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# *Federal White-Collar Pay: FY2008 Salary Adjustments*


Barbara L. Schwemle, Government and Finance Division


January 25, 2008


**Abstract.** Federal white-collar employees are intended by law to receive an annual pay adjustment and a locality-based comparability payment, effective in January of each year, under Section 529 of P.L. 101-509, the Federal Employees Pay Comparability Act (FEPCA) of 1990. The law has never been implemented as originally enacted; annual and locality payments pursuant to the statute have been reduced each year. Federal white-collar employees received a 2.5% annual pay adjustment and a 1.0% locality-based comparability payment in January 2008. President George W. Bush authorized the average 3.5% pay adjustment in Executive Order 13454, issued on January 4, 2008. Although the annual adjustment and the locality payment are sometimes referred to as cost-of-living adjustments, neither is based on changes in the cost of living.

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# Federal White-Collar Pay: FY2008 Salary Adjustments

**Updated January 25, 2008**

Barbara L. Schwemle
Analyst in American National Government
Government and Finance Division



Prepared for Members and Committees of Congress

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# Federal White-Collar Pay: FY2008 Salary Adjustments


## Summary

Federal white-collar employees are intended by law to receive an annual pay adjustment and a locality-based comparability payment, effective in January of each year, under Section 529 of P.L. 101-509, the Federal Employees Pay Comparability Act (FEPCA) of 1990. The law has never been implemented as originally enacted; annual and locality payments pursuant to the statute have been reduced each year. Federal white-collar employees received a 2.5% annual pay adjustment and a 1.0% locality-based comparability payment in January 2008. President George W. Bush authorized the average 3.5% pay adjustment in Executive Order 13454, issued on January 4, 2008. Although the annual adjustment and the locality payment are sometimes referred to as cost-of-living adjustments, neither is based on changes in the cost of living.

The annual pay adjustment is based on the Employment Cost Index (ECI), which measures changes in private-sector wages and salaries. The size of the locality payment is determined by the President and is based on a comparison of non-federal and General Schedule salaries in 32 pay areas nationwide. By law, the disparity between non-federal and federal salaries was to be gradually reduced to 5% during the years 1994 to 2002. Continuing in each year thereafter, FEPCA requires that amounts payable may not be less than the full amounts necessary to reduce the pay disparity to 5%. For the January 2008 pay adjustment, the ECI showed that the annual across-the-board increase would be 2.5%. The Federal Salary Council and the Pay Agent recommend that, to carry out FEPCA, the 2008 locality payments range from 18.77% in the "Rest of the United States" (RUS) pay area to 55.34% in the San Jose-San Francisco pay area, and be 44.69% in the Washington, DC, pay area. Because the new locality rates replace the existing locality rates, the rate change is derived by comparing 2007 locality payments with those recommended for 2008. This comparison results in recommended net increases for 2008, if the ECI and locality-based comparability payments were granted as required by law, of 7.23% in the RUS pay area, 21.21% in the San Jose-San Francisco pay area, and 24.08% in the Washington, DC, pay area. The nationwide average net pay increase, if the ECI and locality-based comparability payments were granted as required by law, would have been 14.08% in 2008. The President's FY2008 budget proposed a 3.0% federal civilian pay adjustment. H.R. 2829, the Financial Services and General Government (FSGG) Appropriations Act for FY2008, as passed by the House of Representatives and reported in the Senate, provides a 3.5% pay adjustment for federal civilian employees. The FSGG appropriations were included as Division D of P.L. 110-161, Consolidated Appropriations Act for FY2008, that President Bush signed on December 26, 2007. Section 740(a) of the law authorizes the 3.5% pay adjustment.

Legislation related to performance appraisal and pay is currently pending in the Senate. S. 1045 would require a federal employee to receive a summary performance rating of at least fully successful to receive a pay adjustment. S. 1046 would raise the limitation on basic pay for employees under the Senior-Level (SL) and scientific and professional (ST) pay schedules. This report will be updated as events dictate.

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## Introduction

Federal white-collar employees[1] paid under the General Schedule (GS), Foreign Service Schedule, and certain Veterans Health Administration Schedules are intended by law to receive an annual pay adjustment and a locality-based comparability payment, effective in January of each year, under Section 529 of P.L. 101-509, the Federal Employees Pay Comparability Act (FEPCA) of 1990.[2] Although the annual adjustment and the locality payment are sometimes referred to as cost-of-living adjustments, neither is based on measures of the cost of living.

FEPCA has never been implemented as originally enacted. The annual pay adjustment was not made in 1994; in 1995, 1996, and 1998, reduced amounts of the annual adjustments were provided. For 1995 through 2008, reduced amounts of the locality payments were provided. **Table 1** (at the end of this report) shows the annual and locality pay adjustments made under FEPCA for the years 1991 through 2008.[3]

## Pay Adjustments

### Annual Pay Adjustment

Federal white-collar employees usually receive an annual pay adjustment. The President may annually adjust salaries of administrative law judges. Individuals in

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[1] This report does not cover salary adjustments for federal executive and judicial branch officials, federal justices and judges, Members of Congress, or the United States Postal Service. See CRS Report RL33245, *Legislative, Executive, and Judicial Officials: Process for Adjusting Pay and Current Salaries*; CRS Report RS20388, *Salary Linkage: Members of Congress and Certain Federal Executive and Judicial Officials*, both by Barbara L. Schwemle; and CRS Report RL33128, *Senior Executive Service Pay for Performance System*, by L. Elaine Halchin. See also, CRS Report 97-615, *Salaries of Members of Congress: Congressional Votes, 1990-2008*; CRS Report 97-1011, Salaries of Members of Congress: A List of Payable Rates and Effective Dates, 1789-2008; and CRS Report RL30064, *Congressional Salaries and Allowances*, all by Ida A. Brudnick; and CRS Report RL30014, *Salaries of Members of Congress: Current Procedures and Recent Adjustments* by Paul E. Dwyer.

[2] 104 Stat. 1389, at 1427.

[3] For the 2007 salary adjustments, see CRS Report RL33158, *Federal White-Collar Pay: FY2006 and FY2007 Salary Adjustments*, by Barbara L. Schwemle.

senior-level (SL) and scientific and professional (ST) positions may receive the annual adjustment at the discretion of agency heads.[4] Annual adjustments for contract appeals board members depend on whether Executive Schedule[5] pay is adjusted.

