

## THE FEDERAL SALARY COUNCIL

**Minutes of October 3, 2005**

**MEETING NO. 05-01**

The Federal Salary Council (FSC) held its first meeting of 2005 on Monday, October 3, 2005. Donald J. Winstead, Deputy Associate Director for Pay and Performance Policy at the Office of Personnel Management (OPM), was the Designated Federal Official. Ms. Terri Lacy, Chair, began the meeting at 10:04 a.m.

The following members attended: Terri Lacy, Chair (Partner, Andrews Kurth L.L.P.); Mary Rose, Vice Chair (Chair, Federal Prevailing Rate Advisory Committee); Rudy J. Maestas (Bureau Chief, Wage and Hour Bureau, New Mexico Department of Labor); Thomas Bastas (President, Association of Civilian Technicians); Richard Brown (President, National Federation of Federal Employees); Colleen M. Kelley (President, National Treasury Employees Union (NTEU)), and James Pasco (Executive Director, Fraternal Order of Police).

In addition to OPM staff, more than 20 members of the public attended the meeting, including three representatives from the Bureau of Labor Statistics (BLS), three representatives from the media, and congressional staff from the office of Representative John Olver (D-MA).

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

Ms. Lacy greeted the Council members and audience, thanked them for attending the meeting, and introduced the Council members and Mr. Winstead.

Ms. Lacy announced that Ms. Rose had been nominated as a member of the Merit Systems Protection Board and that this Council meeting would probably be Ms. Rose's last as Vice Chair. Ms. Lacy congratulated Ms. Rose, thanked her for her hard work on the Council, and wished her well.

Ms. Lacy said she was pleased to welcome Director Linda M. Springer, the new OPM Director sworn in by Vice President Richard B. Cheney on June 28, 2005.

Director Springer thanked Ms. Lacy for her introduction and said it was a privilege for her to express her support for the Council's important work. She mentioned that she is a member of the President's Pay Agent and said she believes that nothing in human resources work is more important than pay. She said she is working with OPM staff to ensure that she has a good understanding of the Council's work and that the Council has all the OPM staff support it needs. She thanked the Council again and welcomed it to OPM. Ms. Lacy thanked Director Springer.

Ms. Lacy turned to the next item on the Council's agenda, approval of minutes for the previous Council meeting (meeting number 04-01, September 27, 2004.) She noted that the Council members had an opportunity to review and comment on the minutes, which she had approved, and that Council members were provided with a copy of the minutes in their meeting folders. (Council document FSC-05-01-01).

The next item on the agenda was a BLS update on improvements in BLS' salary surveys and survey geographic redesign. Ms. Lacy thanked BLS for all its hard work in support of the Council and for attending the meeting to provide the update. She introduced and welcomed Philip Doyle, Chief, Division of Compensation Data Analysis and Publication, BLS.

### **BLS Presentation**

Mr. Doyle's presentation is contained in document FSC-05-01-02. He provided the status of five planned improvements in the National Compensation Survey (NCS) program:

- Improvements in crosswalk between Federal and non-Federal jobs: implemented in 2002
- Excluding jobs above GS-15: implemented in 2002
- Modeled estimates for missing data: implemented in 2002
- Improvements in grade leveling of non-supervisory jobs (four-factor leveling system): collection underway, being phased in with new sample units; first results will be delivered in August 2006
- Improving grade leveling of supervisory jobs: collection underway; results will be delivered in August 2006

He also covered the following topics (for details, see document FSC-05-01-02):

- Area Redesign (transition to new Office of Management and Budget (OMB) metropolitan area definitions based on the 2000 census)
- Small Establishments (in September 2006, BLS will reduce the minimum establishment size from 50 employees to 1 employee, and the Pay Agent will need to make a decision on whether to use the data from small firms; resources permitting, BLS might be able to provide data both ways to help inform the Pay Agent's decision)
- Area Detail (BLS might be able to conduct research into the feasibility of producing salary estimates for major subdivisions of the metropolitan areas now surveyed, but points out that less data meeting publication standards would be available)

Since there were no questions for Mr. Doyle, Ms. Lacy moved to the next item on the agenda: a presentation by Mr. Winstead on a proposed rule to implement changes in locality pay area boundaries in 2006.

