

**FEDERAL SALARY COUNCIL
MEETING NUMBER 13-1
DECEMBER 17, 2013**

The [Federal Salary Council](#) held its first meeting of 2013 on December 17, 2013, at the Office of Personnel Management (OPM). All Council members were present and are listed in the table below.

Council Member	Title
Dr. Stephen E. Condrey	Federal Salary Council Chair and President of the American Society for Public Administration
Mr. Louis P. Cannon	National Trustee, Fraternal Order of Police
Mr. J. David Cox	National President, American Federation of Government Employees (AFGE)
Dr. Rex L. Facer II	Associate Professor of Public Finance and Management, Romney Institute of Public Management, Brigham Young University
Mr. William D. Fenaughty	National Secretary Treasurer, National Federation of Federal Employees
Ms. Colleen M. Kelley	National President, National Treasury Employees Union
Ms. Jacqueline Simon	Public Policy Director, AFGE

Mr. Mark A. Allen, OPM’s Acting Deputy Associate Director for Pay and Leave, was the Designated Federal Officer. About 25 members of the public also attended the meeting, including 3 representatives from the media.

Agenda Item 1: Announcements and Minutes from Last Meeting

Designated Federal Officer’s Opening Remarks

At 9:05 a.m., Mr. Allen welcomed everyone to the meeting. He clarified that OPM does not hold membership on the Council, which is a Federal Advisory Committee Act committee that receives staff support from OPM under Executive Order 12764.

Mr. Allen summarized the Council’s role in the locality pay program. He explained that the Council performs duties enumerated in title 5, including developing recommendations to cover the establishment or modification of pay localities, the coverage of salary surveys used to set locality pay, the process for making pay comparisons, and the level of comparability payments that should be made. He said that the Council will submit such recommendations for January 2015, when finalized, to the [President's Pay Agent](#).¹

¹ The Pay Agent consists of the Secretary of Labor and the Directors of the Office of Management and Budget and OPM. Under section 5304 of title 5, the Pay Agent provides for Federal Salary Council meetings, considers the recommendations of the Federal Salary Council, defines locality pay areas, and submits an annual report to the President on the locality pay program. The report compares General Schedule pay rates to non-Federal pay, identifies areas in which a pay disparity exists and specifies the size of the disparity, makes recommendations for locality rates, and includes the views of the Federal Salary Council.

Mr. Allen announced that time had been set aside for both testimony from scheduled speakers and for general public comment. Regarding general public comment, he asked that any questions or comments from members of the public not scheduled for testimony be held until near the end of the meeting, when the Council would call for public comment.

Council's Introductions and Announcements

Dr. Condrey thanked Mr. Allen for OPM's staff support of the Council, and then asked the Council members to introduce themselves. After the introductions, Dr. Condrey announced that the minutes from the last meeting, Council Document FSC 13-1-1, were finalized and certified. He then turned to the second agenda item.

Agenda Item 2: Report of the Bureau of Labor Statistics

Ms. Frances Harris of the Bureau of Labor Statistics (BLS), Office of Compensation and Working Conditions, read the statement in Council Document FSC 13-1-2. She first discussed salary data BLS provided in 2013 for the Council and Pay Agent to use in the locality pay program, and then introduced a BLS research proposal for reducing the possibility of pay inversions adversely affecting salary estimates provided to the Council and Pay Agent. (BLS defines *pay inversions* as situations where estimated earnings are higher for a lower work level than they are for a higher work level within a given area and broad occupational category.)

2013 BLS Data Deliveries

Ms. Harris made the following key points about salary data BLS provided in 2013 for the Council and Pay Agent to use in the locality pay program:

- For more than 50 years, BLS has worked closely with those involved in the Federal pay setting process, including OPM, the President's Pay Agent, and the Federal Salary Council, and 2013 was no exception.
- In 2013, BLS provided wage estimates at the various General Schedule (GS) work levels for broad categories of professional, administrative, technical, and clerical jobs based on the combined data from two BLS programs — the National Compensation Survey (NCS) and the Occupational Employment Statistics (OES) programs. BLS has delivered pay estimates based on combined data from these surveys for several years.
- OES, which has a sample of 1.2 million establishments, estimates occupational employment and pay in every State and metropolitan area in the nation and most U.S. territories (i.e., about 380 metropolitan areas), and
 - The robust OES sample means that there are typically a large number of observations contributing to each published estimate;
 - NCS, which is based on a sample of about 10,500 units, collects detailed information including work level for about 54,500 jobs;