FEPCA requires the annual pay adjustment for GS employees to be based on the Employment Cost Index (ECI), which measures change in private-sector wages and salaries. Basic pay rates are to be increased by an amount that is 0.5 percentage points less than the percentage by which the ECI, for the quarter ending September 30 of the year before the preceding calendar year, exceeds the ECI for that same quarter of the second year (if at all). The pay adjustment is effective as of the first applicable pay period beginning on or after January 1 of each calendar year. For example, the annual adjustment for January 2007 is based on the ECI for the quarter ending September 30, 2005. The change in the ECI from the previous September 30 (2.2%) is reduced by 0.5 percentage points, thereby yielding a 1.7% annual adjustment. Therefore, the data used to calculate the annual adjustment are 15 months old at the time of the adjustment.

In the event of a national emergency or serious economic conditions affecting the general welfare, FEPCA authorizes the President to issue an alternative pay plan that uses a different percentage increase from the one required by the ECI-based formula. The alternative plan must be submitted to Congress by September 1 preceding the scheduled effective date.[6] The President did not issue an alternative plan for the January 2008 annual pay adjustment.

## Locality-Based Comparability Payments

GS employees are also intended to receive locality-based comparability payments; the Pay Agent[7] may also extend these payments to employees in other pay systems and has done so for employees in the Foreign Service and in senior-level, scientific and professional, administrative law judge, administrative appeals judge, and contract appeals board member positions.[8] The Pay Agent determines the applicable pay cap level for certain non-General Schedule employees to whom

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[4] According to 5 U.S.C. §5376, the minimum rate of basic pay for SLs and STs is equal to 120% of the minimum rate of basic pay for GS-15; the maximum rate of basic pay for SLs and STs is equal to level IV of the Executive Schedule.

[5] The Executive Schedule is the pay schedule for cabinet officers and other top government officials. It has five levels of pay in 2008 as follow: EX I-$191,300, EX II-$172,200, EX III-$158,500, EX IV-$149,000, and EX V-$139,600.

[6] 104 Stat. 1389, at 1429-1431; 5 U.S.C. §§5301-5303.

[7] The Pay Agent comprises the Secretary of Labor (Elaine L. Chao), the Director of the Office of Management and Budget (Jim Nussle), and the Director of the Office of Personnel Management (Linda M. Springer).

[8] The President, by Executive Order, delegated to the Pay Agent the authority to extend locality-based comparability payments to certain categories of positions not otherwise covered. U.S. President (Clinton), "Delegating a Federal Pay Administration Authority," Executive Order 12883, *Federal Register*, vol. 58, December 1, 1993, p. 63281.

locality pay is extended.[9] The Office of Personnel Management (OPM) published final regulations in December 2001 to clarify and redefine the limitations.[10] Blue-collar workers under the Federal Wage System (FWS) receive a prevailing rate adjustment that is generally capped at the average percentage pay adjustment received by federal white-collar employees.[11] For 2006, notwithstanding the cap, the blue-collar pay adjustment in a particular location is no less than the increase received by GS employees in that location. Blue-collar workers in Alaska, Hawaii, and other non-foreign areas receive a pay adjustment that is no less than the increase received by GS employees in the Rest of the United States (RUS) pay area.[12] GS special-rate employees receive either the special rate supplement or the locality payment, whichever is higher. Law enforcement officers receiving special rates under Section 403 of FEPCA receive both special rates and locality pay. White-collar federal employees in Alaska and Hawaii and outside the continental United States receive a non-foreign cost-of-living (COLA) allowance rather than locality pay.

A locality rate of pay is considered as basic pay in computing danger pay allowances and post differentials (and for purposes of calculating retirement annuities) for certain employees who are temporarily assigned to foreign areas and



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[9] The President, by Executive Order, delegated to the Pay Agent the authority to determine the applicable pay cap level for certain non-General Schedule employees to whom locality pay is extended. U.S. President (Clinton), "Adjustments of Certain Rates of Pay and Delegation of a Federal Pay Administration Authority," Executive Order 13106, *Federal Register*, vol. 63, December 9, 1998, p. 68152.

[10] The regulations stated the following: "To provide consistent treatment between General Schedule (GS) and non-GS employees receiving locality payments, OPM proposes to provide that (1) non-GS positions whose maximum scheduled annual rate of pay is less than or equal to the maximum payable scheduled annual rate of pay for GS-15 will be subject to a locality pay cap equal to the rate for level IV of the Executive Schedule, and (2) non-GS positions whose maximum scheduled annual rate of pay exceeds the maximum payable scheduled annual rate of pay for GS-15, but is not more than the rate for level IV of the Executive Schedule, will be subject to a locality pay cap equal to the rate for level III of the Executive Schedule." U.S. Office of Personnel Management, "Locality-Based Comparability Payments," *Federal Register*, vol. 65, March 24, 2000, pp. 15875-15877. U.S. Office of Personnel Management, "Locality-Based Comparability Payments," *Federal Register*, vol. 66, December 28, 2001, pp. 67069-67070.

[11] H.R. 2829, the Financial Services and General Government Appropriations Act for FY2008, as passed by the House of Representatives and reported in the Senate, includes this provision at Section 712. P.L. 110-161, Consolidated Appropriations Act for FY2008, includes the provision at Section 712.

[12] H.R. 2829, the Financial Services and General Government Appropriations Act for FY2008, as passed by the House of Representatives, includes this provision at Section 739(b), and as reported in the Senate, includes this provision at Section 740(b). P.L. 110-161, Consolidated Appropriations Act for FY2008, includes the provision at Section 740(b).

for whom the Department of State has established allowances for danger.[13] (See 5 C.F.R. 531.610 for other purposes for which locality rates are treated as basic pay.)

The locality-based comparability payments procedure established by FEPCA provides that payments are to be made within each locality determined to have a non-federal/federal pay disparity greater than 5%. When uniformly applied to GS employees within a locality, the adjustment is intended to make their pay rates substantially equal, in the aggregate, to those of non-federal workers for the same levels of work in the same locality.

