before the Council would not meet the Council's current test, yet all of them had some quantitative evidence in support of their respective petitions; accordingly, he declared that he was not comfortable telling all of those petitioners in the audience that they "should go home" until they met the "10 percentage points above RUS for 3 years" standard established by the Council under the current methodology. In that regard, he also stated that he was not proposing

to eliminate that standard, but rather, was proposing to supplement it where there was evidence that it was insufficient to reveal the impact of pay disparities in a particular area.

Referring to the commuting criterion, Member Simon said the Council already has a criterion that is met in many cases for areas that remain in the RUS locality pay area, and that agencies with positions in those areas are significantly understaffed. She said that in AFGE's experience, the number of authorized positions in an agency's budget, compared to the number of those positions (one of the proposed HCIs), did not tell the whole story; thus, in the case of Wayne County, PA—one of today's petitioners before the Council—for example, it employed less the required number of GS employees, even though its authorized staffing level would exceed that requirement.

Chairman Sanders asked the Council to think about what would happen if the GS employment criterion were to be eliminated today. What would the Council tell areas such as Nashville that would not benefit from that change? Member Simon responded that she would tell such areas to go organize and work to raise wages in the private sector.

Member Erwin said that the Council should strive to avoid inconsistent decision-making. He said the people who attend Council meetings and testify are "squeaky wheels," and that the Council may not hear from equally concerning areas. He said that applying objective criteria across the board ensures fairness. He added that he supports elimination of the GS employment criterion.

Member Reardon supported both the elimination of the GS employment criterion for RUS research areas and for areas of application.

Chairman Sanders said that while there may be cases where areas have met the Council's existing criteria but do not have staffing problems, it was far more likely that the Council would hear from areas such as Charleston where the reverse was true.

Member Bullock said she was not ready at this time to support a decision to eliminate either the GS employment criterion altogether, whether that would apply to current RUS research areas (2,500 or more) or areas of application (400 or more for single counties and 1,500 or more for CSAs and multi-county MSAs). Member Simon reiterated her earlier point that any rationale for having the 2,500 or more GS employment criterion for "Rest of U.S." research areas—that is, that it represented the then-limits of the BLS data-gathering and modeling methodology—was no longer applicable, and that it really only made sense to have such a criterion when there were greater resource costs associated with studying non-Federal pay in additional geographic areas.

Wrapping up the Council's discussion of HCI data, Chairman Sanders noted that the Council did not yet have a decision from the Pay Agent on the Council's recommendations with respect to the use of supplementary HCI data in the locality pay program (contained in its 2018 Report to the Pay Agent), so the views of Council Members in this regard was premature. However, he added that as far as he was concerned, if a petitioner did not meet the Council's existing standards but still wanted him to recommend that the Pay Agent grant an exception, they'd better have HCI data like that set forth in Attachment 9 of the Working Group report to back it up. Member Bullock concurred.

After further discussion, Members of the Council agreed to submit their individual and/or collective views as an Addendum to their formal report to the President's Pay Agent.

Chairman Sanders then said the Council would now hear testimony from areas petitioning the Council to recommend changes in locality pay area boundaries.

Testimony and Petitions Provided to the Council

The Council heard testimony regarding locality pay applicable for the following eight areas: Central Florida; Boston, MA; Charleston, SC; Nashville, TN; Southern NJ; Rochester, MN; Wayne County, PA; and Pine County, MN. Below are sections listing the speakers who gave testimony for each area and briefly summarizing their proposal. In all cases, the petitioner represented a locale that did not meet the Council's existing standards with regard to designation as a locality pay area or an area of application; however, in each case, petitioners requested an exception to those standards, citing significant staffing challenges in that area.

Central FL

Three speakers provided the Council testimony regarding Central Florida:

1. Mr. John Daly, Department of the Navy, President of the Federal Executive Association of Central Florida;
2. Mr. Dan Seller, Department of the Navy, Administrative Officer, Naval Air Warfare Center Training Systems Division; and
3. Ms. Kimberly Dean, Department of Homeland Security, Field Office Director for Orlando, U.S. Citizenship and Immigration Service.

