Report on Locality-Based Comparability Payments for the General Schedule

Annual Report of the President's Pay Agent for Locality Pay in 2026

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Annual Report of the President's Pay Agent
General Schedule Locality-Based Comparability Payments
December 18, 2025

Section 5304(d)(1) of title 5, United States Code, requires the President's Pay Agent, consisting of the Secretary of Labor, Director of the Office of Management and Budget (OMB), and Director of the Office of Personnel Management (OPM),[1] to submit a report to the President each year that:

(1) Compares rates of pay under the General Schedule (GS) with rates of pay for non-Federal workers for the same levels of work within each locality pay area, based on surveys conducted by the U.S. Bureau of Labor Statistics;

(2) Identifies each locality in which a pay disparity exists and specifies the size of each pay disparity;

(3) Makes recommendations for appropriate comparability payments that align with statutory requirements; and

(4) Includes the views and recommendations of the Federal Salary Council, individual members of the Council, and employee organizations.

The Federal Salary Council's January 10, 2025, annual report performs the first two functions described above, using the methodology required by section 5304 to identify pay disparities for various localities. Based on the calculated disparities, section 5304 would provide for locality pay increases in January 2026 that would average 18.88 percent and cost $24 billion in the first year alone.

The calculated disparities will not impact pay rates for the Government's 1.5 million GS employees in January 2026, however, because President Trump has determined that an 18.88 percent average increase would be irresponsible and unsustainable. He therefore established in an alternative pay plan issued on August 28, 2025, that 2026 locality rates will remain at 2025 levels. The President's alternative pay plan recognizes that a 1 percent across-the-board pay increase, with the potential for higher rates for certain front-line law enforcement personnel, is the reasonable and correct approach given the need to balance fairness for employees with fiscal discipline—and that a locality pay increase that averages 18.88 percent is excessive and unreasonable.

Thus, as the President has already concluded, 2026 comparability payments as calculated under section 5304 are inappropriate. Accordingly, this report does not recommend them.

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[1] *See* Executive Order 12748, *Providing for Federal Pay Administration* (Feb. 1, 1991), § 2.

The Federal Salary Council's report includes several recommendations on specific issues arising from the implementation of the current statutory framework for calculating default comparability payments. We have considered those recommendations carefully, and have also provided them to a selection of organizations not represented on the Council and asked them to send comments for inclusion in this report. We received no comments in response.

With respect to the recommendations in the Federal Salary Council's report to change locality pay area boundaries, we do not approve of further additions to existing locality pay areas or the creation of new locality pay areas at this time. Approval of the locality pay area boundaries recommended by the Council in recent years has resulted in expansions of locality pay areas that do not align with geographic realities or labor market conditions. The attached maps illustrate how large some locality pay areas have become, with the same locality rate often applying for both densely populated urban areas (where costs are higher) and rural counties located many miles from the locality pay area's urban core (where costs are lower). The expansion of locality pay area boundaries means that the locality pay areas no longer reflect on-the-ground realities. It makes no sense to continue expanding locality pay area boundaries—or to tinker further with the arcane methodology historically used to implement section 5304— given the clear need for a better pay system.

The pay disparities the Council reports each year emerge from a deeply complex and excessively resource-intensive methodology that has been widely recognized as flawed ever since its inception in the early 1990s. Decades of historical data used in the locality pay program reflect a methodology that produces implausible results while ignoring occupational realities, mission needs, and performance considerations. The methodology for locality pay adjustments relies on a singular locality rate to cover a potentially disparate set of geographic locales and has lacked credibility since the very beginning of locality pay in 1994—to such a degree that the statutory formula for closing pay gaps has been overridden either by Congress or by successive Presidents every year since that first year. Many stakeholders have questioned the accuracy of the underlying data, and the methodology is of no help in determining the market pay rates for particular occupations or work levels. In addition, the existing GS classification and pay system rewards longevity over performance and fails to appropriately compensate employees based on mission needs and labor market dynamics.

It has long been clear what the locality pay system's flaws are. The 2002 White Paper issued by OPM under Director Kay Coles James, titled *A Fresh Start for Federal Pay: The Case for Modernization,* noted the General Schedule hinders the performance of the Federal Government. The White Paper offered the following conclusions—which more

than 23 years ago indicated an understanding of the General Schedule's failure to meet critical strategic objectives:

- **The Government asks its agency leaders to face new and unprecedented management challenges using an antiquated pay system.** Decades-old work-level descriptions in the law are not meaningful for 21st-century organizations.

