REPORT ON
LOCALITY-BASED COMPARABILITY PAYMENTS FOR THE GENERAL SCHEDULE

ANNUAL REPORT
OF
THE PRESIDENT'S PAY AGENT
FOR LOCALITY PAY IN 2020

The President’s Pay Agent

Washington, DC
December 19, 2019

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Annual Report on General Schedule Locality-Based Comparability Payments

Section 5304 of title 5, United States Code, requires the President’s Pay Agent, composed of the Secretary of Labor, Director of the Office of Management and Budget, and Director of the Office of Personnel Management, to submit a report each year showing the locality-based comparability payments we would recommend for General Schedule (GS) employees *if the adjustments were to be made as specified in the statute*. To fulfill this obligation, this report shows the adjustments that would be required in January 2020 under section 5304, had you not issued an alternative pay plan for January 2020 increases. The alternative plan will allow a 2.6-percent base GS increase to go into effect while holding 2020 locality pay percentages at their 2019 levels. However, we also note that the underlying methodology for locality pay, which relies on a singular locality rate to cover a locality pay area, has lacked credibility since the 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 each and every year since that first year.

We appreciate the contributions of the Federal Salary Council, composed of experts in labor relations and pay policy and of employee organizations representing large numbers of GS employees, for the administration of the locality pay program, including the Council’s recommendations for locality pay in 2020, which are included in Appendix I of this report.

In this report, we approve, subject to appropriate rulemaking, the Council’s recommendations to establish a separate Des Moines, IA, locality pay area and to establish Imperial County, CA, as an area of application to the Los Angeles locality pay area. We appreciate the Council’s continued application of a systematic approach for recommending new locality pay areas using the current salary survey methodology, and for establishing areas of application. We also appreciate the Council’s thorough review of the program’s salary survey methodology and the options the Council presented in its May 2, 2019, recommendations for the future of that methodology. We also agree with the Council, as reflected in its approach this year, that it is not necessary for all of the Council members to agree with each other when debating and providing sound advice to an Administration.

We greatly appreciate the recommendation from the Chairman and the other two expert members of the Council that, when the Federal government administers pay and benefits systems for its dedicated employees, total rewards rather than just base pay should be considered. As noted in our November 2018 report, a Congressional Budget Office (CBO) report issued in April 2017 echoes the findings of many labor economists in identifying a significant overall compensation gap in favor of Federal employees relative to the private sector. CBO identified a 17 percent average compensation premium for Federal workers – with Federal employees receiving on average 47 percent higher benefits and 3 percent higher wages than counterparts in the private sector. While we recognize that the methodologies used by CBO and the Federal Salary Council differ, and that the current locality pay methodology allows the Pay Agent to make distinctions in GS pay levels on a singular geographic basis for each locality pay area, we find that the overall scale of the pay disparities presented to us each year using the current locality pay methodology lacks credibility.

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. In recognition of that, the President's Budget for Fiscal Year 2020 proposes realigning incentives by enhancing performance-based pay and slowing the frequency of tenure-based step increases. However, the Administration cannot achieve sufficient reforms without Congressional action.

Ultimately, we believe there is 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 better manage, develop, and reward employees in order to better serve the American people.

The President's Pay Agent:

SIGNED

Eugene Scalia
Secretary of Labor

SIGNED

Russell Vought
Acting Director, Office of Management and Budget

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Dale Cabaniss
Director, Office of Personnel Management

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INTRODUCTION

The Federal Employees Pay Comparability Act of 1990 (FEPCA) replaced the nationwide General Schedule (GS) with a method for setting pay for white-collar employees that uses a combination of across-the-board and location-based pay adjustments. The policy contained in 5 U.S.C. 5301 for setting GS pay is that—

(1) there be equal pay for substantially equal work within each local pay area;

(2) within each local pay area, pay distinctions be maintained in keeping with work and performance distinctions;

(3) Federal pay rates be comparable with non-Federal pay rates for the same levels of work within the same local pay area; and

(4) any existing pay disparities between Federal and non-Federal employees should be completely eliminated.

The across-the-board pay adjustment provides the same percentage increase to the statutory pay systems (as defined in 5 U.S.C. 5302(1)) in all locations. This pay adjustment is linked to changes in the wage and salary component, private industry workers, of the Employment Cost Index (ECI), minus 0.5 percentage points. Locality-based comparability payments for GS employees, which are in addition to the across-the-board increase, are mandated for each locality having a pay disparity between Federal and non-Federal pay of greater than 5 percent. However, the schedule for reducing pay disparities by establishing locality pay adjustments under FEPCA has not been followed through successive Administrations since 1994.

As part of the annual locality pay adjustment process, the Pay Agent prepares and submits a report to the President which—

(1) compares rates of pay under the General Schedule 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) recommends appropriate comparability payments; and

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

The President's Pay Agent consists of the Secretary of Labor and the Directors of the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM). This report fulfills the Pay Agent's responsibility under 5 U.S.C. 5304(d) and recommends locality pay adjustments that would occur for 2020 only if such adjustments were to be made as specified under 5 U.S.C. 5304. That formula for pay gap closure has not been followed since 1994.

ACROSS-THE-BOARD AND LOCALITY ADJUSTMENTS

Under FEPCA, GS salary adjustments, as of January 1994, consist of two components: (1) a general increase linked to the ECI and applicable to the General Schedule, Foreign Service pay schedules, and certain pay schedules established under title 38, United States Code, for Veterans Health Administration employees; and (2) a GS locality adjustment that applies only to specific areas of the U.S. where non-Federal pay exceeds Federal pay by more than 5 percent.

The formula for the general increase (defined in section 5303 of title 5, United States Code) provides that the pay rates for each statutory pay system be increased by a percentage equal to the 12-month percentage increase in the ECI minus one-half of one percentage point. The 12-month reference period ends with the September preceding the effective date of the adjustment by 15 months.

The ECI reference period for the January 2020 increase is the 12-month period ending September 2018. During that period, the ECI wage and salary component, private industry workers, increased by 3.1 percent. Therefore, the January 2020 general increase would be 2.6 percent (3.1 percent minus 0.5 percentage points).

The locality component of the pay adjustment under FEPCA was to be phased in over a nine-year period. In 1994, the minimum comparability increase was two tenths of the “target” pay disparity (i.e., the amount needed to reduce the pay disparity to 5 percent). For each successive year, the comparability increase was scheduled to be at least an additional one tenth of the target pay disparity. For 2002 and thereafter, the underlying law authorized the full amount necessary to reduce the pay disparity in each locality pay area to 5 percent. However, as stated above, the schedule for reducing pay disparities by establishing locality pay adjustments under FEPCA has not been followed through successive Administrations since 1994.