The speakers made remarks summarizing and supplementing the written proposal regarding Central Florida, which was submitted to the Council prior to the meeting and is provided in Council Document FSC-19-1-4. That document proposes that Orlando and the Central Florida region—in the words of Witness Daly, "...from the Gulf Coast to the Space Coast"—be established as a locality pay area separate from the RUS pay area. In that regard, the witnesses testified that (1) the current salary survey and pay comparison methodology does not accurately capture the levels of compensation provided by non-federal employers who are the direct competition to federal employers in the Central Florida region, and (2) the bifurcated economy reflected by the hospitality vs. non-hospitality sectors in the region may be a contributing factor in depressing those comparisons. Witness Daly stated that the agencies in the proposed locality pay area were preparing detailed HCI data to back up their claim; accordingly, the Council took the matter under advisement.

Boston, MA

Ms. Karen Acerra-Williams, Deputy Director Department of Veterans Affairs (VA) Boston Healthcare System, provided the Council testimony regarding Boston. She made remarks summarizing and supplementing the written proposal regarding Boston, which was submitted to the Council prior to the meeting and is provided in Council Document FSC-19-1-6. The proposal presented three options intended to divide the current Boston locality pay area so that

its core counties would receive higher locality pay than its outlying counties. Chairman Sanders and Member Bullock both asked the petitioner to provide data on the impact on other Federal employers in the area(s), and Witness Acerra-Williams indicated that it would be forthcoming. Accordingly, the Council took the matter under advisement.

Charleston, SC

Three speakers provided the Council testimony regarding Charleston:

1. Mr. Ronnie Smith, Acting Director, Ralph H. Johnson VA Medical Center;
2. Colonel Terrance Adams, Commander, Joint Base Charleston; and
3. Dr. Jeffrey L. Payne, Director, Office for Coastal Management, National Oceanic and Atmospheric Administration.

The speakers made remarks summarizing and supplementing the written proposal regarding Charleston, which was submitted to the Council prior to the meeting and is provided in Council Document FSC-19-1-9. That document suggests that Charleston be established as a locality pay area separate from the “Rest of U.S.” and cites the growth of the area and rising living costs and their impact on recruitment and retention. Witness Smith stated that the agencies in the proposed locality pay area were preparing detailed HCI data to back up their claim; accordingly, the Council took the matter under advisement.

Nashville, TN

Two speakers provided the Council testimony regarding Nashville:

1. Ms. Cynthia Breyfogl, Network Director, Veterans Administration, MidSouth Healthcare Network; and
2. Ms. Diane Parks, Chief of Operations, Army Corps of Engineers, Nashville District.

The speakers made remarks summarizing and supplementing the written proposal regarding Nashville, which was submitted to the Council prior to the meeting and is provided in Council Document FSC-19-1-10. That document suggests that only 3 of the 17 counties comprising the Nashville CSA be established as a locality pay area separate from the RUS locality pay area— i.e., the Tennessee Counties of Tennessee Counties of Davidson, Rutherford, and Williamson. In that regard, the witnesses testified that (1) the current salary survey and pay comparison methodology does not accurately capture the high cost of living in the three aforementioned counties, which impacts levels of compensation provided by non-Federal employers who are the direct competition to Federal employers in those 3 counties; (2) including the other 14 counties comprising the Nashville CSA in pay comparisons depresses those comparisons because businesses in those counties are composed primarily of rural, agriculture-based businesses; and (3) the Council should consider use of the Market Basket Approach detailed in Section 3 of the written proposal. Witness Breyfogl stated that the agencies in the proposed locality pay area were preparing detailed HCI data to back up their claim; accordingly, the Council took the matter under advisement.

Southern NJ

Gregory Ehrie, Federal Bureau of Investigation (FBI) Newark, Special Agent in Charge, made remarks summarizing and supplementing a written proposal regarding Southern NJ, which was submitted to the Council prior to the meeting and is provided in Council Document FSC-19-1-7. That document suggests that the New Jersey Counties of Atlantic, Burlington, and Camden be included in the New York locality pay area rather than in the Philadelphia locality pay area³. Chairman Sanders and Member Bullock both asked the petitioner to provide data on the impact on other Federal employers in the area(s), and Witness Ehrie indicated that it would be forthcoming. Accordingly, the Council took the matter under advisement.