- **The current pay system does not reflect market pay levels.** Instead, pay increases and locality adjustments result from a cumbersome and costly measurement system that may be trying to answer the wrong questions.

- **It has minimal ability to encourage and reward achievement and results.** The White Paper expressed concern that over 75 percent of the annual increase in Federal pay bore no relationship to individual achievement or competence.

- **Its structure suits the workforce of 1950, not today's knowledge workers.** In 1950, over 75 percent of Federal workers – mostly clerical – were in grade GS-7 or below. When the White Paper was written, that percentage had dropped to less than 30 percent, and today it has fallen to about 21 percent. The Federal workforce now has many more technical and professional workers in highly complex jobs at higher grades, but the compensation system has not been updated to reflect that.

- **Its prescribed procedures and practices effectively preclude agencies from tailoring pay programs to their specific missions and labor markets.** It is unlikely that a common and highly structured system is appropriate for positions as diverse as those found in agencies with a range of critically important missions, such as these examples:

  - The Department of Agriculture's Farm Service Agency, which administers policies and procedures that ensure the efficient and effective delivery of Federal farm programs that help America's farmers, ranchers, and private lands foresters manage market risks, recover from natural disasters, protect natural resources, and access credit and capital;

  - The United States Geological Survey, which leads the Federal Government in developing the List of Critical Minerals and provides crucial information about critical mineral availability, supply chains, and economic impacts;

  - The Department of Homeland Security's Immigration and Customs Enforcement law enforcement agency, which investigates and enforces immigration and customs laws to preserve national security and public safety;

- o The National Nuclear Security Administration, which designs and delivers a safe and effective U.S. nuclear stockpile and responds to nuclear or radiological incidents and accidents;

- o The Social Security Administration, on which millions of American citizens rely for timely and accurate disbursements of retirement, disability and survivor benefits; and

- o The Department of Veterans Affairs, which provides health, education, disability, funerary, and financial benefits earned by Veterans of the United States Armed Forces.

- **It is disintegrating.** At the time of the White Paper, a number of agencies had already begun to move toward more modern systems through special pay authorities, reflecting the need for particularized approaches rather than universal government-wide policy. Use of special authorities to deviate from the government-wide system has further increased since that time. In addition, the pressure on agencies to request special rates and other title 5 pay flexibilities with their limited budgets is increasing. In their requests to use those flexibilities, agencies often describe locality pay adjustments as blunt instruments that do not meet their needs.

The White Paper was intended to spark conversation among policy leaders. That conversation has been stifled for more than 23 years without tangible legislative action to address the compensation system's failures. The issues the White Paper clearly identified so long ago continue to undermine the Government's ability to attract and retain top talent and cultivate and reward a high-performing workforce. The current system still overpays some employees while underpaying others because it applies the same locality rate to all occupations and work levels in a locality pay area without regard to the differing labor markets for major occupational groups or the performance of individual employees. Thus, instead of using tax dollars efficiently to attract top talent for mission-critical work or to reward and incentivize high-performing employees, locality pay increases are allocated in a way that perpetuates waste and ignores staffing problems for mission-critical positions. A compensation system that would require substantial locality pay increases based on arbitrary definitions of the relevant localities, and without regard to labor market realities or individual performance, is broken beyond repair.

Despite all these glaring problems and their long history, little has changed in the locality pay program over the years beyond the considerable expansion of locality pay area boundaries mentioned above. While such changes should be made only if they benefit the American taxpayer, we have seen no evidence that such expansion over the

years has helped the Government provide better services. Now is the time to address fundamental flaws.

Based on those considerations, this report offers the following recommendations for improving the General Schedule, including through necessary legislative action:

- **Assess the total compensation gap.** In addition to comparing Federal and non-Federal salaries, develop a method for comparing the cost of major benefits such as health insurance and pensions in order to assess disparities in total Federal and non-Federal compensation. Such a method could be part of a comprehensive, periodic review of total compensation for white-collar Federal civilians, possibly through the creation of a commission that includes wider representation than the members of the current Federal Salary Council.