LOCALITY PAY SURVEYS

FEPCA requires the use of non-Federal salary survey data collected by the U.S. Bureau of Labor Statistics (BLS) to set locality pay. BLS uses information from two of its programs to provide the data. Data from the National Compensation Survey (NCS) are used to estimate how salaries vary by level of work from the occupational average, and Occupational Employment Statistics (OES) data are used to estimate average salaries by occupation in each locality pay area. The process used to combine the data from the two sources is referred to as the *NCS/OES model*.

BLS surveys used for locality pay include collection of salary data from establishments of all employment sizes in private industry and State and local governments. The NCS provides comprehensive measures of employer costs for employee compensation, compensation trends, the incidence of employer-provided benefits among workers, and the provisions of selected employer-provided benefits plans. These statistics are available for selected metropolitan areas, regions, and the Nation. An important component of the NCS is an evaluation of jobs to determine a "work level" or grade for the NCS/OES model. The NCS collects data from a total of 11,400 establishments.

The OES survey measures occupational employment and wage rates of wage and salary workers in non-farm establishments in the 50 States and the District of Columbia. Guam, Puerto Rico, and the U.S. Virgin Islands are also surveyed. About 7.6 million in-scope establishments are stratified within their respective States by sub-state area, size, and industry. Sub-state areas include all officially defined metropolitan statistical areas, metropolitan divisions and, for each State, one or more residual balance-of-State areas. The North American Industry Classification System is used to stratify establishments by industry.

For OES, BLS selects semiannual probability samples, referred to as panels, of about 200,000 business establishments, and pools those samples across 3 years (or 6 panels) for a total sample of 1.2 million business establishments, in order to have sufficient sample sizes to produce estimates for small estimation cells. Responses are obtained by mail, Internet or other electronic means, email, telephone, or personal visit. For most establishments, OES survey data are placed into 12 wage intervals. The Standard Occupational Classification system (SOC) is used to define occupations. Estimates of occupational employment and occupational wage rates are based on a rolling six-panel (or 3-year) cycle.

The industry scope of the data provided to the Pay Agent includes private goods-producing industries (mining, construction, and manufacturing); private service-providing industries (trade; transportation and utilities; information; financial activities; professional and business services; education and health services; leisure and hospitality; and other services); and State and local governments. The Federal Government, private households, and most of the agriculture, forestry, fishing, and hunting sectors were excluded.

Occupational Coverage

BLS surveys all jobs in establishments for the OES program and selects a sample of jobs within establishments for the NCS program. The jobs from the NCS and OES samples are weighted to represent all non-Federal occupations in the location and, based on the crosswalk published in Appendix VII of the 2002 Pay Agent's report, also represent virtually all GS employees. OPM provided the crosswalk between GS occupational series and the SOC system used by BLS to group non-Federal survey jobs. OPM also provided March 2017 GS employment counts for use in weighting survey job data to higher aggregates.

Matching Level of Work

BLS collects information on level of work in the NCS program. In the NCS surveys, BLS field economists cannot use a set list of survey job descriptions because BLS uses a random sampling method and any non-Federal job can be selected in an establishment for leveling (i.e., grading). In addition, it is not feasible for BLS field economists to consult and use the entire GS position classification system to level survey jobs because it would take too long to gather all the information needed and would place an undue burden on survey participants.

To conduct work leveling under the NCS program, OPM developed a simplified four-factor leveling system with job family guides. These guides were designed to provide occupational-specific leveling instructions for the BLS field economists. The four factors were derived and validated by combining the nine factors under the existing GS Factor Evaluation System. The four factors are knowledge, job controls and complexity, contacts, and physical environment. The factors were validated against a wide variety of GS positions and proved to replicate grade levels expressed in written GS position classification standards. We find the work level comparison aspect of the current methodology to be a critically important area for further examination.

The job family guides cover the complete spectrum of white-collar work found in the Government. Appendix VI of the 2002 Pay Agent's report contains the job family leveling guides. BLS does not collect level of work in the OES program. Rather, the impact of grade level on salary is derived from the NCS/OES model.

Combining OES and NCS Data for Locality Pay

In 2008, the Federal Salary Council asked BLS to explore the use of additional sources of pay data so that the Council could better evaluate the need for establishing additional pay localities, especially in areas where the NCS program could not provide estimates of non-Federal pay. In response, a team of BLS research economists investigated the use of data from the OES program in conjunction with NCS data. After careful investigation, the team recommended a regression method combining NCS and OES data as the best approach to producing the non-Federal pay estimates required to compute area pay gaps with OES data. The President's Fiscal Year (FY) 2011 budget proposed replacing the NCS with the NCS/OES model for measuring pay gaps, the Federal Salary Council recommended using the new method in 2012, and the President's Pay Agent adopted the new approach in its May 2013 report for locality pay in 2014.

Regression Method

This section provides a non-technical description of the NCS/OES model. Appendix II of this report contains a BLS paper that provides technical details.

To calculate estimates of pay gaps, the Pay Agent asks BLS to calculate annual wage estimates by area, occupation, and grade level. These estimates are then weighted by National Federal employment to arrive at wage estimates by broad occupation group and grade for each pay area.

There are five broad occupational groups collectively referred to as “PATCO” categories: Professional (P), Administrative (A), Technical (T), Clerical (C), and Officer (O).

OES data provide wage estimates by occupation for each locality pay area, but do not have information by grade level. The NCS has information on grade level, but a much smaller sample with which to calculate occupation-area estimates. To combine the information from the two samples, a regression model is used. The model assumes that the difference between a wage observed in the NCS for a given area, occupation, and grade level, and the corresponding area-occupation wage from the OES, can be explained by a few key variables, the most important of which is the grade level itself. The model then predicts the extent to which wages will be higher, on average, for higher grade levels. It is important to note that the model assumes the relationship between wages and levels is the same throughout the Nation. While this assumption is not likely to hold exactly, the NCS sample size is not large enough to allow the effect of grade level on salary to vary by area.

Once estimated, the model is used to predict the hourly wage rate for area-occupation-grade cells of interest to the Pay Agent. This predicted hourly wage rate is then multiplied by 2,080 hours (52 weeks * 40 hours per week) to arrive at an estimate of the annual earnings for that particular cell. The estimates from the model are then averaged, using Federal employment levels as weights, to form an estimate of annual earnings for PATCO job family and grade for each area.

Federal Salary Council Recommendations Regarding the Salary Survey Methodology

In its April 10, 2018, public meeting, the Federal Salary Council agreed that it would review the current salary survey methodology employed by BLS and OPM to determine if it should recommend improvements to the Pay Agent, consistent with Executive Order 12764. The Council considered the five options listed in the table below, which are grouped according to whether they could be implemented administratively or would require a change in law.