### **Proposed Rule to Implement Changes in Locality Pay Area Boundaries**

Mr. Winstead said that in response to the Council's recommendations in 2004, OPM had published a proposed rule in the *Federal Register* on June 20, 2005 (a copy is included in the meeting folders and is document FSC-05-01-03). The proposed regulations—

- Merge the Kansas City, St. Louis, and Orlando locality pay areas with the Rest of U.S. locality pay area;
- Create new locality pay areas for Buffalo, NY; Phoenix, AZ; and Raleigh, NC;

- Add Fannin County to the Dallas-Fort Worth locality pay area because OMB revised the Dallas Combined Statistical Area (CSA);
- Make a minor change in the description of the Los Angeles locality pay area;
- Note that Culpeper County, VA, is now part of the Washington-Baltimore CSA, so it is also now part of the pay area proper and no longer an area of application; and
- Would become effective on January 1, 2006.

Mr. Winstead said that, in the proposed rule, the Pay Agent describes an issue regarding the Raleigh locality pay area and defers a decision on the issue until the Council has studied the matter and stated its views. Mr. Winstead summarized the issue, explaining that the Federal Correctional Complex, Butner, NC, is partially in Durham County, within the Raleigh CSA, and partially in Granville County, outside of the Raleigh CSA. He said that while the general comment period had ended in August, Pay Agent staff looked forward to hearing the Council's views on the matter.

Ms. Lacy thanked Mr. Winstead for his presentation. Since there were no questions for Mr. Winstead, Ms. Lacy said the next item on the agenda would be the report of the Federal Salary Council Working Group. Ms. Rose presented the report.

### **Report of the Working Group**

Ms. Rose read major sections of the Working Group Report (Council document FSC-05-01-04). The issues, recommendations of the Working Group, and final recommendations to the Pay Agent were as follows:

Issue	Recommendation of the Working Group	Recommendation
What BLS surveys should be used for the purpose of determining pay gaps and locality payments and under what formula?	Discontinue use of old Occupational Compensation Survey Program surveys and use 100 percent NCS Survey data.	Unanimously adopted the recommendation for submission to the Pay Agent.
What should the Council recommend regarding data from establishments with fewer than 50 employees?	Ask the Working Group to further review the matter and report back to the Council next year.	Unanimously adopted the recommendation for submission to the Pay Agent.
Should Austin, Memphis, and Louisville remain in the RUS locality pay area?	Yes. The Austin pay gap is still below the RUS pay gap, the Memphis pay gap is below the RUS pay gap this year, and the Louisville pay gap is just slightly above the RUS pay gap this year (and was below RUS last year).	Unanimously adopted the recommendation for submission to the Pay Agent.
Should the Council recommend adding the Fayetteville and Goldsboro areas to the Raleigh locality pay area?	Yes, these locations pass the Council's criteria to be included in the locality pay area.	Unanimously adopted the recommendation for submission to the Pay Agent.

Issue	Recommendation of the Working Group	Recommendation
Should the Council amend its criteria for evaluating Federal facilities and recommend that the Federal Correctional Complex, Butner, NC, be included in the Raleigh locality pay area?	<p>Yes, splitting the facility does not make sense. New criterion:</p> <p>For Federal facilities that cross locality pay area boundaries: To be included in an adjacent locality pay area, <i>the whole facility must have at least 500 GS employees, with the majority of those employees in the higher-paying locality pay area, or that portion of a Federal facility outside of a higher-paying locality pay area must have at least 750 GS employees, the duty stations of the majority of those employees must be within 10 miles of the separate locality pay area, and a significant number of those employees must commute to work from the higher-paying locality pay area.</i></p>	Unanimously adopted the recommendation for submission to the Pay Agent.
What recommendation should the Council make, if any, regarding the allocation and distribution of GS pay increases in January 2006?	If Congress provides for a 3.1 percent overall pay increase in 2006, the Council supports a 2.1 percent across-the-board increase with 1.0 percent for locality pay to be allocated as indicated on attachment 2 of the Working Group report (FSC-05-01-04.)	Unanimously adopted the recommendation for submission to the Pay Agent.

In addition to the issues the Council discussed and voted on during Ms. Rose's presentation of the Working Group Report, the Council decided to defer discussion of the following two issues until after the Council heard all presentations on locality pay areas:

1. Should the Council make any recommendations for higher locality pay for any of the areas that contacted OPM during the last year?
2. Should the Council recommend using the Pay Agent's planned definitions of locality pay areas in 2006 for 2007?

After Ms. Rose's presentation of the Working Group Report and the Council's unanimous agreement on all issues except the two issues deferred until later in the meeting, Ms. Lacy said the Council would now hear testimony by groups seeking changes in locality pay area boundaries.

### **Butner, NC, Federal Correctional Complex**

Mr. Art Peeler, a Federal Bureau of Prisons warden, was to speak on behalf of the Butner, NC, Federal Correctional Complex. Ms. Lacy asked him whether, given the Council's

recommendation regarding the modification of the criteria for Federal facilities that cross locality pay area boundaries, he still wished to speak. Mr. Peeler thanked her and said he would like to address the Council briefly.