- Using data from both surveys, BLS estimates the effect of work level on the NCS wage rates and applies this relationship to the average wage rate by area and occupation from the OES data; and
- This statistical process allows BLS to leverage the unique strengths of each survey and produce wage estimates for use in the Federal pay-setting process.
- BLS uses the Standard Occupational Classification System, or SOC, to classify jobs into one of 840 detailed occupations of which 250 are used in Federal pay comparisons. A crosswalk between Federal GS job classifications and the SOC system is then used by BLS to produce pay estimates by broad occupational category and work level.
- In 2013, BLS provided estimates of pay for professional, administrative, technical, clerical, and officer occupational categories and GS work levels for 91 separate areas, including the 46 current and proposed pay localities as well as a number of areas of interest to the Council.
- In addition to providing information about how pay differs by work level, the Bureau's Employment Cost Index (ECI), which measures change in employer labor costs, also collected under the NCS program, serves as the basis for across-the-board base GS adjustments.

BLS Proposal to Address Pay Inversions in BLS Salary Data

Ms. Harris briefly introduced a BLS research proposal for addressing pay inversions in the BLS salary data. (Council Document FSC 13-1-3, a BLS paper on pay inversions, provides additional details on the BLS-proposed methodological enhancement.) Ms. Harris made the following key points about the BLS idea:

- In the coming year, BLS will explore the feasibility of enhancing the statistical process that produces the annual wage estimates provided to the Federal Salary Council and the President's Pay Agent.
- This enhancement should reduce the possibility of reporting *pay inversions*, which are situations where estimated earnings are higher for a lower work level than they are for a higher work level within a given area and broad occupational category.
- Pay inversions, which affect only a very small percentage of the estimates, can and do occur naturally in the labor market and—
 - Can occur because of the mix of occupations within the broad occupational category by work level, and
 - Can result from wage variations due to unionization or other wage determining characteristics.

- BLS is evaluating whether refinements can be made to reduce the possibility of inversions associated with the work level coefficients derived from the model at the more detailed 6-digit occupation classification level.
- The expectation is that wages within a detailed occupation within an area should always rise with GS level. Therefore, BLS plans to explore in a test environment the impact of imposing a constraint to ensure that the model predicts wages that rise with work level. This work will be conducted over the coming year to include a set of test estimates along with the regular 2014 President’s Pay Agent deliverable.

When Ms. Harris concluded her presentation, Dr. Condrey thanked her and then invited comments or questions from the Council.

Mr. Cox commented that AFGE continues to work to restore the full NCS surveys, and that the decision to discontinue those surveys was a mistake. There were no further comments or questions, so Dr. Condrey turned to the third agenda item.

Agenda Item 3: Testimony about Locality Pay Areas

Dr. Condrey noted that eight individuals attending the meeting were signed up as part of groups testifying before the Council about locality pay. He asked that each speaker limit his/her presentation to 5 minutes, and the Council then heard the testimony, which is summarized below.

Northern Nevada and Northern California

Ms. Desaray Biernacki, AFGE Local 1217 President, Council of Prison Locals 33, provided the Council with Council Document FSC 13-1-24, a letter to the Council about locality pay for Federal employees who work at the Herlong Federal Correctional Institution in Lassen County, CA (FCI Herlong).

Ms. Biernacki said she was testifying on behalf of GS employees in Northern Nevada and Northern California. Her presentation—

- Included comparisons of living costs for portions of that area, which receives “Rest of U.S.” (RUS) locality pay, and living costs in current and proposed locality pay areas;
- Compared average Federal salaries at FCI Herlong to Nationwide average Federal salaries;
- Described work at FCI Herlong, i.e. keeping America safe by confining dangerous criminals and international terrorists;
- Cited difficulties FCI Herlong employees have meeting living expenses in their area with RUS locality pay, which she said is related to staffing problems FCI Herlong is having; and
- Provided examples of difficulties she personally experiences due to having to meet high living costs with RUS locality pay.