Alternative Survey Methodologies	
Options Not Requiring a Change in Law	Option 1: Maintain the Status Quo – Continue use of the current salary survey methodology (NCS/OES Model).
	Option 2: Modify the Existing Methodology – Modify the existing salary survey methodology to improve the validity of its statistical modeling.
	Option 3: Verify the Results of the Methodology – Validate the results of the modeling methodology by examining a set of human capital indicators (HCIs), such as attrition data, to quantitatively and qualitatively assess the effects of the statistically modeled salary estimates.
Options Requiring a Change in Law	Option 4: Assess the Total Compensation Gap – In addition to comparing Federal and non-Federal salary, 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.
	Option 5: Establish a Commission to Periodically Review Federal Civilian Compensation – Conduct a comprehensive, periodic review of total compensation for white-collar Federal civilians, patterned after DOD’s most recent Quadrennial Review of Military Compensation.

In the Federal Salary Council’s May 2, 2019 report to the Pay Agent, the Chairman and the other two expert members on the Council recommended that the Pay Agent “consider alternatives, such as those listed above, and commission BLS and OPM to conduct an in-depth study of the most cost-effective alternatives to better measure the disparity between Federal and non-Federal pay and other relevant elements of employee compensation." In Attachment 8 of the Council's report, the Chairman and the other two expert members support "a total compensation approach to comparability." They write, "If comparability is all about competing in the labor market, and the Federal Government's benefit package is one of the things that make it most competitive, how can we ignore it? Indeed, the public and private sector employers we talk to are aghast that we do."

The union members disagreed and supported continued use of the current pay comparison and salary survey methodology.

Many of the concerns expressed by the Council's three expert members are not new to this forum. For example, the Conference Report on the Treasury and General Government Appropriations Act, 1999, directed the Pay Agent to provide the Senate and House Appropriations Committees, by May 1, 1999, with any pay setting methodology concerns it had with regard to FEPCA. In response, the Pay Agent sent a report to Congress pointing out a number of concerns, including these:

- Requiring that only a single locality pay percentage apply in each locality pay area ignores the underlying variation in disparities between Federal and non-Federal pay that exists in reality by both occupation and work level.

- Important labor market factors such as queues for Federal jobs, the quality of applicants for Federal positions, Federal quit rates, whether the Government is hiring or laying off workers, and the general state of the economy are not considered.

- The credibility of the current GS locality pay adjustment system has reasonably been called into question because the high pay gaps generated by the process do not take into account critical labor market factors that current and prospective employees consider when they make decisions on where they want to work.

As a result, we greatly appreciate the recommendation from the Chairman and the other two expert members of the Council to take into consideration factors other than basic pay and the impact such factors could potentially have on the recruitment and retention of our Federal workforce.

COMPARING GENERAL SCHEDULE AND NON-FEDERAL PAY

How Local Pay Disparities Are Measured

Locality-based comparability payments are a function of local disparities between Federal and non-Federal pay. Pay disparities are measured for each locality pay area by comparing the base GS pay rates of workers paid under the General Schedule pay plan in a geographic area to the annual rates generally paid to non-Federal workers for the same levels of work in the same geographic area. Under the NCS/OES model, BLS models salaries for most non-Federal jobs deemed to match GS positions, as shown in the crosswalk in Appendix VII to the 2002 Pay Agent's report.

Non-Federal pay rates are estimated on a sample basis by BLS area surveys. The pay rate for each non-Federal job is an estimate of the mean straight-time earnings of full-time, non-Federal workers in the job, based on the BLS survey sample. GS rates are determined from Federal personnel records for the relevant populations of GS workers. Each GS rate is the mean scheduled annual rate of pay of all full-time, permanent, year-round GS workers in the relevant group.

The reference dates of OES data vary over the survey cycle for non-Federal salaries. To ensure that local pay disparities are measured as of one common date, it is necessary to "age" the OES survey data to a common reference date before comparing it to GS pay data of the same date. March 2018 is the common reference and comparison date used in this report for 2020 pay adjustments. For the calculation of the salary estimates delivered to the Pay Agent, BLS used appropriate ECI factors to adjust OES salary data from past survey reference periods to March 2018.

Each non-Federal rate is estimated by BLS using the OES mean salary for the occupation/location and factors for level of work derived from the NCS/OES model as shown in the following example:

Table 1

Example of NCS/OES Model Estimates—Procurement Clerks—Washington, DC

	OES Average	GS-4 model estimate	GS-5 model estimate	GS-6 model estimate	GS-7 model estimate	GS-8 model estimate	GS-9 model estimate
Hourly wage	$24.70	$19.60	$23.00	$25.90	$29.50	$32.70	$35.00
Ratio to OES Average	100%	79%	93%	105%	119%	132%	142%

Because 5 U.S.C. 5302(6) requires that each local pay disparity be expressed as a single percentage, the comparison of GS and non-Federal rates of pay in a locality requires that the two sets of rates be reduced to one pair of rates, a GS average and a non-Federal average. An important principle in averaging each set of rates is that the rates of individual survey jobs, job categories, and grades are weighted by Federal GS employment in equivalent classifications. Weighting by Federal employment ensures that the influence of each non-Federal survey job on the overall non-Federal average is proportionate to the frequency of that job in the Federal sector.

We use a three-stage weighted average in the pay disparity calculations. In the first stage, job rates from the NCS/OES model are averaged within PATCO category by grade level. The NCS/OES model covers virtually all GS jobs. The model produces occupational wage information for jobs found only in the OES sample for an area. For averaging within PATCO category, each job rate is weighted by the Nationwide full-time, permanent, year-round employment[1] in GS positions that match the job. BLS combines the individual occupations within PATCO-grade cells and sends OPM average non-Federal salaries by PATCO-grade categories. The reason for National weighting in the first stage is explained below.

When the first stage averages are complete, each grade is represented by up to five PATCO category rates in lieu of its original job rates. Under the NCS/OES model, all PATCO-grade categories with Federal incumbents are represented, except where BLS had no data for the PATCO-grade cell in a location.

In the second stage, the PATCO category rates are averaged by grade level to one grade level rate for each grade represented. Thus, at grade GS-5, which has Federal jobs in all five PATCO categories, the five PATCO category rates are averaged to one GS-5 non-Federal pay rate. For averaging by grade, each PATCO category rate is weighted by the local full-time, permanent, year-round GS employment in the category at the grade.

In the third stage, the grade averages are weighted by the corresponding local, full-time, permanent, year-round GS grade level employment and averaged to a single overall non-Federal pay rate for the locality. This overall non-Federal average salary is the non-Federal rate to which the overall average GS rate is compared. Under the NCS/OES model, all 15 GS grades can be represented.