FEPCA authorizes the President to fix an alternative level of locality-based comparability payments if, because of a national emergency or serious economic conditions affecting the general welfare, the President considers the level that would otherwise be payable inappropriate. At least one month before these comparability payments would be payable (by November 30, 2007, for the 2008 payment), the President would have to prepare and transmit to Congress a report describing the intended alternative level of payments, including the reasons why the alternative level would be necessary.[14] The President issued an alternative plan for the January 2008 locality pay adjustment on November 27, 2007, that would have provided a 0.5% locality increase.[15] Congress, however, changed the size of the federal pay adjustment when it passed the Consolidated Appropriations Act for FY2008 (H.R. 2764) that became P.L. 110-161 when the President signed it on December 26, 2007.

Once the annual and locality pay percentage amounts are determined, the actual pay rates are calculated in the following way. First, the basic General Schedule (GS) is increased by the annual adjustment percentage, resulting in a new GS schedule. These new basic GS rates are then increased by the locality payments. For 2008, the resulting pay rates (annual + locality) are compared with the 2007 pay rates (annual + locality) to derive the net increases in pay. According to OPM, the net increase is calculated using this formula: 1 plus the new local rate divided by one plus the old local rate times the percentage for the across-the-board increase minus 1 times 100.

**Methodology for Determining the Locality-Based Comparability Payments.** Under the law, the Bureau of Labor Statistics (BLS) conducts surveys that document non-federal rates of pay in each locality pay area. (In January 2008, there will be 32 pay areas nationwide.) Prior to October 1996, the surveys were conducted under the Occupational Compensation Survey Program (OCSP), which

[13] U.S. Office of Personnel Management, "Locality-Based Comparability Payments," *Federal Register*, vol. 69, August 5, 2004, pp. 47353-47354. U.S. Office of Personnel Management, "Changes in Pay Administration Rules for General Schedule Employees," *Federal Register*, vol. 70, May 31, 2005, pp. 31279-31280, 31305.

[14] 104 Stat. 1389, at 1429-1436, as amended by 106 Stat. 1355-1356 and 1360; 5 U.S.C. §§5301-5302 and §§5304-5304a.

[15] U.S. President (Bush), "Text of a Letter from the President to the Speaker of the House of Representatives and the President of the Senate," November 27, 2007.

had been approved by the Federal Salary Council[16] and the Pay Agent. Since then, the surveys have been conducted under the National Compensation Survey (NCS) program, which was not approved for use with the January 2000 through January 2003 locality payments. In its memorandum to the Pay Agent on the January 2001 locality payments, the council recommended five improvements in the NCS program.[17] For the January 2004 through January 2006 locality payments, a phase-in of NCS survey data was approved.[18] The Federal Salary Council recommended that 100% of the NCS data be used beginning with the January 2007 locality payments and that the OCSP data no longer be used.

Each of the recommendations has been implemented, and the full effect of the changes will be seen gradually. According to the council's memorandum on the January 2008 locality payments, "The average pay gap was about 7 points higher in 2006 than in 2005 [which] means the new survey methods tend to match survey jobs to lower GS grades" and "The largest increase was in the Washington-Baltimore locality pay area, where the pay gap is 13.99 points higher in 2006 than in 2005."[19] The council also notes that the BLS will begin to include pay data from establishments with fewer than 50 employees in its surveys which could be included in the reports delivered to the Pay Agent in 2007 for the January 2009 locality pay recommendations. The council reports that "BLS estimates that the number of non-Federal workers in white-collar jobs matched to GS jobs represented by survey data would increase by about 37 percent if these smaller establishments were included"



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[16] The council includes nine members. Members generally recognized for their impartiality, knowledge, and experience in labor relations and pay policy are Terri Lacy, chair; George Nesterczuk, vice-chair; and Rudy J. Maestas. The other members represent the American Federation of Government Employees (Frank Ferris); the National Treasury Employees Union (Colleen M. Kelley); the National Federation of Federal Employees (Richard N. Brown); the Association of Civilian Technicians (Thomas G. Bastas); and the Fraternal Order of Police (James Pasco).

[17] These recommendations, endorsed by the Pay Agent, were that (1) four factors, rather than nine, be used to assign the correct federal grade levels to the non-federal jobs surveyed, and grade level guides for occupational families be provided; (2) a model be developed to estimate missing data; (3) the matching of federal survey jobs with non-federal survey jobs be improved, and subcategories be provided for occupations that are not elsewhere classified; (4) for supervisory occupations, the highest level of work supervised be graded and the grade level be adjusted based on the level of supervision, instead of grading the supervisory job itself; and (5) criteria be developed to identify and exclude jobs that would be classified above GS-15 in government. (Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2001 and Other Matters Pertaining to the Locality Pay Program* [Washington: October 22, 1999], p. 8.)

[18] For the January 2004 locality payments, equal weights of 50% were applied to the NCS and OCSP results. For January 2005, weights of 75% and 25% were applied to the NCS and OCSP results, respectively. Weights of 90% NCS and 10% OCSP were applied for January 2006.

[19] Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2008 and Other Matters Pertaining to the Locality Pay Program* (Washington: October 27, 2006), p. 1. (Hereafter referred to as Federal Salary Council Memorandum for January 2008.)

and recommends that the Pay Agent request that the BLS provide survey data "both including and excluding the small establishments."[20]

The BLS survey results are submitted to the Office of Personnel Management (OPM), which serves as the staff to the Federal Salary Council and the Pay Agent. OPM documents federal rates of pay in each of the pay areas and compares non-federal and GS salaries, by grade, for each pay area. The average salaries at each grade, both federal and non-federal, are then aggregated and compared to determine an overall average percentage pay gap for each area. By law, the disparity between non-federal and federal salaries is to be reduced to 5%. Therefore, the overall average percentage pay gap for each pay area is adjusted annually to this level by OPM. This adjusted gap, called the target gap, is used to determine the locality rates for each pay area recommended to the President by the Pay Agent, after receiving advice from the Federal Salary Council. The pay gaps on which the locality payments are based are 22 months old by the effective date of the adjustment; thus, March 2006 gaps determine the January 2008 locality payments.