Mr. Cannon asked Ms. Biernacki whether the Federal employee data in her presentation included only BOP employees, and Mr. Fenaughty asked whether BOP was the only Federal employer in the area. Ms. Biernacki said the data in her handout were limited to BOP employees, but that there are other Federal employers in Lassen County, such as the Bureau of Land Management.

The Council had no further questions about Ms. Biernacki's presentation, so Dr. Condrey welcomed the next speaker.

Federal Executive Association of Western Massachusetts

Mr. Patrick DeFalco, Chair of the Federal Executive Association of Western Massachusetts, read a prepared statement, Council Document FSC 13-1-4. He—

- Thanked the Council for the opportunity to testify today on behalf of the Federal GS employees in Berkshire County, MA, to discuss the submission of the Federal Executive Association of Western Massachusetts' proposal;
- Mentioned it was his 9th year to testify before the Council to request the Council take action to “bring equity to the only remaining GS employees in Southern New England without locality pay;²
- Reminded the Council of its recommendation to the Pay Agent last year, i.e. that—
 - RUS counties completely bordered by separate locality pay areas be added to the locality pay area with which the adjacent RUS county has the highest commuting interchange rate, and
 - For RUS counties almost but not completely bordered by separate locality pay areas, the President's Pay Agent should give such counties special consideration on a case-by-case basis.
- Pointed out that Berkshire County is bordered by the Hartford locality pay area and the New York locality pay area and will also be bordered by the proposed Albany locality pay area when it is established.

Mr. DeFalco said that Berkshire County being bordered by higher locality pay areas creates staffing problems for the county. He said that he applauded the Council's recommendations last year regarding RUS counties surrounded and nearly surrounded by higher locality pay, but that he would like the Council to recommend Berkshire County specifically for inclusion in one of the nearby higher locality pay areas.

Mr. Cox asked if other counties were similarly situated. Mr. Allan Hearne, OPM expert on the locality pay program, said that if the Working Group's recommendations this year for locality pay areas were adopted, similarly situated counties would include San Luis Obispo County, CA; Clallam County, WA; Jefferson County, WA; and San Juan County, WA.

² While Berkshire County is bordered by higher-paying locality pay areas, the county does receive the RUS locality payment of 14.16 percent.

The Council had no further questions about Mr. DeFalco's presentation, so Dr. Condrey welcomed the next speaker.

Vermont Federal Executive Association

The first of three speakers representing the Vermont Federal Executive Association (VTFEA) was its president, Ms. Lisa Rees, who read a prepared statement included in Council Document FSC 13-1-25. Key points included the following:

- Ms. Rees is employed by the U.S. Citizenship and Immigration Services in Williston, VT, and has served as VTFEA President for a year and a half.
- VTFEA is a volunteer organization comprised of executives from 36 federal agencies who oversee a combined workforce approaching 4,500 employees.
- Ms. Rees attended this Council meeting, along with other members of the Vermont Locality Pay Committee and Congressional staff, to respectfully submit their proposal for locality pay for Northwestern Vermont.
- Even though this would be the VTFEA's first time before the Council, locality pay has been an important topic for Federal employees in Vermont for many years.
- Ms. Rees's testimony would be followed by her colleagues providing the Council with data on Vermont's demographics, cost-of-living comparisons, and employer landscape that demonstrate the need for a locality pay adjustment in Northwestern Vermont, but that first she wanted to speak on a more personal level to the Council.
- As a Federal manager, mentor, and employer, Ms. Rees sees Federal agencies in Vermont struggling to recruit and retain employees.
- Section 6 of Council Document FSC 13-1-7 includes reports of Federal executives being unable to attract employees to Vermont because of high living costs and low locality pay, (i.e. the 14.16 percent locality payment applicable in the RUS locality pay area).
- Many young people take jobs in the private sector because they view them as more lucrative and stable than Federal jobs or they move out of state because of Vermont's high cost of living.
- It is increasingly difficult to attract qualified employees to the Federal government in the face of furloughs, sequestration, and budget cuts.