Since GS rates by grade are not based on a sample, but rather on a census of the relevant GS populations, the first two stages of the above process are omitted in deriving the GS average rate. For each grade level represented by a non-Federal average derived in stage two, we average the scheduled rates of all full-time, permanent, year-round GS employees at the grade in the area. The overall GS average rate is the weighted average of these GS grade level rates, using the same weights as those used to average the non-Federal grade level rates.

1 Employment weights include employees in the United States and its territories and possessions.

Finally, the pay disparity is the percentage by which the overall average non-Federal rate exceeds the overall average GS rate.[2] See Appendix III for more detail on pay gaps using the NCS/OES model.

As indicated above, at the first stage of averaging the non-Federal data, the weights represent National GS employment, while local GS employment is used to weight the second and third stage averages. GS employment weights are meant to ensure that the effect of each non-Federal pay rate on the overall non-Federal average reflects the relative frequency of Federal employment in matching Federal job classifications.

The methodology employed by the Pay Agent to measure local pay disparities does not use local weights in the first (job level) stage of averaging because this would have an undesirable effect. A survey job whose Federal counterpart has no local GS incumbents will "drop out" in stage one and have no effect on the overall average. For this reason, National weights are used in the first stage of averaging data. National weights are used only where retention of each survey observation is most important—at the job level or stage one. Local weights are used at all other stages.

2 An equivalent procedure for computing the pay disparity compares aggregate pay rather than average pay, where aggregate pay is defined as the sum across grades of the grade level rate times the GS employment by grade level. In fact, the law defines a pay disparity in terms of a comparison of pay aggregates rather than pay averages (5 U.S.C. 5302(6)). Algebraically, however, the percentage difference between sector aggregates (as defined) is exactly the same as the percentage difference between sector averages.

LOCALITY PAY AREAS

Federal Salary Council Recommendations Regarding Locality Pay Areas

The Council made five recommendations for changing locality pay area boundaries for 2020:

1. That the Pay Agent defer on any decision to adopt the revised Office of Management and Budget (OMB) definitions of Metropolitan Statistical Areas (MSAs) and Combined Statistical Areas (CSAs) contained in OMB Bulletin No. 18-04 (issued September 14, 2018) for use in the locality pay program, pending further study by OPM staff and the Council.

2. That the Pay Agent establish Des Moines, IA, as a new locality pay area;

3. That the Pay Agent establish Imperial County, CA, as an area of application to the Los Angeles locality pay area;

4. That no action be taken with respect to the "Rest of U.S." areas listed in Attachment 5 of the Council's May 2, 2019, report that do not meet the locality pay program's criteria for establishment as a new locality pay area, with the three expert members and the union members of the Council differing as to whether an exception should be made for Pine County, MN; and

5. That, when considering the designation of locality pay areas or areas of application, the Council and Pay Agent consider exceptions to the GS employment criteria used in determining areas of application if (1) additional human capital indicators (HCIs) submitted by the relevant organization(s) reveal extraordinary recruiting and/or retention difficulties that may not otherwise be evident from pay disparities as currently estimated or application of the criteria for areas of application, and (2) the organization(s) claiming such extraordinary difficulties can show that they persist despite the application of other applicable personnel flexibilities to address the situation. The Council noted that such HCIs should include:

   - The number of authorized GS positions at the beginning and end of the current and preceding two fiscal years;
   - Retention data for the same period, including the number of voluntary separations, including voluntary resignations and retirements, as well as the number of retirement-eligible incumbents, etc.;
   - Recruitment data for the same period, including the number of vacant GS positions for the period in question and the length of time required to fill them, as well as the number of offers made compared to the number of offers accepted in any given vacancy;
   - The extent to which the relevant personnel flexibilities (see http://www.opm.gov/policy-data-oversight/pay-leave/pay-and-leave-flexibilities-for-recruitment-and-retention) have been applied, and the results of such application;

- The extent to which direct hire and/or other expedited appointing authorities have been employed; and
- Results of the Federal Employee Viewpoint Survey for the period in question showing the degree of employee satisfaction with pay and other pay-related matters (that is, Question 70).

The Pay Agent addresses this set of five recommendations below.

1. *We defer on any decision to adopt the revised OMB definitions of MSAs and CSAs contained in OMB Bulletin No. 18-04 (issued September 14, 2018) for use in the locality pay program, pending further study by OPM staff and the Council.*

   On September 14, 2018, OMB updated its geographic definitions of MSAs and CSAs. The locality pay program uses MSAs and CSAs, as delineated by OMB, as the basis of locality pay area boundaries. While OMB does not establish these definitions specifically for use in the Federal Government's locality pay program, and cautions agencies to review them carefully before using them for non-statistical purposes, it has been the practice to consider those definitions for use in the locality pay program, both in defining new and existing basic locality pay areas and in evaluating "Rest of U.S." locations as potential areas of application. The September 2018 OMB update is considered a "mid-decade revision" that is more significant than previous updates over the past few years.

   We agree with the Council that this issue warrants further study, and we understand that the Council has been assessing the matter and plans to include a recommendation regarding the updated MSAs and CSAs in its next report to the Pay Agent. We will wait for the Council's recommendation before taking any action with respect to the updated MSA and CSA delineations.

2. *We agree to the establishment of Des Moines, IA, as a new locality pay area following appropriate rulemaking procedures.*

   In using the NCS/OES model to monitor pay gaps in "Rest of U.S." MSAs and CSAs with 2,500 or more GS employees, the Council has found that the Des Moines, IA research area has pay gaps significantly exceeding that for the "Rest of U.S." locality pay area over an extended period.

   The Council recommended that the Pay Agent establish Des Moines, IA, as a separate locality pay area in 2020, based on average NCS/OES pay gaps for that area over a 3-year period (2016-2018). This Council recommendation was based on the same pay gap criterion—pay gaps using the NCS/OES data and exceeding the "Rest of U.S." pay gap by 10 or more percentage points—used to select the 19 locality pay areas established since 2016.

   We appreciate the Council applying a systematic approach for recommending new locality pay areas using the NCS/OES model. We tentatively agree that, after appropriate rulemaking, a separate locality pay area should be established for Des Moines, IA. Accordingly, BLS should deliver data separately for the Des Moines-Ames-West Des

Moines, IA Combined Statistical Area and exclude those areas from the "Rest of U.S." computations for future data deliveries to OPM staff.