Rochester (Olmsted County), MN

Two speakers provided the Council testimony made remarks summarizing and supplementing a written proposal regarding Olmsted County, MN, and focusing on the Bureau of Prisons (BOP) Federal Medical Center in Rochester, MN. The written proposal was submitted to the Council prior to the meeting and is provided in Council Document FSC-19-1-5, and the speakers were—

1. Mr. William Axford, BOP Teacher and President of AFGE Local 3947; and
2. Mr. Mike Squibb, BOP Warehouse Foreman and Chief Steward, AFGE Local 3947.

At the conclusion of witness testimony, Member Simon, Member Erwin, and Member Reardon made a motion that the Council recommend that the GS employment criterion be waived for Olmsted County, MN; Pine County, MN; and Wayne County, PA; see details below.

Wayne County, PA

Ms. Courtney Bogarowski, a Challenge Treatment Specialist at the U.S. Penitentiary, Canaan, made remarks summarizing and supplementing a written proposal regarding Wayne County, PA, and focusing on recruitment and retention challenges at that BOP facility. Her written proposal submitted to the Council prior to the meeting is provided in Council Document FSC-19-1-8. At the conclusion of witness testimony, Member Simon, Member Erwin, and Member Reardon made a motion that the Council recommend that the GS employment criterion be waived for Olmsted County, MN; Pine County, MN; and Wayne County, PA; see details below.

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.

³ Note: These counties are part of the Philadelphia-Reading-Camden, PA-NJ-DE-MD CSA, which is the basis for the definition of the Philadelphia locality pay area. The Pay Agent has not previously supported the idea of splitting a CSA comprising a basic locality pay area between two separate locality pay areas and has indicated doing so would be a significant change requiring careful study. For example, in 80 FR 65607 (a final rule defining pay areas) the Pay Agent wrote: “Departing from the practice of defining basic locality pay areas based on OMB-defined metropolitan areas or splitting those metropolitan areas into separate locality pay areas would be a significant change, and the implications would have to be carefully considered. Individuals interested in recommending alternatives to defining basic locality pay areas based on entire OMB-defined metropolitan areas may provide testimony to the Federal Salary Council.”

His presentation focused on the Bureau of Prisons (BOP) Federal Correctional Institution (FCI) Sandstone, which is located in Pine County. Mr. Weber made remarks summarizing and supplementing a written proposal he provided the Council Members during the meeting. The proposal was added to the meeting materials and given the Council Document number FSC-19-1-32. At the conclusion of witness testimony, Member Simon, Member Erwin, and Member Reardon made a motion that the Council recommend that the GS employment criterion be waived for Olmsted County, MN; Pine County, MN; and Wayne County, PA; see details below.

Council Discussion of Testimony and Petitions Received

Member Simon, Member Erwin, and Member Reardon made a motion that the Council recommend that the GS employment criterion be waived for Olmsted County, MN; Pine County, MN; and Wayne County, PA. Chairman Sanders said that he supported the motion with regard to Wayne County, stating that while its GS employment was currently below the Council's established 400-employee threshold, it would exceed that threshold if all of its authorized and funded vacancies were to be filled. He added, however, that for Olmsted and Pine Counties, he would need to see who else would be affected before he could make a favorable recommendation regarding those locations. Member Bullock agreed with the Chairman, and the Council agreed to make such a recommendation to the Pay Agent in its report to the Pay Agent.

Regarding the other areas that had petitioned the Council, as he noted earlier in the meeting Chairman Sanders said that other areas that do not meet existing criteria and want him to support a favorable Council recommendation on their behalf should prepare HCIs along the lines of those listed in Attachment 9 of the Working Group report.

Public Comment Period and Adjournment

After the Council had heard testimony from the individuals listed above, Chairman Sanders provided an opportunity for further public comment. Hearing none, he adjourned the meeting at 4:32 p.m.

CERTIFIED

SIGNED

Ronald P. Sanders, DPA
Chair