The next presentation was by Ms. Kelly Larsen and Ms. Diana Richardson, both members of the VTFEA and employed by the Federal Aviation Administration in Burlington, VT. Their presentation was accompanied by materials in Council Document FSC 13-1-25, which includes the text of a prepared statement Ms. Larsen read to the Council. Ms. Larsen and Ms. Richardson:

- Requested that the Council recommend establishing a new Northwestern Vermont locality pay area;
- Displayed an OES annual average salary for Burlington, VT, along with lower OES annual salaries for Atlanta, Buffalo, Cleveland, Columbus, Dayton, Indianapolis, Miami, Phoenix, and Raleigh (nine areas with higher locality pay);
- Claimed that Burlington is in the top third of the most expensive places to live but is in the bottom third for average Federal salary, which significantly affects Federal employees in the area, especially those in lower-graded positions;
- Said Federal workers can travel to the Boston locality pay area in order to receive locality pay approximately 50 percent higher than in Northwest Vermont;³
- Said that, in addition to competition from Federal employers in the Boston locality pay area, other employers in the area, such as the State of Vermont, are able to offer better compensation packages than Federal employers in Northwestern Vermont;
- Said there are now over 2,700 GS employees in Northwestern Vermont (including Chittenden, Franklin and Grand Isle counties), which exceeds the threshold of 2,500 GS employees the Council has used to select areas for study as possible separate locality pay areas.

Concluding her presentation, Ms. Larsen said, “On behalf of Federal employees in Northwestern Vermont, we respectfully request the Federal Salary Council consider our proposal for locality pay, which would bring much-needed relief to an area challenged with recruitment, retention and relocation issues directly related to the disparity of pay outlined in our proposal. Ms. Richardson and I thank you for your time and your consideration.”

Dr. Condrey asked whether the Council had questions regarding the presentation on Northwestern Vermont.

Ms. Simon asked if the agencies used the special rates authority. Ms. Larsen replied, “Not to my knowledge.” She said that higher locality pay rates would be a better solution than special pay rates, considering the number of agencies affected.

Mr. Cannon asked if there are recruitment and retention problems for all occupations.

Ms. Richardson said she believes all occupations are affected by the combination of high living costs and low locality pay in Northwestern Vermont. She said the most qualified job applicants refuse job offers when they find applicable locality pay is that for the RUS locality pay area, or when qualified applicants do accept job offers they relocate quickly for higher locality pay. She added that at colleges and university job fairs, interest in Federal employment in Northwestern Vermont is very low.

³ The locality payment for Boston is 24.80 percent, and the locality payment for the RUS locality pay area is 14.16 percent. Scheduled GS pay rates are about 9.3 percent higher in the Boston locality pay area than in the RUS locality pay area.

Dr. Condrey thanked Ms. Larsen and Ms. Richardson and welcomed Mr. Alex Carnes, Congressional staff from the office of Senator Patrick Leahy. Mr. Carnes thanked Dr. Condrey and acknowledged other Congressional staff speaking today on behalf of Northwestern Vermont: Mr. Josh Hoxie from the office of Senator Bernard Sanders and Ms. Glynna Kerr from the office of Representative Peter Welch. Mr. Carnes then read Council Document FSC 13-1-23, a letter to the Council supporting higher locality pay for Northwestern Vermont and signed by Senator Leahy, Senator Sanders, and Representative Welch. When Mr. Carnes finished reading the letter, Dr. Condrey thanked him and then proceeded with the meeting agenda.

Agenda Items 4 and 5: Working Group Report, Discussion, and Council Recommendations

Dr. Condrey said that Dr. Facer would now read the Report of the Federal Salary Council Working Group, Council Document FSC 13-1-5.

Dr. Facer read the Working Group Report, pausing at each decision point for Dr. Condrey to ask Council Members if they agreed with the Working Group recommendations. Council Members unanimously agreed to all of the Working Group recommendations regarding the 13 decision points listed below.