3. *We agree to the designation of Imperial County, CA, as an area of application to the Los Angeles locality pay area following appropriate rulemaking procedures.*

In the Federal Salary Council meetings on April 10, 2018, and November 13, 2018, the Council heard testimony regarding Imperial County, CA, currently considered a "Rest of U.S." location that is adjacent to both the Los Angeles and San Diego basic locality pay areas, which has approximately 1,840 GS employees receiving a "Rest of U.S." locality pay adjustment. Imperial County is unusual in that it is adjacent to two current locality pay areas and also shares a long border with the country of Mexico.

The applicable criteria for Imperial County are those applied for locations evaluated as single counties. To meet those criteria, Imperial County would need 400 or more GS employees and an employment interchange rate of 7.5 percent or more with the Los Angeles or San Diego basic locality pay areas. With 1,840 GS employees, Imperial County meets the GS employment criterion; however, it does not meet the requisite employment interchange rate for either the Los Angeles basic locality pay area (4.67 percent) or the San Diego basic locality pay area (3.03 percent). However, while both of those employment interchange rates are below 7.5 percent, the sum of the two employment interchange rates is 7.70 percent. We agree with the Council that the situation with respect to Imperial County is comparable to a single-county location that would otherwise qualify as an area of application by virtue of being adjacent to only one basic locality pay area with an employment interchange rate of 7.5 percent or more. We also agree that, when a location is to be established as an area of application and is adjacent to two locality pay areas, the location should be included in the locality pay area with which it has the higher employment interchange rate. Accordingly, we tentatively agree that, after appropriate rulemaking, Imperial County, CA, should be established as an area of application to the Los Angeles locality pay area.

4. *We agree that no action should be taken with respect to the "Rest of U.S." areas listed in Attachment 5 of the Council's May 2, 2019, report that do not meet the locality pay program's criteria for establishment as a new locality pay area or area of application. In addition, we agree with the Chairman and the other two expert members on the Council that no exception should be made for Pine County, MN.*

For all locations listed in Attachment 5 of the Council's recommendations except for Pine County, MN, the Council agreed that no special action be recommended at this time. However, the three expert members and the union members on the Council disagreed with regard to whether an exception should be made for Pine County, MN.

The union members on the Council recommended that Pine County, MN, be established as an area of application to the Minneapolis locality pay area based on the employment interchange rate between Pine County and the Minneapolis basic locality pay area and on testimony regarding that location and presented in the Council's November 13, 2018, meeting. The Chairman and the other two expert members on the Council disagreed with that recommendation, and recommended that the Council consider other "human capital indicators" (HCIs) in determining whether an exception to the locality pay program's criteria should be recommended.

The Pay Agent agrees with the Chairman and the other two expert members that an exception should not be made for Pine County. Waiving the GS employment criterion for this county without additional data to support that change would be treating it differently than a number of other counties that meet the employment interchange criterion but not the GS employment criterion.

5. *We agree that the Council and Pay Agent should consider the use of "HCIs" such as those described above when considering possible exceptions to the longstanding GS employment criteria used to set the boundaries of locality pay areas.*

The Council recommended "that the Council and Pay Agent consider exceptions to the GS employment criteria used in determining areas of application if (1) additional human capital indicators (HCIs) submitted by the relevant organization(s) reveal extraordinary recruiting and/or retention difficulties that may not otherwise be evident from pay disparities as currently estimated or application of the criteria for areas of application."

In the Pay Agent's view, this Council recommendation goes to broader issues beyond whether the GS employment criterion should be waived in some cases, as the Chairman and other two expert members of the Council convey in Attachment 8 of the Council's recommendations. In that attachment, those Council members noted that "organizations and areas seeking locality pay often come to the Council as a first resort, rather than as a last one" and express concern that in many cases agencies reportedly have not approved the use of more targeted and strategically appropriate pay flexibilities. These Council members wrote:

> "[The] good news…is that under current civil service law, there are a plethora of pay flexibilities that can be brought to bear on recruiting and retention problems in a particular locale and/or set of occupations and grades, all short of (and less expensive than) locality pay…Note that there is no requirement to try those flexibilities first, nor is there even a requirement that organizations in a particular area even tell us one way or another. We think there should be…All of this suggests a much more targeted approach to measuring—and addressing—pay gaps."

We agree that requests to establish new locality pay areas or areas of application for locations not meeting the locality pay program's current criteria should be supported by human capital data collected and compiled in a consistent manner. Such data should cover all Federal agencies in the location of concern and having positions receiving GS locality pay. These data should be compiled by and coordinated among those agencies, using a process similar to that used for title 5 GS special rate requests.

As the Council recommended, such data should include the extent to which pay and leave flexibilities have been used and the results of such use. Federal agencies have considerable discretionary authority to provide pay and leave flexibilities to address significant recruitment and retention problems. Information on these flexibilities is posted on the OPM website at http://www.opm.gov/policy-data-oversight/pay-leave/pay-and-leave-flexibilities-for-recruitment-and-retention. The extent of recruitment and retention problems in a geographic area can vary significantly by occupation and work level. These flexibilities provide agencies with the opportunity to apply targeted solutions to significant recruitment and retention problems. Locality pay, by contrast, is designed to provide a single percentage of base General Schedule rates for all occupations and work levels.

Locality Pay Areas for 2020

Until appropriate rulemaking procedures are finalized to make the changes to locality pay areas we have tentatively approved above, locality pay areas for 2020 will continue to be defined under OMB Bulletin 18-03 as follows:

(1) Alaska—consisting of the State of Alaska;

(2) Albany-Schenectady, NY-MA—consisting of the Albany-Schenectady, NY CSA and also including Berkshire County, MA;

(3) Albuquerque-Santa Fe-Las Vegas, NM—consisting of the Albuquerque-Santa Fe-Las Vegas, NM CSA and also including McKinley County, NM;

(4) Atlanta—Athens-Clarke County—Sandy Springs, GA-AL—consisting of the Atlanta—Athens-Clarke County—Sandy Springs, GA CSA and also including Chambers County, AL;

(5) Austin-Round Rock, TX—consisting of the Austin-Round Rock, TX MSA;

(6) Birmingham-Hoover-Talladega, AL—consisting of the Birmingham-Hoover-Talladega, AL CSA and also including Calhoun County, AL;

(7) Boston-Worcester-Providence, MA-RI-NH-ME—consisting of the Boston-Worcester-Providence, MA-RI-NH-CT CSA, except for Windham County, CT, and also including Androscoggin County, ME, Cumberland County, ME, Sagadahoc County, ME, and York County, ME;

(8) Buffalo-Cheektowaga, NY—consisting of the Buffalo-Cheektowaga, NY CSA;

(9) Burlington-South Burlington, VT—consisting of the Burlington-South Burlington, VT MSA;