- **Provide different pay ranges for different occupations.** As has been noted in many Pay Agent reports, the current GS system uses a process requiring a single percentage adjustment in the pay of all white-collar civilian Federal employees in each locality pay area without regard to the differing labor markets for major occupational groups. The Federal Government needs to address this decades-old flaw with a system that reflects labor market realities rather than, for example, proceeding year after year as if the overall labor market sees no difference between high-stakes cybersecurity work and routine financial accounting.

- **Eliminate GS steps and create an open range for each grade or work level, and make meaningful pay distinctions based on performance.** The existing GS pay system rewards longevity over performance. Eliminate automatic pay increases within rate ranges, and vary any increases provided based on performance to ensure meaningful pay distinctions for the best employees.

Ultimately, we believe there is a need for fundamental legislative reforms of the Federal compensation system. We believe it is imperative to develop performance-sensitive compensation systems that make the Government more citizen-centered, results-oriented, and market-based. We need to empower Federal agencies to manage, develop, and reward employees to better serve the American people.

The President's Executive Orders regarding merit hiring (Executive Order 14170, *Reforming the Federal Hiring Process and Restoring Merit to Government Service*) and strategic hiring (Executive Order 14356, *Ensuring Continued Accountability in Federal Hiring*), along with the renewed emphasis on performance management, represent generational reforms aimed at restoring accountability to the Federal workforce. They deserve to be complemented by a 21st century Federal pay system—not a legacy framework from the 1950s.

The President's Pay Agent:

SIGNED
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Lori Chavez-DeRemer
Secretary of Labor

SIGNED
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Russell T. Vought
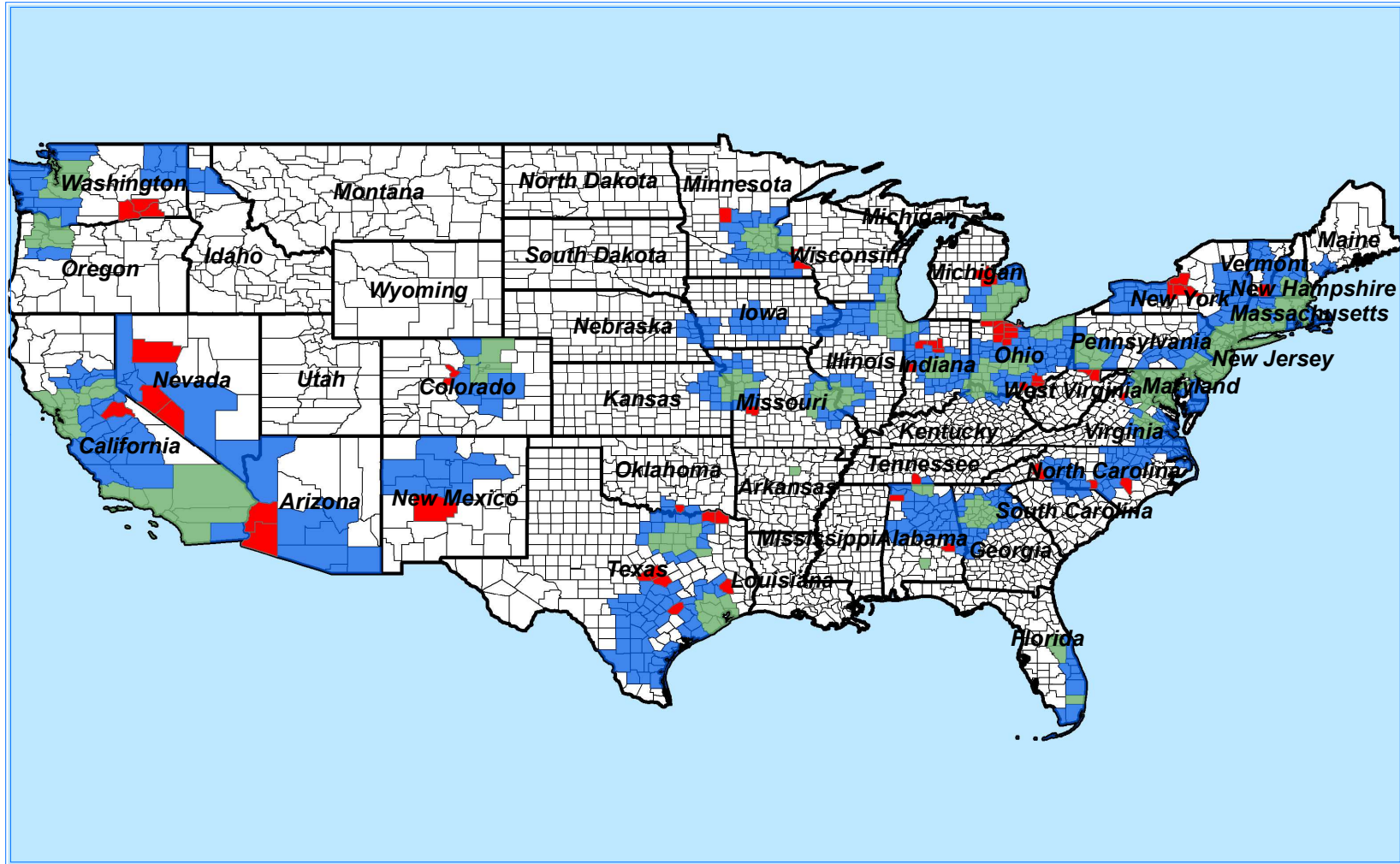**Director, Office of Management and Budget**