Mr. Peeler thanked the Council for allowing him to testify on behalf of the “soon to be 1500 employees” of the Federal Correctional Complex in Butner, NC. He said that recent changes at his facility further enhance the case for including the entire facility in the Raleigh locality pay area. He said that the number of employees in Granville County had recently decreased and was now down to 124. He added that the prison is a Federal medical complex and that Duke University Medical Center is a major competitor for medical personnel, which makes recruiting and retaining essential staff very difficult. Mr. Peeler thanked the Council again.

Ms. Lacy asked whether the Council had questions for Mr. Peeler. Since there were none, Ms. Lacy noted that the list of speakers included Mr. George Dutile, Assistant Director, Greater Los Angeles Federal Executive Board. She asked that all presentations be limited to 10 minutes and invited Mr. Dutile to begin his presentation.

### **Los Angeles Locality Pay Area**

Mr. Dutile thanked the Council. He said he was requesting on behalf of the Greater Los Angeles Federal Executive Board that the Council consider splitting the Los Angeles locality pay area into two separate locality pay areas: “LA-Coastal,” including Ventura, Santa Barbara, Los Angeles, and Orange Counties, CA, and “LA-Inland,” including Riverside and San Bernardino Counties, CA.

Mr. Dutile acknowledged the time limit for presentations but asked that his entire presentation and supporting documentation be included in the record. (Mr. Dutile’s presentation and supporting documentation are contained in document FSC-05-01-07.)

Key points of Mr. Dutile’s presentation include the following:

- The Los Angeles-Long Beach-Riverside, CA, locality pay area covers 36,000 square miles and is larger than several States;
- San Bernardino and Riverside Counties are largely desert and rural;
- The coastal counties are heavily populated urban environments, are “home to the nation’s most critical ports and economic and business centers,” and “play a vital role in the security and economy of the nation;”
- San Bernardino and Riverside Counties cover a large area of land but “have less national significance;”
- The demographics of areas combined to measure a common indicator, such as salary, should be similar, but the inland and coastal counties are dissimilar; for example—
  - The unemployment rate is 8 percent in the coastal counties but only 6 percent in the inland counties;
  - The rate of baccalaureate degrees is higher in the coastal counties (30 percent) than in the inland counties (23 percent);

- The percentage of occupations falling into the “management, professional, and related occupations” category is higher in the coastal counties than in the inland counties;
- With the passage of time, economic and demographic shifts in the Greater Los Angeles area have made combining the coastal and inland counties for pay purposes increasingly inappropriate;
- Limited by the inclusion of the San Bernardino and Riverside Counties, pay in the Los Angeles area is inadequate to cover the high cost of housing in the coastal counties, which means employees who work in the coastal counties must commute farther, and many employees are less willing to work in the coastal counties; and
- Although it is imperative that Federal employers in the Greater Los Angeles area be able to recruit and retain employees, Federal employees in California and other densely populated coastal cities, such as New York, Boston, San Francisco, and San Diego, are “doing everything they can” to leave such areas. In describing this situation, he said, “We are in the grip of a modern dust bowl.”

Mr. Dutile thanked the Council for hearing his presentation. At this point in the meeting there were no questions or comments about the presentation, so Ms. Lacy invited Mr. Patrick DeFalco of the Federal Executive Association of Western Massachusetts to begin his presentation on behalf of Berkshire County, MA. (Later in the meeting there was further discussion of Mr. Dutile’s proposal.)

### **Berkshire County, MA**

Mr. DeFalco, a district manager at the Social Security Administration office in Pittsfield, MA, thanked the Council for an opportunity to speak and began his presentation. He said his purpose was to inform the Council of challenges Berkshire County faces “as a result of being the only county in the State of Massachusetts not covered by locality pay.” (Note: GS employees in Berkshire County receive the “Rest of U.S.” locality payment, 11.72 percent in 2005, but not the 19.52 percent for the Hartford locality pay area or the 18.49 percent for the Boston locality pay area.)

Mr. DeFalco said he would make two main points in support of higher locality pay for Berkshire County:

- Federal offices in Berkshire County are linked to Federal offices in Hampden and Hampshire Counties, MA (which were added to the Hartford-West Hartford-Willimantic, CT-MA locality pay area in January 2005) by a “parent/satellite” organizational relationship, so employees in the same organization receive different locality payments; and
- “Berkshire County is surrounded by not one, but two different locality pay areas” (the Hartford and New York locality pay areas), which leaves Berkshire County “struggling to compete for qualified candidates.”