(10) Charlotte-Concord, NC-SC—consisting of the Charlotte-Concord, NC-SC CSA;

(11) Chicago-Naperville, IL-IN-WI—consisting of the Chicago-Naperville, IL-IN-WI CSA;

(12) Cincinnati-Wilmington-Maysville, OH-KY-IN—consisting of the Cincinnati-Wilmington-Maysville, OH-KY-IN CSA and also including Franklin County, IN;

(13) Cleveland-Akron-Canton, OH—consisting of the Cleveland-Akron-Canton, OH CSA and also including Harrison County, OH;

(14) Colorado Springs, CO—consisting of the Colorado Springs, CO MSA and also including Fremont County, CO, and Pueblo County, CO;

(15) Columbus-Marion-Zanesville, OH—consisting of the Columbus-Marion-Zanesville, OH CSA;

(16) Corpus Christi-Kingsville-Alice, TX—consisting of the Corpus Christi-Kingsville-Alice, TX CSA;

(17) Dallas-Fort Worth, TX-OK—consisting of the Dallas-Fort Worth, TX-OK CSA and also including Delta County, TX;

(18) Davenport-Moline, IA-IL—consisting of the Davenport-Moline, IA-IL CSA;

(19) Dayton-Springfield-Sidney, OH—consisting of the Dayton-Springfield-Sidney, OH CSA and also including Preble County, OH;

(20) Denver-Aurora, CO—consisting of the Denver-Aurora, CO CSA and also including Larimer County, CO;

(21) Detroit-Warren-Ann Arbor, MI—consisting of the Detroit-Warren-Ann Arbor, MI CSA;

(22) Harrisburg-Lebanon, PA—consisting of the Harrisburg-York-Lebanon, PA CSA, except for Adams County, PA, and York County, PA, and also including Lancaster County, PA;

(23) Hartford-West Hartford, CT-MA—consisting of the Hartford-West Hartford, CT CSA and also including Windham County, CT, Franklin County, MA, Hampden County, MA, and Hampshire County, MA;

(24) Hawaii—consisting of the State of Hawaii;

(25) Houston-The Woodlands, TX—consisting of the Houston-The Woodlands, TX CSA and also including San Jacinto County, TX;

(26) Huntsville-Decatur-Albertville, AL—consisting of the Huntsville-Decatur-Albertville, AL CSA;

(27) Indianapolis-Carmel-Muncie, IN—consisting of the Indianapolis-Carmel-Muncie, IN CSA and also including Grant County, IN;

(28) Kansas City-Overland Park-Kansas City, MO-KS—consisting of the Kansas City-Overland Park-Kansas City, MO-KS CSA and also including Jackson County, KS, Jefferson County, KS, Osage County, KS, Shawnee County, KS, and Wabaunsee County, KS;

(29) Laredo, TX—consisting of the Laredo, TX MSA;

(30) Las Vegas-Henderson, NV-AZ—consisting of the Las Vegas-Henderson, NV-AZ CSA;

(31) Los Angeles-Long Beach, CA—consisting of the Los Angeles-Long Beach, CA CSA and also including Kern County, CA, San Luis Obispo County, CA, and Santa Barbara County, CA;

(32) Miami-Fort Lauderdale-Port St. Lucie, FL—consisting of the Miami-Fort Lauderdale-Port St. Lucie, FL CSA and also including Monroe County, FL;

(33) Milwaukee-Racine-Waukesha, WI—consisting of the Milwaukee-Racine-Waukesha, WI CSA;

(34) Minneapolis-St. Paul, MN-WI—consisting of the Minneapolis-St. Paul, MN-WI CSA;

(35) New York-Newark, NY-NJ-CT-PA—consisting of the New York-Newark, NY-NJ-CT-PA CSA and also including all of Joint Base McGuire-Dix-Lakehurst;

(36) Omaha-Council Bluffs-Fremont, NE-IA—consisting of the Omaha-Council Bluffs-Fremont, NE-IA CSA;

(37) Palm Bay-Melbourne-Titusville, FL—consisting of the Palm Bay-Melbourne-Titusville, FL MSA;

(38) Philadelphia-Reading-Camden, PA-NJ-DE-MD—consisting of the Philadelphia-Reading-Camden, PA-NJ-DE-MD CSA, except for Joint Base McGuire-Dix-Lakehurst;

(39) Phoenix-Mesa-Scottsdale, AZ—consisting of the Phoenix-Mesa-Scottsdale, AZ MSA;

(40) Pittsburgh-New Castle-Weirton, PA-OH-WV—consisting of the Pittsburgh-New Castle-Weirton, PA-OH-WV CSA;

(41) Portland-Vancouver-Salem, OR-WA—consisting of the Portland-Vancouver-Salem, OR-WA CSA;

(42) Raleigh-Durham-Chapel Hill, NC—consisting of the Raleigh-Durham-Chapel Hill, NC CSA and also including Cumberland County, NC, Hoke County, NC, Robeson County, NC, Scotland County, NC, and Wayne County, NC;

(43) Richmond, VA—consisting of the Richmond, VA MSA and also including Cumberland County, VA, King and Queen County, VA, and Louisa County, VA;

(44) Sacramento-Roseville, CA-NV—consisting of the Sacramento-Roseville, CA CSA and also including Carson City, NV, and Douglas County, NV;

(45) San Antonio-New Braunfels-Pearsall, TX—consisting of the San Antonio-New Braunfels-Pearsall, TX CSA;

(46) San Diego-Carlsbad, CA—consisting of the San Diego-Carlsbad, CA MSA;

(47) San Jose-San Francisco-Oakland, CA—consisting of the San Jose-San Francisco-Oakland, CA CSA and also including Monterey County, CA;

(48) Seattle-Tacoma, WA—consisting of the Seattle-Tacoma, WA CSA and also including Whatcom County, WA;

(49) St. Louis-St. Charles-Farmington, MO-IL—consisting of the St. Louis-St. Charles-Farmington, MO-IL CSA;

(50) Tucson-Nogales, AZ—consisting of the Tucson-Nogales, AZ CSA and also including Cochise County, AZ;

(51) Virginia Beach-Norfolk, VA-NC—consisting of the Virginia Beach-Norfolk, VA-NC CSA;

(52) Washington-Baltimore-Arlington, DC-MD-VA-WV-PA—consisting of the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA and also including Kent County, MD, Adams County, PA, York County, PA, King George County, VA, and Morgan County, WV; and

(53) Rest of U.S.—consisting of those portions of the United States and its territories and possessions as listed in 5 CFR 591.205 not located within another locality pay area.