SIGNED
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Scott Kupor
Director, Office of Personnel Management

Attachment

Attachment to Report of President's Pay Agent for Locality Pay in 2026
Maps of 2025 and 1999 Locality Pay Areas

Additions Since 1999 and Additions for 2026 Proposed by Federal Salary Council
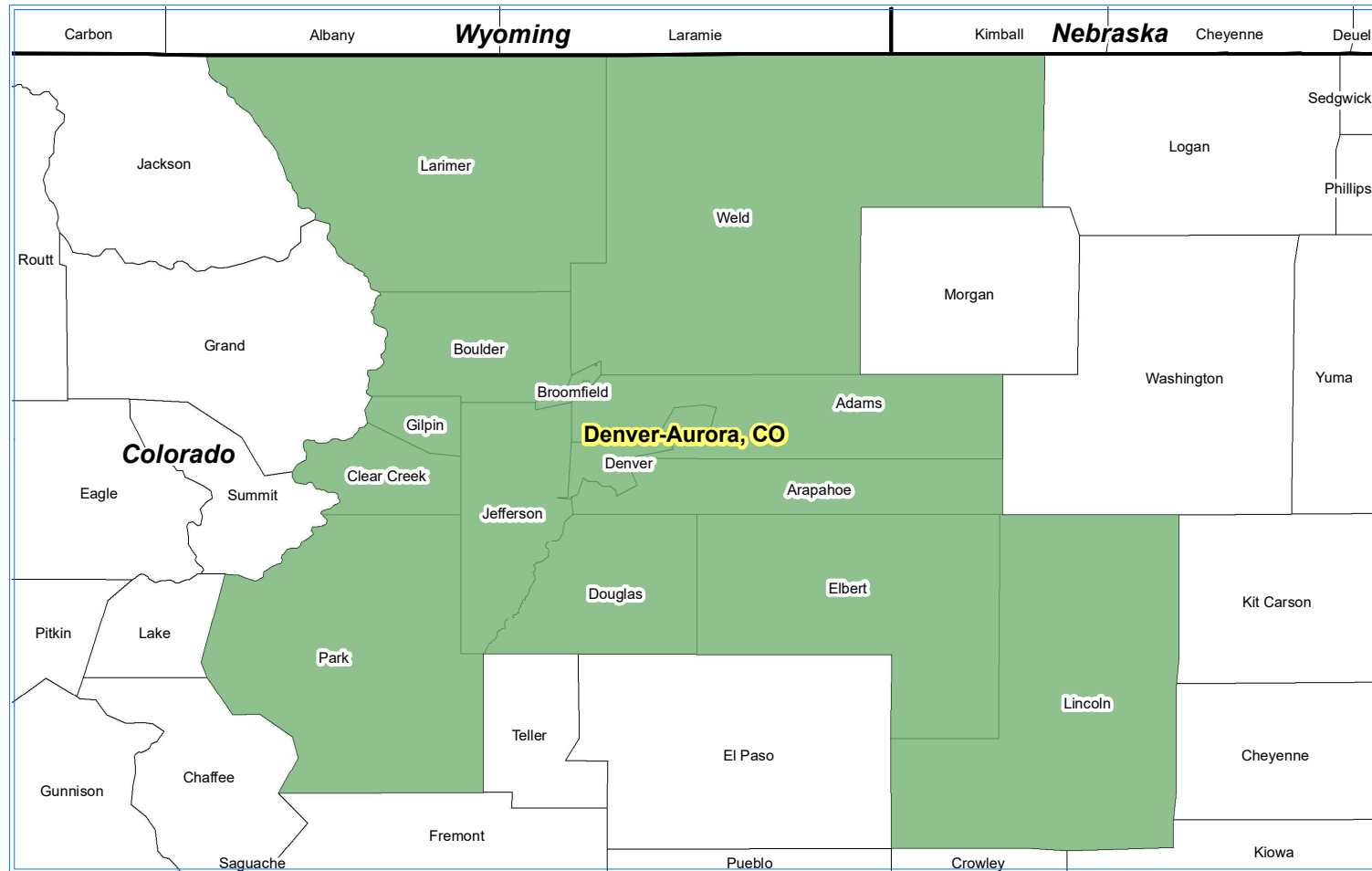