Mr. DeFalco said that paying different locality rates to employees in his office who service the same district and do essentially the same work “dramatically affected morale” in his office. He

said that a “highly qualified young woman” declined his job offer because she noticed higher locality pay was available in another district office. He said a supervisor in his office who was leaving for a position in the Hartford locality pay area said higher locality pay was one factor in her decision to accept the new job. He said that only “116 GS employees in the entire State of Massachusetts do not receive locality pay.” He thanked the Council for its time and asked if there were questions.

Mr. Brown asked whether there were any cases in Mr. DeFalco’s organization of “people working side by side for different money.” Mr. DeFalco said there were situations where employees rotate between offices within the district and observe differences in locality pay within the district for jobs that are essentially the same.

Since there were no further questions, Ms Lacy noted that Ms. Nora Kaitfors, a legislative assistant from the office of Representative John Olver, was on the list of speakers and invited her to begin her presentation.

Ms. Kaitfors expressed support on behalf of Representative Olver for higher locality pay for Berkshire County. She said that failure to include Berkshire County in the Hartford locality pay area “divided the region as a whole and divided employees along county lines.” She said that the only significant difference between Berkshire County and other adjacent counties with higher locality pay is that Berkshire County has more recruitment and retention difficulties because of the difference in locality pay. She said that employees are “forced to travel farther down I-91 to get higher locality pay.” She said that continuing to deny Berkshire County higher locality pay would only exacerbate the ability of Federal agencies to recruit and retain employees. She thanked the Council for hearing her presentation.

Since the Council had no questions for Ms. Kaitfors, Ms. Lacy began a discussion of the two remaining decision points identified in the Working Group Report:

- Should the Council make any recommendations for higher locality pay for any of the areas that contacted OPM during the last year?
- Should the Council recommend using the Pay Agent’s planned definitions of locality pay areas in 2006 for 2007?

### **Areas Requesting Higher Locality Pay and Definitions of Locality Pay Areas**

At this point OPM staff commented on the Los Angeles issue. Mr. Allan Hearne, Team Leader for the locality pay program, said that in the Los Angeles survey area, 75-80 percent of the non-farm workforce is in Los Angeles and Orange Counties, CA, so removing San Bernardino and Riverside Counties from the BLS survey probably would not significantly affect the survey results. He added that “core” county/outlying county issues would also affect other pay areas, although Los Angeles was certainly the largest locality pay area.

Regarding Berkshire County, Mr. Hearne said that it is not adjacent to the Hartford locality pay area (Berkshire County is adjacent to Hampden and Hampshire Counties, MA, which are areas of application to the Hartford locality pay area) and that, while Berkshire County is adjacent to the New York locality pay area, Berkshire County does not pass the Council's criteria for evaluating adjacent counties for possible inclusion in a locality pay area.

Mr. Dutile said he thought it was probably incorrect that the two counties Mr. Hearne mentioned had 75-80 percent of the non-farm workforce in the Los Angeles area.

Mr. Brown said that he wanted to make clear that if the Council decided not to recommend changes in locality pay area boundaries based on today's presentations, the Council did not mean to discourage future efforts, and such a decision would not preclude further study by the Council. Ms. Lacy said she thought Mr. Brown's points were well taken. She said the Working Group works very hard to give due consideration to proposals regarding locality pay area boundaries.

Ms. Kelley said she would like the Working Group to consider the proposals further, since after hearing the presentations she now had more questions she would like considered. She said that she did not find the agency reporting structure in Berkshire County compelling, since she could think of examples where organizations cross as many as five locality pay areas. She said that, given the disagreement about the workforce distribution in the Los Angeles area, further study of the Los Angeles proposal seems warranted.

Ms. Lacy asked Mr. Winstead if further consideration of the proposals would necessitate another meeting in the next few months. Mr. Winstead said that regarding the 2005 recommendations to the Pay Agent for 2007 (including what 2007 locality pay areas to recommend), the Council needed to make decisions now, but if the Council wanted to consider the proposals further for its 2006 recommendations to the Pay Agent for 2008, it could do so and would not necessarily have to meet again in the next few months.

Ms. Lacy made a motion that the Council ask its Working Group to study the proposals further and report back to the Council in time for its 2006 recommendations to the Pay Agent for 2008. She made a second motion that the locality pay area definitions, as outlined in the Working Group report (document FSC-05-01-04), be recommended to the Pay Agent for 2007. Both motions passed unanimously.

Ms. Lacy asked whether anyone from the public cared to comment, and no one did. She adjourned the meeting at 11:17 a.m.

CERTIFIED

SIGNED  
Terri Lacy  
Chair