FEPCA also stipulates that a certain percentage of the target gap between GS average salaries and non-federal average salaries in each pay area is to be closed each year. Twenty percent of the gap was closed in 1994, the first year of locality pay, as authorized by FEPCA. An additional 10% of the gap was to be closed each year thereafter, meaning that 30% of the gap was to be closed in 1995, 40% in 1996, 50% in 1997, 60% in 1998, 70% in 1999, 80% in 2000, and 90% in 2001. By January 2002, and continuing each year thereafter, FEPCA specified that amounts payable could not be less than the full amount necessary to reduce the pay disparity of the target gap to 5%. In each of the years since 1994, the locality pay increase has been implemented at a much lower percentage than the law requires. As a result, the gap is being reduced slowly; 23.5% of the gap was closed in 1995, 25.9% in 1996, 28.3% in 1997, 29.2% in 1998, 31% in 1999, 33.5% in 2000, 38.1% in 2001, 42.3% in 2002, 44% in 2003, 53.7% in 2004, 58.84% in 2005, and 62.75% in 2006.

***Evaluating Areas in the Vicinity of Locality Pay Areas.*** To evaluate areas currently in the "Rest of the United States" pay area for possible inclusion in adjacent locality pay areas, the following criteria[21] apply:

> **For adjacent Metropolitan Statistical Areas (MSAs) and Combined Statistical Areas (CSAs):** To be included in an adjacent locality pay area, an

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[20] Federal Salary Council Memorandum for January 2008, pp. 3-4. The memorandum notes that the specifications for the current NCS surveys exclude establishments with fewer than 50 employees and that some council members "continue to have misgivings about whether jobs in smaller establishments would match very well to Federal jobs ... [and] asked whether the Government should restrict comparisons to larger establishments, since the Government is such a large employer."

[21] *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent* (Washington: December 2003), p. 19.

adjacent MSA or CSA currently in the RUS locality pay area must have at least 1,500 GS employees and an employment interchange measure[22] of at least 7.5%.

**For adjacent counties that are not part of a multi-county MSA or CSA:** To be included in an adjacent locality pay area, an adjacent county that is currently in the RUS locality pay area must have at least 400 GS employees and an employment interchange measure of at least 7.5%.

**For federal facilities that cross locality pay area boundaries:** To be included in an adjacent locality pay area, 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 these employees must be within 10 miles of the separate locality pay area; and a significant number of these employees must commute to work from the higher-paying locality pay area.[23]

Areas already included in a locality pay area through an application of the criteria are not subject to further review.

***Requests for Changes in Locality Pay Area Boundaries.*** To be considered by the council, requests for changes in the boundaries of locality pay areas must include the following information:

- Credentials of the requesting group that establish how the group represents GS employees in the area.
- Identification of the geographic area covered by the proposal.
- The number of GS employees in the area, by agency.
- A detailed explanation of why the area should be added to the adjacent locality pay area.
- Current job vacancy rates in the area for GS positions.

[22] The council recommended that commuting rates be calculated using the employment interchange measure, which is defined by the Office of Management and Budget as "A measure of the ties between two adjacent entities." It is "the sum of the percentage of employed residents of the smaller entity who work in the larger entity and the percentage of the employment in the smaller entity that is accounted for by workers who reside in the larger entity." (Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2005 and Other Matters Pertaining to the Locality Pay Program*, [Washington: October 28, 2003], p. 7. [Hereafter referred to as Federal Salary Council Memorandum for January 2005.])

[23] Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2007 and Other Matters Pertaining to the Locality Pay Program*, [Washington: October 21, 2005] p. 5, and *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent* [Washington: December 2005], p. 13.

- Documentation of recruitment or retention problems for GS employees in the area.

- Documentation that agencies have tried other pay flexibilities, including requests for special salary rates and use of recruitment, retention, and relocation payments, and that these flexibilities did not solve recruitment and retention problems.

- An indication that the headquarters of affected agencies know about and support the request.

- Distance measures, by road, between the requesting area and the locality pay area.

- A summary of transportation facilities linking the requesting area and the locality pay area, including commuter rail or other mass transit facilities.

- Agency organizational relationships between activities covered by the proposal and activities in another locality pay area.[24]

# January 2008 Pay Adjustment

## Annual Pay Adjustment

Recent ECI data indicate that the annual across-the-board pay adjustment in January 2008 should be 2.5%. This figure reflects the September 2005 to September 2006 change in private-sector wages and salaries of 3.0%, minus 0.5%.[25] Because President Bush did not issue an alternative plan for the annual pay adjustment, FEPCA requires that the annual adjustment be 2.5% in January 2008.

## Locality-Based Comparability Payments

The Federal Salary Council reported that as of March 2006, the overall gap between GS average salaries (excluding existing locality payments, special rates, and certain other payments) and non-federal average salaries was 37.57%.[26] The amount needed to reduce this disparity to 5%, as mandated by FEPCA, averages 31.02% for 2008. To meet the target for closing the pay gap, the council recommends locality pay raises ranging from 18.77% in the "Rest of the United States" (RUS) pay area to 55.34% in the San Jose-San Francisco pay area. The payment recommended for the

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[24] Federal Salary Council Memorandum for January 2005, p. 10.

[25] U.S. Department of Labor, Bureau of Labor Statistics, Employment Cost Index — September 2006 (Washington: October 31, 2006), pp. 2, 17.

[26] The calculation of the overall average pay gap excludes the locality payments made in 2006. The average locality rate paid in 2006 is 16.18%; the overall average pay gap in 2006 is 18.41%.

Washington, DC, pay area is 44.69%.[27] Because the new locality rates replace the existing locality rates, the rate change is derived by comparing 2007 locality payments with those recommended for 2008. This comparison results in recommended net increases for 2008, if the ECI and locality-based comparability payments were granted as required by law, of 7.23% in the RUS pay area, 21.21% in the San Jose-San Francisco pay area, and 24.08% in the Washington, DC, pay area. The nationwide average net pay increase, if the ECI and locality-based comparability payments were granted as required by law, would be 14.08% in 2008.