This map shows locality pay areas as defined geographically in 1999, geographic expansions since then, and further geographic expansions the Federal Salary Council recommended for locality pay in 2026. More detailed views of five selected current locality pay areas are shown on subsequent pages of this attachment.

Legend

- 1999 Locality Pay Areas
- Added Since 1999
- FSC-Recommended Addition

0   145   290   580   870   1,160
Miles

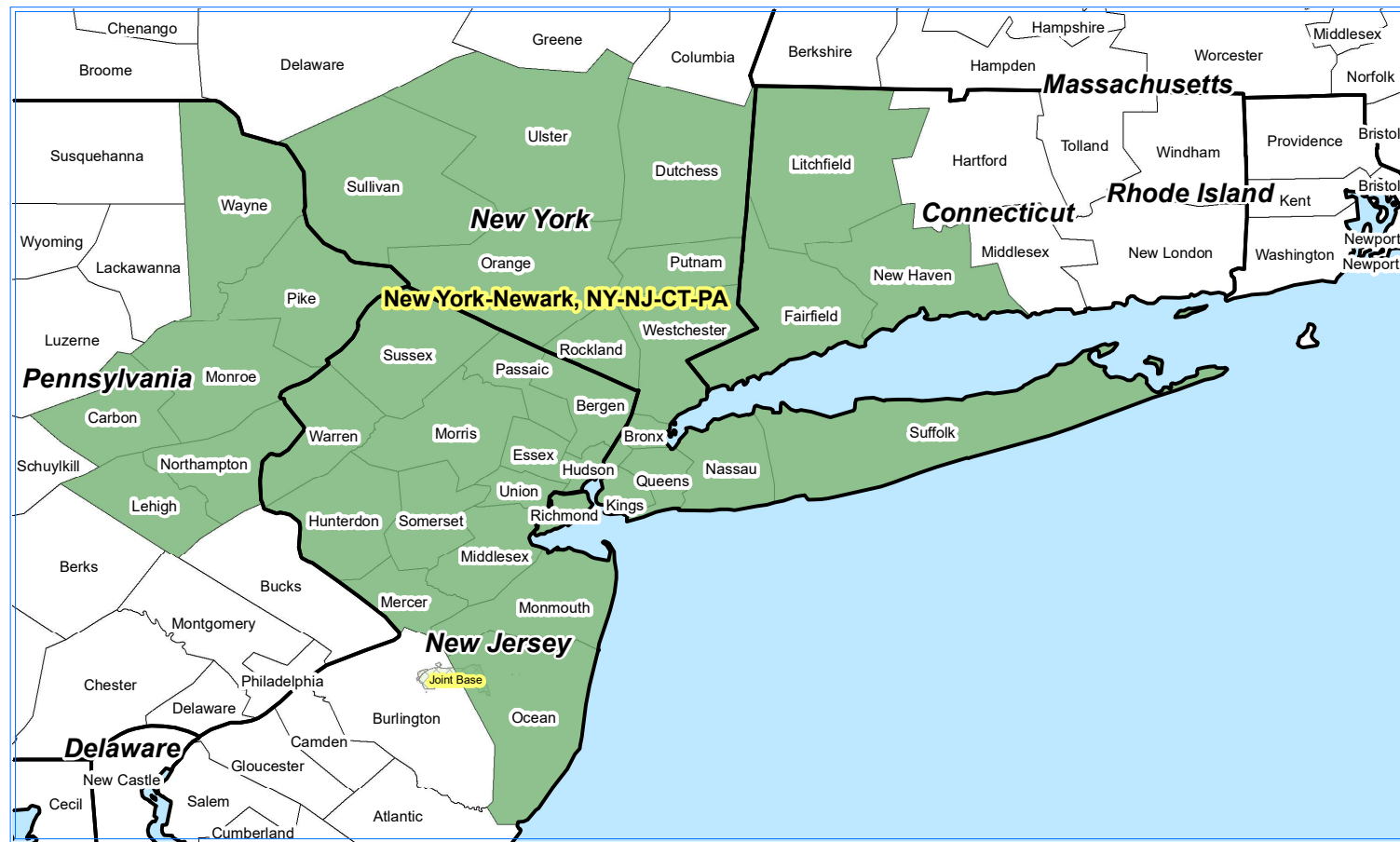# 2025 Chicago-Naperville, IL-IN-WI, Locality Pay Area