Component counties of the MSAs and CSAs comprising basic locality pay areas are listed in OMB Bulletin No. 18-03, which can be found at https://www.whitehouse.gov/wp-content/uploads/2018/04/OMB-BULLETIN-NO.-18-03-Final.pdf.

PAY DISPARITIES AND COMPARABILITY PAYMENTS

It is important to emphasize that the underlying methodology for locality pay of relying on one singular locality rate covering a locality pay area has lacked credibility since the 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 each and every year since that first year. However, the pay disparities listed below fulfill the statutory requirement to submit a report each year showing the locality-based comparability payments the Pay Agent would recommend for GS employees if the adjustments were to be made as specified in the statute.

Table 2, below, lists the pay disparity based on the current NCS/OES model for each current pay locality and Des Moines, IA, a tentatively planned pay locality as discussed above. Table 2 also derives the recommended local comparability payments under 5 U.S.C. 5304(a)(3)(I) for 2020 based on the pay disparities, and it shows the disparities that would remain if the recommended payments were adopted.

The law requires comparability payments only in localities where the pay disparity exceeds 5 percent. The goal in 5 U.S.C 5304(a)(3)(I) was to reduce local pay disparities to no more than 5 percent over a 9-year period. The "Disparity to Close" shown in Table 2 represents the pay disparity to be closed in each area based on the 5 percent remaining disparity threshold. The "Locality Payment" shown in the table represents 100 percent of the disparity to close. The last column shows the pay disparity that would remain in each area if the indicated payments were made. For example, in Atlanta, the 50.92 percent pay disparity would be reduced to 5.00 percent if the locality rate were increased to 43.73 percent (150.92 / 143.73-1 rounds to 5 percent).

Table 2
Local Pay Disparities and 2020 Comparability Payments

Locality	1-Pay Disparity	2-Disparity to Close and Locality Payment	3-Remaining Disparity	Locality	1-Pay Disparity	2-Disparity to Close and Locality Payment	3-Remaining Disparity
Alaska	69.99%	61.90%	5.00%	Indianapolis	38.01%	31.44%	5.00%
Albany	53.98%	46.65%	5.00%	Kansas City	45.92%	38.97%	5.00%
Albuquerque	43.56%	36.72%	5.00%	Laredo	53.80%	46.48%	5.00%
Atlanta	50.92%	43.73%	5.00%	Las Vegas	51.50%	44.29%	5.00%
Austin	55.03%	47.65%	5.00%	Los Angeles	80.16%	71.58%	5.00%
Birmingham	43.62%	36.78%	5.00%	Miami	46.88%	39.89%	5.00%
Boston	72.07%	63.88%	5.00%	Milwaukee	43.53%	36.70%	5.00%
Buffalo	49.17%	42.07%	5.00%	Minneapolis	59.90%	52.29%	5.00%
Burlington	53.92%	46.59%	5.00%	New York	80.92%	72.30%	5.00%
Charlotte	51.60%	44.38%	5.00%	Omaha	42.19%	35.42%	5.00%
Chicago	58.66%	51.10%	5.00%	Palm Bay	40.00%	33.33%	5.00%
Cincinnati	41.50%	34.76%	5.00%	Philadelphia	64.70%	56.86%	5.00%
Cleveland	43.01%	36.20%	5.00%	Phoenix	48.94%	41.85%	5.00%
Colorado Springs	49.31%	42.20%	5.00%	Pittsburgh	48.98%	41.89%	5.00%
Columbus	50.10%	42.95%	5.00%	Portland	56.74%	49.28%	5.00%
Corpus Christi	46.25%	39.29%	5.00%	Raleigh	48.14%	41.09%	5.00%
Dallas	64.92%	57.07%	5.00%	Rest of U.S.*	33.67%	27.30%	5.00%
Davenport	46.82%	39.83%	5.00%	Richmond	50.63%	43.46%	5.00%
Dayton	50.21%	43.06%	5.00%	Sacramento	66.79%	58.85%	5.00%

Locality	1-Pay Disparity	2-Disparity to Close and Locality Payment	3-Remaining Disparity	Locality	1-Pay Disparity	2-Disparity to Close and Locality Payment	3-Remaining Disparity
Denver	69.81%	61.72%	5.00%	St. Louis	49.56%	42.44%	5.00%
Des Moines	44.71%	37.82%	5.00%	San Antonio	53.16%	45.87%	5.00%
Detroit	55.74%	48.32%	5.00%	San Diego	78.76%	70.25%	5.00%
Harrisburg	47.07%	40.07%	5.00%	San Jose	95.88%	86.55%	5.00%
Hartford	63.14%	55.37%	5.00%	Seattle	76.11%	67.72%	5.00%
Hawaii	50.82%	43.64%	5.00%	Tucson	45.10%	38.19%	5.00%
Houston	73.92%	65.64%	5.00%	Virginia Beach	48.71%	41.63%	5.00%
Huntsville	55.21%	47.82%	5.00%	Washington, DC	87.47%	78.54%	5.00%

* Note: Since Des Moines, IA, is now tentatively approved as a separate locality pay area, the "Rest of U.S." pay gap in the Council's recommendations (33.75 percent) has been adjusted in a cost-neutral fashion to take the recommended locality payment for Des Moines into account, and the adjusted "Rest of U.S." pay gap used for this report is 33.67 percent.

Average Locality Rate

The average locality comparability rate in 2020, using the basic GS payroll as of March 2018 to weight the individual rates, would be 52.54 percent under the methodology used for this report (based on the disparity to close). The average rate authorized in 2018 was 22.33 percent using 2018 payroll weights. The locality rates included in this report would represent a 24.70 percent average pay increase over 2018 locality rates.

Overall Remaining Pay Disparities

The full pay disparities contained in this report average 60.17 percent using the basic GS payroll to weight the local pay disparities. However, this calculation excludes existing locality payments. When the existing locality payments (i.e., those paid in 2018) are included in the comparison, the overall remaining pay disparity as of March 2018 was (160.17/122.33-1), or 30.93 percent. Table 3, below, shows the overall remaining pay disparity in each of the 53 current and 1 tentatively planned locality pay areas as of March 2018.