The council recommends that the 32 locality pay areas recommended for 2007 continue in 2008. The Indianapolis pay data were combined with the "Rest of the United States" pay data for 2008, because the pay gap in that area (24.33%) is below that in RUS (24.80%) and, therefore, should receive the same adjustment as RUS.[28] The council recommended, however, that the Pay Agent retain the Indianapolis locality pay area and review survey results again next year. Louisville, KY, is not recommended as a separate locality pay area for 2008, but the council recommends that the locale, along with Austin, TX, and Memphis, TN, continue to be reviewed as the BLS salary surveys expand.[29]

According to the council, a number of employees and agencies affected by Hurricane Katrina in New Orleans and Baton Rouge, LA, and Biloxi, MS, contacted OPM about the possibility of increasing the amount of the locality-based comparability payments in those areas to help alleviate hardships and increased living costs. The New Orleans Federal Executive Board and federal agencies are currently coordinating their consideration of whether special salary rates or other pay flexibilities should be used. The council recommends that federal agencies consult with OPM on actions necessary to address recruitment and retention problems in areas affected by Hurricane Katrina.[30]

Since the inception of locality pay in 1994, pay areas with the largest pay gaps have received the largest locality pay increases. Acknowledging that "the details of the pay increase distribution should be left to the President to determine," the Federal Salary Council reiterated this principle in its annual memorandum for the President's Pay Agent. Specifically, the council recommended "that any funds allocated for locality pay raises for 2008 be distributed so that locations with the largest pay gaps receive the largest increases and that employees in each locality pay area receive at



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[27] Federal Salary Council Memorandum for January 2008, p. 2 and Attachment.

[28] Under the methodology that has been used since locality pay was first implemented in 1994, areas with little data available in the BLS surveys and pay gaps that were two-tenths of a percentage point (0.2%) or more below RUS or below the RUS pay area for three surveys were to be dropped as discrete surveyed pay areas, and the resources used to conduct these surveys were to be redirected to new locations. For the recommendation on the Indianapolis pay area, see Federal Salary Council Memorandum for January 2008, p. 2 and Attachment.

[29] Federal Salary Council Memorandum for January 2008, p. 3.

[30] Ibid., p. 5.

least some portion of the locality pay funds, after payment of an across-the-board increase of at least 2.5%."[31]

After considering the council's recommendations, the Pay Agent endorsed them in its December 20, 2006, annual report to the President on the 2008 locality payments. The Pay Agent stated that, "Given the current national emergency, however, ... it would be unwise to allow the locality pay increases shown in [its] report to take effect in January 2008."[32]

The Pay Agent estimated that the cost of the January 2008 locality-based comparability payments would be about $9.3 billion if the full amount necessary to reduce the pay disparity of the target gap to 5% were provided in January 2008 as required by FEPCA.[33] **Table 2** shows the council's and the Pay Agent's recommended locality payments for January 2008.

As for the improvements in the BLS National Compensation Survey (NCS) Program, the Pay Agent noted that "four of the five NCS improvements are incorporated into surveys used this year."[34] The Pay Agent agreed with the council's recommendations on the new locality pay areas.[35]

The Pay Agent reiterated that it "has serious concerns about the utility of a process that requires a single percentage adjustment in the pay of all white-collar civilian Federal employees in each locality pay area without regard to the differing labor markets for major occupational groups or the performance of individual employees" and "continue[s] to believe it is imperative to develop performance-sensitive compensation systems."[36]

## The President's Recommendation

The President usually includes a proposal on the federal civilian pay adjustment in the *Budget of the United States* issued in February of each year. The FY2008 budget includes a proposed 3.0% pay adjustment for federal civilian employees. (It also includes a proposed 3.0% pay raise for the uniformed military.) This percentage is the overall average increase, including locality pay adjustments.[37] President Bush

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[31] Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2009 and Other Matters Pertaining to the Locality Pay Program* (Washington: October 25, 2007), p. 9.

[32] *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent* (Washington: December 20, 2006).

[33] Ibid., p. 19.

[34] Ibid., p. 3.

[35] Ibid., p. 12.

[36] Ibid., cover letter.

[37] U.S. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government Fiscal Year 2008; Analytical Perspectives* (Washington: GPO, (continued...)

did not issue an alternative plan for the annual pay adjustment; therefore, under FEPCA, the January 2008 annual adjustment must be 2.5%. He issued an alternative plan for the locality pay adjustment on November 27, 2007, which would have provided a 0.5% January 2008 locality payment.[38] Together, the annual and locality adjustments would have resulted in an average 3.0% pay increase. Congress, however, authorized an average 3.5% pay adjustment in P.L. 110-161, the Consolidated Appropriations Act for FY2008, as discussed below under "Congressional Recommendations."

As in last year's budget, the FY2008 budget stated that the Administration would work with Congress to enact the Working for America Act which, if enacted, could affect how federal pay is adjusted.[39] OMB released the draft of the legislation in mid-July 2005, but it was not introduced in the 109th Congress.[40] The budget states that OPM will support demonstration projects linking pay and performance so as "to replace the current General Schedule pay system with a modern classification, pay, and performance management system that is both results-driven and market-based."[41] It also notes that funding has been included "for a legislative proposal to transition from non-foreign cost of living allowances (COLA) to locality pay for employees working in non-foreign areas," but does not provide any details about the proposal.[42] The non-foreign area COLA's currently range from 10.5% to 25% and are not creditable for purposes of retirement. (Locality payments are creditable for purposes of retirement.) The COLA's are currently being paid in Alaska, Hawaii, Guam, Commonwealth of Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

## Congressional Recommendations

The pay adjustment is considered annually by Congress, which may legislate an adjustment that is different from the one recommended by the President or that might be authorized by the President in an alternative plan. The January 1999, January 2000, and January 2002 through January 2006 overall pay adjustment amounts were set by Congress.[43] On January 22, 2007, nine Members of Congress from the

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[37] (...continued)
2006), p. 168.

[38] U.S. President (Bush), "Text of a Letter from the President to the Speaker of the House of Representatives and the President of the Senate," November 27, 2007.

[39] U.S. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government Fiscal Year 2008* (Washington: GPO, 2007), p. 26.

[40] "President's Management Agenda, Working for America Act," available at [http://www.whitehouse.gov/results/agenda/working.html].

[41] U.S. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government Fiscal Year 2008; Appendix* (Washington: GPO, 2007), p. 999.

[42] Ibid., p. 1007.

[43] P.L. 105-277, P.L. 106-58, P.L. 107- 67, P.L. 108-7, P.L. 108-199, P.L. 108-447, and P.L. 109-115, respectively, provided the pay adjustments but reserved to the President the
(continued...)