This map shows the 2025 Chicago-Naperville, IL-IN-WI, locality pay area. This locality pay area includes 25 counties, which are in the States of Illinois (18 counties), Indiana (6 counties), and Wisconsin (1 county). All locations in the Chicago-Naperville locality pay area receive a 30.86 percent locality payment in 2025, while the Rest of U.S. locality pay area receives a 17.06 percent locality payment in 2025.

Legend

Chicago-Naperville Locality Pay Area

0   12.5   25   50   75   100
                                              Miles

3

2025 Denver-Aurora, CO, Locality Pay Area

| Carbon | Albany | *Wyoming* | Laramie | Kimball | *Nebraska* | Cheyenne | Deuel |

Jackson

Sedgwick

Logan

Larimer

Phillips

Routt

Weld

Grand

Morgan

Boulder

Broomfield

Washington

Yuma

Gilpin

Adams

Colorado

Denver-Aurora, CO

Denver

Clear Creek

Eagle

Summit

Arapahoe

Jefferson

Pitkin

Lake

Douglas

Elbert

Kit Carson

Park

Lincoln

Teller

Cheyenne

El Paso

Gunnison

Chaffee

Fremont

Saguache

Pueblo

Crowley

Kiowa

This map shows the 2025 Denver-Aurora, CO, locality pay area. This locality pay area includes 14 counties, which are in the State of Colorado. All locations in the Denver-Aurora locality pay area receive a 30.52 percent locality payment in 2025, while the Rest of U.S. locality pay area receives a 17.06 percent locality payment in 2025.