Decision Point 1: Should the Council recommend locality pay rates for 2015 in the 34 current and 12 planned locality pay areas using the NCS/OES model results as shown in Attachment 1?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend locality pay rates for 2015 in the 34 current and 12 planned locality pay areas using the NCS/OES model results as shown in Attachment 1.

Decision Point 2: Should the Council recommend full funding be restored for the National Compensation Survey?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will again recommend full funding be restored for the National Compensation Survey.

Decision Point 3: Should the Council recommend adopting the new CBSA definitions as core pay area definitions for the locality pay program?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend adopting the new CBSA definitions as core pay area definitions for the locality pay program.

Decision Point 4: Should the Council recommend areas included in the prior CBSA defining a locality pay area be retained in the locality pay area even if moved to a new

location in the new CBSA definitions?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend areas included in the prior CBSA defining a locality pay area be retained in the locality pay area even if moved to a new location in the new CBSA definitions.

Decision Point 5: Should the Council recommend locations that were in a separate pay area's CBSA definition but would now move to the RUS pay area be retained in the separate locality pay area?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend locations that were in a separate pay area's CBSA definition but would now move to the RUS pay area be retained in the separate locality pay area.

Decision Point 6: Should the Council recommend areas already evaluated and included in a separate locality pay area be retained in their pay area?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend areas already evaluated and included in a separate locality pay area be retained in their pay area.

Decision Point 7: Should the Council recommend using the new commuting pattern data?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend using the new commuting pattern data.

Decision Point 8: Should the Council recommend the GS employment criterion for evaluating adjacent areas be dropped, that commuting rates be the sole criteria for adding locations to locality pay areas as shown in the Working Group report, and the Federal facility criteria remain unchanged?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend the GS employment criterion for evaluating adjacent areas be dropped, that commuting rates be the sole criteria for adding locations to locality pay areas as shown in the Working Group report, and the Federal facility criteria remain unchanged.

Decision Point 9: Should the Council recommend that multi-county Micropolitan Areas be treated the same as MSAs or CSAs but that single-county Micropolitan Areas continue to be evaluated as counties?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend that multi-county Micropolitan Areas be treated the same as MSAs or CSAs but that single-county Micropolitan Areas continue to be evaluated as counties.

Decision Point 10: Should the Council recommend any special action be taken for any of the areas listed on pages 10-11 of the Working Group report? ⁴

Recommendation of the Working Group: No.

Council Action: By unanimous agreement, the Council will not recommend any special action be taken for any of the areas listed on pages 10-11 of the Working Group report.

Decision Point 11: Should the Council recommend that completely surrounded areas be added to an adjacent pay area and partially surrounded areas be evaluated by the Pay Agent on a case-by-case basis?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend that completely surrounded areas be added to an adjacent pay area and partially surrounded areas be evaluated by the Pay Agent on a case-by-case basis.

Decision Point 12: Should the Council recommend that no additional areas be evaluated at this time and that the Pay Agent should publish the proposed regulation to add the 12 new locality pay areas we recommended in 2012 as soon as possible?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend that no additional areas be evaluated at this time and that the Pay Agent should publish the proposed regulation to add the 12 new locality pay areas we recommended in 2012 as soon as possible.

Decision Point 13: Should the Council recommend the Working Group study BLS' proposal for dealing with pay inversions in the model?

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend the Working Group study BLS' proposal for dealing with pay inversions in the model.

Dr. Condrey proposed later scheduling a Council Working Group meeting for the spring of 2014. The Council agreed.

⁴ Referring to pages 10-11 of Council Document FSC 13-1-5 and 48 locations requesting to be included in existing locality pay areas or to establish new locality pay areas.

Dr. Facer proposed that the Federal Salary Council formally recognize Mr. Jerome Mikowicz, the Council's former Designated Federal Officer, who had recently retired as OPM's Deputy Associate Director for Pay and Leave. Dr. Facer suggested the presentation occur during the next Council meeting. The Council agreed.

Agenda Items 6 and 7: Public Comment and Adjournment

Dr. Condrey invited public comment. Hearing none, he adjourned the Council meeting at 10:27 a.m.

CERTIFIED

SIGNED

Stephen E. Condrey, Ph.D.
Chairman