Washington, DC, metropolitan area wrote a letter to President Bush asking him to "embrace the principle of pay parity" between federal civilian employees and the uniformed military. The Members stated that, "with many of our most experienced employees poised to retire," the ability "to recruit and retain quality employees" is critical.[44]

The Concurrent Resolution on the Budget, which provides the framework within which Congress subsequently considers spending legislation, has several times in the past included language expressing the sense of Congress on the federal civilian pay adjustment. The FY2008 budget resolution as agreed to by the House (H.Con.Res. 99) on March 29, 2007, by a 216-210 vote (Roll No. 212), includes such a provision at Section 510 which states the Sense of the House that federal civilian pay should be adjusted at the same time and in the same proportion as pay for the uniformed military. The Senate's version of the budget resolution (S.Con.Res. 21) as agreed to on March 23, 2007, by a 52-47 vote (No. 114), does not include such a provision.

Any congressional recommendation on the pay adjustment has usually been included in the appropriations bill which provides funding for the general government. In the 110th Congress this bill will be called the Financial Services and General Government Appropriations Bill. On May 3, 2007, Representative Tom Davis, Ranking Member on the House Committee on Oversight and Government Reform, sent a letter to the chairmen and ranking members of the House Committee on Appropriations and its Subcommittee on Financial Services and General Government urging the committee "to ensure parity in pay adjustments for civilian and military personnel" for FY2008. In the letter, Mr. Davis stated his belief that it is critical for civilian and military personnel to receive similar pay adjustments because "Federal civilian employees from DOD, DHS, FBI, CIA, U.S. Customs Service, Secret Service, Department of Justice, Department of State, and many other agencies" support the efforts of the uniformed military and "work to ensure the security of our nation and people."[45]

H.R. 2829, the Financial Services and General Government (FSGG) Appropriations Act for FY2008, as passed by the House of Representatives[46] and

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[43] (...continued)
decision as to how the increases would be allocated between the annual and locality pay adjustments.

[44] The letter was signed by Representatives Thomas M. Davis, III, Steny H. Hoyer, James P. Moran, C.A. "Dutch" Ruppersberger, John P. Sarbanes, Chris Van Hollen, Frank R. Wolf, Albert R. Wynn, and Delegate Eleanor Holmes Norton.

[45] Letter from Representative Tom Davis to Representatives David Obey, Jose Serrano, Jerry Lewis and Ralph Regula, May 3, 2007. See CRS Report RL33446, *Military Pay and Benefits: Key Questions and Answers*, by Charles A. Henning for information on the military pay raise.

[46] Rep. Jose Serrano introduced H.R. 2829 on June 22, 2007. The Committee on Appropriations reported the bill on June 22, 2007, (H.Rept. 110-207) and it passed the House of Representatives, amended, on a 240-179 (Roll No. 606) vote on June 28, 2007. Earlier the Subcommittee on Financial Services and General Government marked up the bill
(continued...)

reported in the Senate,[47] provides a 3.5% pay adjustment for federal civilian employees, including employees in the Department of Homeland Security and employees in the Department of Defense (DOD) who are represented by a labor organization. DOD employees who are eligible to be represented by a labor organization, but are not so represented, will receive the pay adjustment unless pay for their positions is adjusted under 5 U.S.C. §9902. The provision is Section 739(a) of the House-passed bill and Section 740(a) of the Senate bill as reported. Section 601 of the bills provides that pay raises must be absorbed within appropriated levels. The Statement of Administration Policy on H.R. 2829 issued by OMB on June 27, 2007, expressed strong opposition to the 3.5% pay adjustment, stating that it "would cost agencies over $600 million in FY2008 and would not target any specific recruitment or retention challenges." The statement also urged that the provision related to a pay adjustment for DHS and DOD employees be deleted, saying that it "backs away from the concept of pay-for-performance and is ambiguous as to how the increase would be applied."[48]

The FSGG appropriations were included as Division D of P.L. 110-161, Consolidated Omnibus Appropriations, 2008 (H.R. 2764), that President Bush signed on December 26, 2007. The law provides an average 3.5% pay adjustment for federal civilian employees, including employees in the Department of Homeland Security and employees in the Department of Defense (DOD) who are represented by a labor organization. DOD employees who are eligible to be represented by a labor organization, but are not so represented, will receive the pay adjustment unless pay for their positions is adjusted under 5 U.S.C. §9902. Section 601 of the law requires the pay raises to be funded within appropriated levels and Section 740(a) authorizes the pay adjustment. On January 4, 2008, the President issued Executive Order 13454, which allocated the pay increase as 2.5% annual and 1.0% locality.[49] OPM published the 2008 salary tables on its website and these are available at [http://www.opm.gov]. **Table 2** shows the recommended locality payments, the authorized locality payments, and the net annual and locality pay increases for January 2008.



[46] (...continued)
and forwarded it to the full committee by voice vote on June 5, 2007. The Committee on Appropriations marked up the bill on June 11, 2007, and again on June 21, 2007, to list the earmarks, and approved it by voice vote both times.

[47] U.S. Congress, Senate Committee on Appropriations, *Financial Services and General Government Appropriations Bill, 2008*, report to accompany H.R. 2829, 110th Cong., 1st sess., S.Rept. 110-129 (Washington: GPO, 2007), p. 114. The Senate Subcommittee on Financial Services and General Government marked up the bill and forwarded it to the full committee by a 5-4 roll call vote on July 10, 2007. The Committee on Appropriations marked up the bill and ordered it reported by a 15-14 roll call vote on July 12, 2007.

[48] U.S. Executive Office of the President, Office of Management and Budget, *Statement of Administration Policy*, H.R. 2829, Financial Services and General Government Appropriations Act 2008, June 27, 2007, p. 4.

[49] U.S. President (Bush), "Adjustments of Certain Rates of Pay," Executive Order 13454, *Federal Register*, vol. 73, January 8, 2008, pp. 1480-1492.

## Proposed Legislation Related to Pay

On March 29, 2007, Senator George Voinovich, Ranking Member of the Senate Homeland Security and Governmental Affairs' Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, introduced S. 1045, the Federal Workforce Performance Appraisal and Management Improvement Act of 2007. (He introduced similar legislation, S. 3492, in the 109th Congress.) It was referred to the Senate Committee on Homeland Security and Governmental Affairs. Among other provisions, the bill would require agencies to establish one or more performance appraisal systems having at least three summary rating levels — unacceptable, fully successful, and above fully successful; make it mandatory that managers and supervisors receive training in performance management; and require agencies to establish comprehensive management succession programs providing training to develop employees to become managers. S. 1045 also would require an employee to receive a summary performance rating of at least fully successful to receive a within-grade increase, an annual pay adjustment, a locality pay adjustment, a special rate, or a prevailing rate (blue-collar) adjustment. Agencies would be required to provide employees with annual performance evaluations in writing.