Legend

Denver-Aurora Locality Pay Area

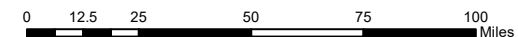0   10   20   40   60   80
Miles
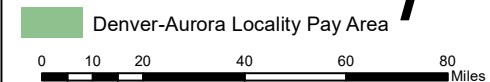
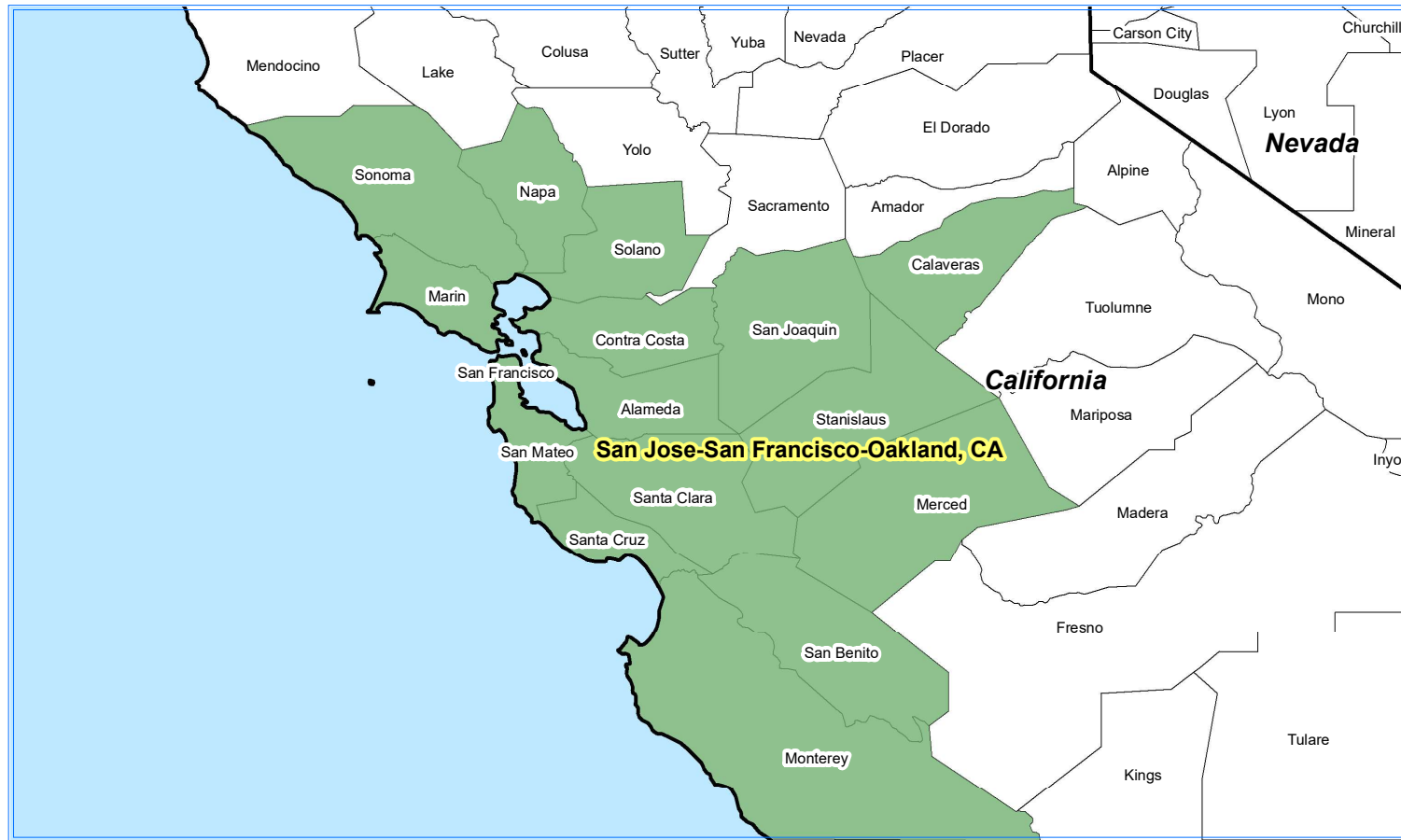## 2025 New York-Newark, NY-NJ-CT-PA, Locality Pay Area

This map shows the 2025 New York-Newark, NY-NJ-CT-PA, locality pay area. This locality pay area includes 37 counties, which are in the States of New York (14 counties), New Jersey (14 counties), Connecticut (3 counties), and Pennsylvania (6 counties). Note that Joint Base McGuire-Dix-Lakehurst is also included. That Department of Defense facility crosses the boundary between Burlington and Ocean Counties, NJ. All locations in the New York-Newark locality pay area receive a 37.95 percent locality payment in 2025, while the Rest of U.S. locality pay area receives a 17.06 percent locality payment in 2025.