Table 3
Remaining Pay Disparities in 2018

Locality Pay Area	Remaining Disparity (Percent)	Locality Pay Area	Remaining Disparity (Percent)
Alaska	32.78%	Kansas City	25.68%
Albany	32.17%	Laredo	31.01%
Albuquerque	24.02%	Las Vegas	30.05%
Atlanta	24.56%	Los Angeles	37.98%
Austin	32.83%	Miami	19.77%
Birmingham	24.49%	Milwaukee	19.47%
Boston	34.98%	Minneapolis	29.61%
Buffalo	25.16%	New York	36.93%
Burlington	33.41%	Omaha	23.25%
Charlotte	30.45%	Palm Bay	20.76%
Chicago	24.47%	Philadelphia	32.19%
Cincinnati	18.04%	Phoenix	25.07%
Cleveland	19.10%	Pittsburgh	25.88%

Locality Pay Area	Remaining Disparity (Percent)	Locality Pay Area	Remaining Disparity (Percent)
Colorado Springs	28.06%	Portland	27.92%
Columbus	26.17%	Raleigh	23.95%
Corpus Christi	26.77%	Rest of U.S.	15.86%
Dallas	33.65%	Richmond	26.80%
Davenport	26.48%	Sacramento	33.58%
Dayton	27.18%	St. Louis	28.41%
Denver	35.34%	San Antonio	32.76%
Des Moines	25.43%	San Diego	39.79%
Detroit	23.36%	San Jose	40.64%
Harrisburg	26.62%	Seattle	40.76%
Hartford	27.24%	Tucson	24.90%
Hawaii	27.35%	Virginia Beach	28.90%
Houston	32.02%	Washington, DC	46.21%
Huntsville	30.99%	**Average**	**30.93%**
Indianapolis	18.74%		

COST OF LOCALITY PAYMENTS

Estimating the Cost of Locality Payments

We estimate the cost of locality payments using OPM records of Federal employees in locality pay areas as of March 2018 who are covered by the General Schedule or other pay plan to which locality pay has been extended, together with the percentage locality payments from Table 2 above. The estimate assumes that the average number and distribution of employees (by locality, grade, and step) in 2020 will not differ substantially from the number and distribution in March 2018. The estimate does not include increases in premium pay costs or Government contributions for retirement, life insurance, or other employee benefits that may be attributed to locality payments. It also accounts for cost offsets in the non-foreign areas where cost-of-living allowance payments are reduced as locality pay is phased in and the impact of statutory pay caps on payable rates.

Cost estimates are derived as follows. First, we determine either the regular GS base rate or any applicable special rate as of 2018 for each employee. These rates were adjusted for the 1.4-percent across-the-board base GS increase in January 2019, plus a 2.6 percent across-the-board base GS increase that would take effect in January 2020 absent another provision of law. Annual rates are converted to expected annual earnings by multiplying each annual salary by an appropriate work schedule factor.[3] The "gross locality payment" is computed by multiplying expected annual earnings from the GS base rate by the proposed locality payment percentage for the employee's locality pay area and applying the applicable locality pay cap if necessary. The sum of these gross locality payments is the cost of locality pay before offset by special rates.

For employees receiving a special rate, the gross locality payment is compared to the amount by which the special rate exceeds the regular rate. This amount is the "cost" of any special rate. If the gross locality payment is less than or equal to the cost of any special rate, the net locality payment is zero. In this case, the locality payment is completely offset by an existing special rate. If the gross locality payment is greater than the cost of any special rate, the net locality payment is equal to the gross locality payment minus the special rate. In this case, the locality payment is partially offset. The sum of the net locality payments is the estimated cost of local comparability payments.

Estimated Cost of Locality Payments in 2020

Table 4, below, compares the cost of estimated baseline 2019 locality pay rates to those that would be authorized in 2020 under 5 U.S.C. 5304(a)(3)(I), as identified above in Table 2. The "2019 Baseline" cost would be the cost of locality pay rates in 2020 if the locality percentages were not to be increased.

The "2020 Locality Pay" columns show what the total locality payments would be and the net increase in 2020. The "2020 Increase" column shows the 2020 total payment minus the 2019 baseline—i.e., the increase in locality payments in 2020 attributable to higher locality pay percentages. Based on the assumptions outlined above, we estimate the total cost attributable to

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3 The work schedule factor equals 1 for full-time employees and one of several values less than 1 for the several categories of non-full-time employees.

the locality rates shown in Table 2 over rates currently in effect to be about $24.021 billion on an annual basis. This amount does not include the cost of benefits affected by locality pay raises.

This cost estimate excludes 1,824 records (out of 1.4 million) of white-collar workers which were unusable because of errors. Many of these employees may receive locality payments. Including these records would add about $31 million to the net cost of locality payments. The cost estimate also excludes a locality pay cost of about $438 million net of cost-of-living allowance offsets for white-collar employees in Alaska, Hawaii, and the other non-foreign areas under the Non-Foreign Area Retirement Equity Assurance Act of 2009 that extended locality pay to employees in the non-foreign areas.

The cost estimate covers only GS employees and employees covered by pay plans that receive locality pay by action of the Pay Agent. However, the cost estimate excludes members of the Foreign Service because the U.S. Department of State no longer reports these employees to OPM. The estimate also excludes the cost of pay raises for employees under other pay systems that may be linked in some fashion to locality pay increases. These other pay systems include the Federal Wage System for blue-collar workers, under which pay raises often are capped or otherwise affected by increases in locality rates for white-collar workers; pay raises for employees of the Federal Aviation Administration, and other agencies that have independent authority to set pay; and pay raises for employees covered by various demonstration projects. The cost estimate also excludes the cost of benefits affected by pay raises.

Table 4
Cost of Local Comparability Payments in 2020 (in billions of dollars)

Cost Component	2019 Baseline	2020 Locality Pay	
		Total Payments	2020 Increase
Gross locality payments	$21.220	$45.766	$24.546
Special rates offsets	$0.944	$1.469	$0.525
Net locality payments	$20.276	$44.297	$24.021

RECOMMENDATIONS OF THE FEDERAL SALARY COUNCIL AND EMPLOYEE ORGANIZATIONS

The Federal Salary Council's deliberations and recommendations have had an important and constructive influence on the findings and recommendations of the Pay Agent. The Council's recommendations developed in the November 13, 2018, Council meeting appear in Appendix I of this report. The members of the Council at that meeting were:

Dr. Ronald P. Sanders, DPA	Chairman, Federal Salary Council Director and Clinical Professor School of Public Affairs University of South Florida
Ms. Jill Nelson	Federal Salary Council Vice Chair and Chair, Federal Prevailing Rate Advisory Committee
Ms. Katja Bullock	Special Assistant to the President Associate Director of Presidential Personnel
Mr. Louis P. Cannon	National Trustee Fraternal Order of Police
Mr. J. David Cox, Sr.	National President American Federation of Government Employees
Mr. Randy Erwin	National President National Federation of Federal Employees
Mr. Anthony M. Reardon	National President National Treasury Employees Union
Ms. Jacqueline Simon	Public Policy Director American Federation of Government Employees

The Council's recommendations were provided to a selection of organizations not represented on the Council. Those organizations were asked to send comments for inclusion in this report. Comments received appear in Appendix IV of this report.