Senator Voinovich also introduced S. 1046, the Senior Professional Performance Act of 2007, on March 29, 2007. (In the 109th Congress, similar provisions were included in S. 3492 at Section 6.) The bill was referred to the Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia of the Committee on Homeland Security and Governmental Affairs. It was marked up and ordered reported without amendment by the full committee on June 13, 2007. Under current law (5 U.S.C. §5376(b)(1)(B)) Senior-Level (SL) and scientific and professional (ST) employees may receive basic pay up to Level IV of the Executive Schedule ($145,400, as of January 2007). In a significant change, S. 1046 would amend current law to provide that SL and ST employees in agencies whose performance appraisal systems have been certified by OPM as making meaningful distinctions in performance, could receive basic pay up to Level II of the Executive Schedule ($168,000, as of January 2007). In agencies whose performance appraisal systems have not been so certified by OPM, SL and ST employees could receive basic pay up to Level III of the Executive Schedule ($154,600, as of January 2007).

In his statement upon introducing the bills, Senator Voinovich stated that "employees should receive annually a rigorous evaluation" with pay determined "by the productivity, effectiveness, and the contributions of an employee." He stated that the amendments proposed in S. 1046 would keep SL and ST employees "on equal footing" with members of the Senior Executive Service in terms of pay and performance management.[50]

**OPM Proposed Rule on Critical Pay.** On April 25, 2007, OPM published a proposed rule in the *Federal Register* that would allow higher rates of pay for

[50] Statement of Senator George Voinovich, *Congressional Record,* daily edition, vol. 153, March 29, 2007, p. S4180.

positions that require a very high level of expertise in a scientific, technical, professional, or administrative field and that are critical to an agency's mission.[51] OPM, in consultation with OMB, would approve the designations of critical pay authority that could allow basic pay to be set at a rate up to Executive Schedule Level I ($186,600, as of January 2007).



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[51] U.S. Office of Personnel Management, "Critical Position Pay Authority," *Federal Register*, vol. 72, April 25, 2007, pp. 20440-20442.

## Table 1. Annual and Locality Pay Adjustments Under FEPCA, 1991 to 2008

| Year | ECI-Based Annual Adjustment Required by FEPCA | Annual Adjustment Authorized | Locality Payments Required by FEPCA (National Average) | Locality Payments Authorized (National Average) | Net Increase, Annual and Locality Pay (National Average, Weighted) |
|---|---|---|---|---|---|
| 1991 | — | 4.1% | — | — | 4.1% |
| 1992 | 4.2% | 4.2% | — | — | 4.2% |
| 1993 | 3.7% | 3.7% | — | — | 3.7% |
| 1994 | 2.2% | 0 | 3.95% | 3.95% | 3.95% |
| 1995 | 2.6% | 2.0% | 6.44% | 5.05% | 3.08% |
| 1996 | 2.4% | 2.0% | 8.58% | 5.56% | 2.49% |
| 1997 | 2.3% | 2.3% | 11.29% | 6.37% | 3.09% |
| 1998 | 2.8% | 2.3% | 14.30% | 6.93% | 2.84% |
| 1999 | 3.1% | 3.1% | 16.95% | 7.50% | 3.65% |
| 2000 | 3.8% | 3.8% | 20.62% | 8.62% | 4.89% |
| 2001 | 2.7% | 2.7% | 23.12% | 9.77% | 3.76% |
| 2002 | 3.6% | 3.6% | 25.92% | 10.95% | 4.72% |
| 2003 | 3.1% | 3.1% | 27.59% | 12.12% | 4.21% |
| 2004 | 2.7% | 2.7% | 25.71% | 13.81% | 4.24% |
| 2005 | 2.5% | 2.5% | 25.51% | 15.01% | 3.54% |
| 2006 | 2.1% | 2.1% | 25.85% | 16.22% | 3.19% |
| 2007 | 1.7% | 1.7% | 24.15% | 16.80% | 2.24% |
| 2008 | 2.5% | 2.5% | 31.02% | 18.13% | 3.58% |

**Sources:** Locality-based comparability payments began in 1994. For the ECI-required annual adjustment, see U.S. Department of Labor, Bureau of Labor Statistics, *Employment Cost Index*, September of each year. For the locality payments required by FEPCA, see *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent*, December of each year. For the annual and locality pay adjustments authorized, see E.O. 12736, Dec. 12, 1990; E.O. 12786, Dec. 26, 1991; E.O. 12826, Dec. 30, 1992; Presidential memorandum of Dec. 1, 1993; E.O. 12944, Dec. 28, 1994; E.O. 12984, Dec. 28, 1995; E.O. 13033, Dec. 27, 1996; E.O. 13071, Dec. 29, 1997; E.O. 13106, Dec. 7, 1998; E.O. 13144, Dec. 21, 1999; E.O. 13182, Dec. 23, 2000; E.O. 13249, Dec. 28, 2001; E.O.s 13282, Dec. 31, 2002, and 13291, Mar. 21, 2003; E.O.s 13322, Dec. 30, 2003, and 13332, Mar. 3, 2004; E.O. 13368, Dec. 30, 2004; E.O. 13393, Dec. 22, 2005; E.O. 13420, Dec. 21, 2006; and E.O. 13454, Jan. 4, 2008.