Legend

New York-Newark Locality Pay Area

0   12.5   25   50   75   100
Miles

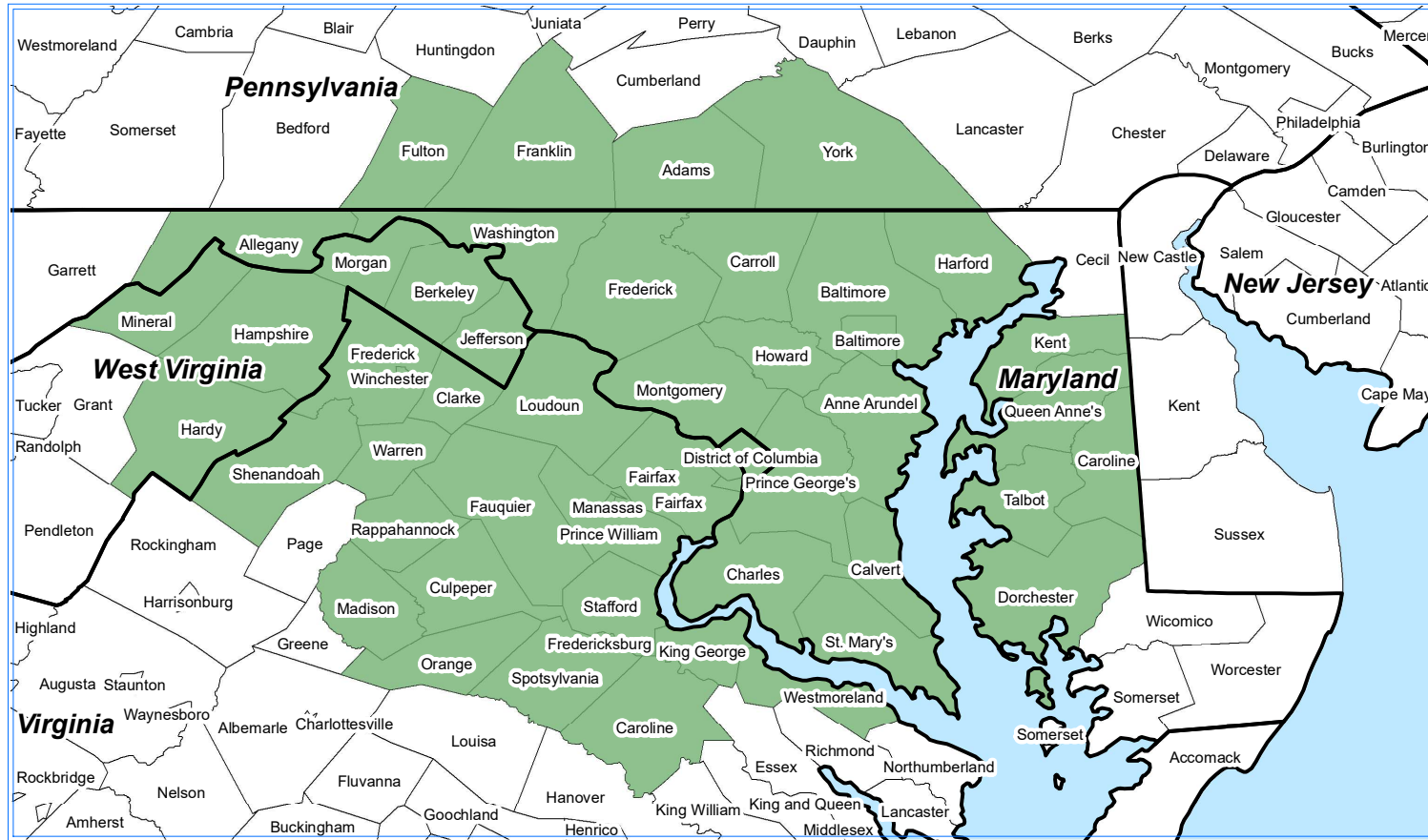# 2025 San Jose-San Francisco-Oakland, CA, Locality Pay Area

This map shows the 2025 San Jose-San Francisco-Oakland, CA, locality pay area. This locality pay area includes 16 counties in the State of California. All locations in the San Jose-San Francisco-Oakland locality pay area receive a 46.34 percent locality payment in 2025, while the Rest of U.S. locality pay area receives a 17.06 percent locality payment in 2025.

Legend

San Jose-San Francisco Locality Pay Area

0   15   30   60   90   120
Miles

2025 Washington-Balltimore-Arlington, DC-MD-VA-WV-PA, Locality Pay Area

This map shows the 2025 Washington-Baltimore-Arlington, DC-MD-VA-WV-PA, locality pay area. This locality pay area includes the District of Columbia plus 54 counties, which are in the States of Maryland (19 counties), Virginia (25 counties), and West Virginia (6 counties), and Pennsylvania (4 counties). All locations in the Washington-Baltimore locality pay area receive a 33.94 percent locality payment in 2025, while the Rest of U.S. locality pay area receives a 17.06 percent locality payment in 2025.

Legend

Washington-Baltimore Locality Pay Area

0   10   20   40   60   80
Miles