**Table 2. January 2008 Recommended Locality Payments, Authorized Locality Payments, and Net Annual and Locality Pay Increase**

| Pay Areas | 2008 Recommended Locality Payments | 2008 Authorized Locality Payments | Net Increase, Annual and Locality Pay (weighted) |
|---|---|---|---|
| Atlanta-Sandy Springs-Gainesville, GA-AL, CSA | 31.90% | 17.30% | 3.75% |
| Boston-Worcester-Manchester, MA-NH, CSA, plus Barnstable County, MA, and Berwick, Eliot, Kittery, South Berwick, and York towns in York County, ME | 38.50% | 22.51% | 3.80% |
| Buffalo-Niagara-Cattaraugus, NY, CSA | 28.04% | 15.37% | 3.60% |
| Chicago-Naperville-Michigan City, IL-IN-WI, CSA | 37.40% | 23.16% | 3.65% |
| Cincinnati-Middletown-Wilmington, OH-KY-IN, CSA | 21.80% | 17.77% | 2.84% |
| Cleveland-Akron-Elyria, OH, CSA | 29.07% | 17.11% | 3.52% |
| Columbus-Marion-Chillicothe, OH, CSA | 24.12% | 15.80% | 3.21% |
| Dallas-Fort Worth, TX, CSA | 33.29% | 18.74% | 3.72% |
| Dayton-Springfield-Greenville, OH, CSA | 25.52% | 15.26% | 3.39% |
| Denver-Aurora-Boulder, CO, CSA, plus the Ft. Collins-Loveland, CO, MSA | 31.45% | 21.03% | 3.36% |
| Detroit-Warren-Flint, MI, CSA, plus Lenawee County, MI | 32.86% | 22.53% | 3.34% |
| Hartford-West Hartford-Willimantic, CT, CSA, plus the Springfield, MA, MSA and New London County, CT | 39.82% | 23.97% | 3.78% |
| Houston-Baytown-Huntsville, TX, CSA | 35.07% | 27.39% | 3.10% |
| Huntsville-Decatur, AL, CSA | 20.80% | 14.23% | 3.07% |
| Indianapolis-Anderson-Columbus, IN, CSA, plus Grant County, IN | 18.77% | 13.51% | 2.96% |
| Los Angeles-Long Beach-Riverside, CA, CSA, plus the Santa Barbara-Santa Maria-Goleta, CA, MSA and Edwards Air Force Base, CA | 38.05% | 25.26% | 3.52% |
| Miami-Fort Lauderdale-Miami Beach, FL, MSA, plus Monroe County, FL | 27.51% | 19.11% | 3.20% |

| Pay Areas | 2008 Recommended Locality Payments | 2008 Authorized Locality Payments | Net Increase, Annual and Locality Pay (weighted) |
|---|---|---|---|
| Milwaukee-Racine-Waukesha, WI, CSA | 29.09% | 16.73% | 3.56% |
| Minneapolis-St. Paul-St. Cloud, MN-WI, CSA | 32.50% | 19.43% | 3.59% |
| New York-Newark-Bridgeport, NY-NJ-CT-PA, CSA, plus Monroe County, PA and Warren County, NJ | 44.88% | 26.36% | 3.97% |
| Philadelphia-Camden-Vineland, PA-NJ-DE-MD, CSA, plus Kent County, DE, Atlantic County, NJ, and Cape May County, NJ | 33.46% | 20.14% | 3.61% |
| Phoenix-Mesa-Scottsdale, AZ, MSA | 30.52% | 14.74% | 3.88% |
| Pittsburgh-New Castle, PA, CSA | 22.94% | 14.93% | 3.19% |
| Portland-Vancouver-Beaverton, OR-WA, MSA, plus Marion County, OR, and Polk County, OR | 30.03% | 18.72% | 3.45% |
| Raleigh-Durham-Cary, NC, CSA, plus the Fayetteville, NC, MSA, the Goldsboro, NC, MSA, and the Federal Correctional Complex, Butner, NC | 23.40% | 16.82% | 3.06% |
| Richmond, VA, MSA | 25.61% | 15.40% | 3.39% |
| Sacramento - Arden-Arcade - Yuba City, CA-NV, CSA, plus Carson City, NV | 33.34% | 20.25% | 3.59% |
| San Diego-Carlsbad-San Marcos, CA, MSA | 39.19% | 22.00% | 3.91% |
| San Jose-San Francisco-Oakland, CA, CSA, plus the Salinas, CA, MSA and San Joaquin County, CA | 55.34% | 32.53% | 4.23% |
| Seattle-Tacoma-Olympia, WA, CSA, plus Whatcom County, WA | 31.85% | 19.75% | 3.51% |
| Washington-Baltimore-Northern Virginia, DC-MD-VA-WV, CSA, plus the Hagerstown-Martinsburg, MD-WV, MSA, the York-Hanover-Gettysburg, PA, CSA, and King George County, VA | 44.69% | 20.89% | 4.49% |
| Rest of the U.S. (RUS) | 18.77% | 13.18% | 2.99% |
| Average | 31.02% | 18.13% | 3.58% |

**Sources:** Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2008 and Other Matters Pertaining to the Locality Pay Program* (Washington: Oct. 27, 2006), Attachment. *Report on Locality-Based Comparability Payments for* *the General Schedule, Annual Report of the President's Pay Agent* (Washington: December 20, 2006), p. 16. U.S. President (Bush), "Adjustments of Certain Rates of Pay," Executive Order 13454, *Federal Register*, vol. 73, January 8, 2008, pp. 1480-1492. MSA refers to a Metropolitan Statistical Area. CSA refers to a Combined Statistical Area. The locality pay areas are listed at 5 C.F.R. §531.603. See also, U.S. Office of Personnel Management, "Locality Pay Areas," *Federal Register*, vol. 72, June 22, 2007, pp. 34361-34363.

**Notes:** According to OPM: "The method used to set locality rates closes a uniform percentage of the remaining locality pay disparity, after accounting for current locality rates. Even though the overall pay disparity is higher in the San Jose-San Francisco locality pay area, the pay disparity in the Washington, DC, locality pay area increased faster between surveys so there is a larger remaining pay disparity in the Washington, DC, locality pay area. Hence, the DC locality pay raise is higher in 2008 even though the San Jose-San Francisco locality rate is higher."

The actual pay rates are calculated in the following way. First, the basic General Schedule (GS) is increased by the annual adjustment percentage, resulting in a new GS schedule. The new basic GS rates are then increased by the locality payments. The resulting pay rates (annual + locality) are compared with the pay rates (annual + locality) for the previous year to derive the net increases in pay for the current year. According to OPM, the net increase is calculated using this formula: 1 plus the new local rate divided by one plus the old local rate times 1.025 for the across-the-board increase minus 1 times 100. For example, in the Washington, DC, pay area, the calculation is 1.2089/1.1859 X 1.025 -1 X 100 = 4.49%. Salary tables for 2008 are available on the Internet at [http://www.opm.gov].