

FEDERAL SALARY COUNCIL MEETING MINUTES
MEETING NUMBER 18-1
APRIL 10, 2018

The [Federal Salary Council](#) met on April 10, 2018, at the Office of Personnel Management (OPM). Council members who participated in the meeting are listed in the table below.

Council Member	Title
Dr. Ronald P. Sanders	Federal Salary Council Chair and Director and Clinical Professor School of Public Affairs, University of South Florida
Ms. Katja Bullock	Special Assistant to the President and Associate Director of Presidential Personnel
Mr. Louis P. Cannon	National Trustee, Fraternal Order of Police
Mr. J. David Cox	National President, American Federation of Government Employees
Mr. Anthony M. Reardon	National President, National Treasury Employees Union

Mr. Mark Allen, OPM Pay Systems Manager, was the Designated Federal Officer. About 30 members of the public also attended the meeting, including 4 representatives of the media.

Introductions and Announcements

Chairman Sanders welcomed everyone to the meeting at 11:00 a.m. and introduced himself as Chairman. He acknowledged an audience member, former OPM Deputy Associate Director for Pay and Leave Jerry Mikowicz, and said Mr. Mikowicz had contributed significantly to Federal compensation programs before retiring in 2013.

Chairman Sanders said the Council had some catching up to do, since the last Council meeting held was on October 28, 2016. He mentioned that minutes from that meeting were approved by the previous Council and were posted on the OPM website. (See <https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/minutes/16-01-fsc-minutes.pdf>.)

Chairman Sanders made brief opening remarks regarding his new role as Chairman. He said, "I'm honored to be here," and added that when he was asked to chair the Council he took a close look at the statutory authority establishing locality pay as well as the Council's charter and the history of locality pay. He said he knows the Council's role is important. At this point, OPM Director Jeff Pon entered the room, and Chairman Sanders offered him the floor.

Director Pon thanked Chairman Sanders and emphasized the importance of the Council as an advisory body that keeps the Administration informed on pay. He added that he had just been in a telephone call with union officials who would agree that pay is a very important issue. Director Pon noted that he is one of the three members comprising the President's Pay Agent (which consists of the Director of OPM, the Director of the Office of Management and Budget (OMB), and the Secretary of Labor) and he stressed the importance of the annual recommendations the Council makes to the Pay Agent.

Director Pon noted that the 40th anniversary of the Civil Service Reform Act of 1978 is approaching. He added, “We’re really looking forward to seeing what the next 40 years looks like from a policy and strategy standpoint, and commensurate with that it’s really changing the way in which we look at jobs, pay, work, work-life, even the way in which we have structured our jobs. We’re going to be taking a look at a lot of those things, not just salary, but a comprehensive look at how we care for our Federal workers.”

Chairman Sanders thanked Director Pon for his remarks. Regarding the Civil Service Reform Act of 1978, Chairman Sanders said he was working in Government when that legislation was enacted. He said the reason for accepting his appointment as Chairman goes back to some of the remarks Director Pon had just made and specifically to what can be done in terms of pay. He said he very much looks forward to the conversation ahead about the pay comparison methodology used in the locality pay program, as well as other issues associated with locality pay. He then asked that other Council members and staff at the table introduce themselves. When the introductions were complete, Dr. Sanders turned the floor over to Mr. Allen.

Mr. Allen thanked everyone for attending the meeting and summarized the Council’s role in the locality pay program. He explained that the Council is an advisory body operating under the Federal Advisory Committee Act, and that OPM does not hold membership on the Council or develop its recommendations but does provide the Council with staff support.

Mr. Allen said the Council was meeting today to develop recommendations for locality pay in January 2019. He clarified that the Council makes recommendations on the establishment of pay localities, the coverage of salary surveys, the processes used for making comparisons between Federal and non-Federal pay, and the level of comparability payments for Federal employees. He pointed out that a copy of the meeting agenda was included in the meeting folders, and said the Council will submit its recommendations for January 2019 locality pay, when finalized, to the President's Pay Agent.¹

Mr. Allen welcomed Chairman Sanders and Ms. Bullock as new Council members and mentioned that two Council members were unable to attend—Mr. Randy Erwin, National President, National Federation of Federal Employees (NFFE) and Ms. Jacqueline Simon, Public Policy Director, American Federation of Government Employees (AFGE). Mr. Allen explained that those two Council members’ organizations were both represented in a non-voting capacity by Mr. Steve Lenkart, Executive Director, NFFE, and Ms. Alethea Predeoux, Deputy Director of Legislation, AFGE, respectively. Mr. Allen then turned the floor over to Chairman Sanders.

Report and Recommendations of the Federal Salary Council Working Group

Chairman Sanders thanked Mr. Allen and then asked that OPM staff member Mr. Joe Ratcliffe read the report of the Federal Salary Council Working Group, Council Document FSC 18-01-03. Chairman Sanders said that the Working Group report presents decision points for the full Council to consider and vote on in today’s meeting, in which the full Council would decide what recommendations to make to the Pay Agent. He said Mr. Ratcliffe would read the report, including the Working Group’s recommendation on each decision point, and pause after

¹ The President’s 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.

covering each decision point so the Council could discuss the decision point further and have an opportunity to ask OPM staff questions. Chairman Sanders added that while he recognizes that the previous Council generally preferred to operate by consensus, he would prefer the group not be constrained by a goal to arrive at “one size fits all” viewpoints or decisions. He added that while the Working Group for this meeting’s report, which consisted of himself and most Council members, had reached consensus on most issues, he would welcome opposing viewpoints on anything up for discussion today or in the future. He then asked Mr. Ratcliffe to proceed with reading the Working Group report.

Mr. Ratcliffe read the report, which presented decision points and the Working Group’s recommended Council action on each one. The decision points are listed below, with a summary of Council discussion and action on each decision point. (The purpose of this document’s summary of the Council’s presentation and discussion of the Working Group report is to document decisions the Council made regarding issues discussed in greater detail in the Working Group report. Readers interested in a more detailed discussion on these issues should see that document, Council Document FSC 18-01-03.)

Decision Points 1 and 2: (1) Should the Council recommend the locality pay rates for 2019, for both current and planned locality pay areas, using the NCS/OES model results shown in Attachment 2 of the Working Group report, and (2) should the Council recommend the Pay Agent begin the regulatory process to establish Burlington, VT, Virginia Beach, VA, Birmingham, AL, and San Antonio, TX as new locality pay areas?

When Mr. Ratcliffe reached these two decision points in his reading of the Working Group report, which indicated that the Working Group recommended the Council vote “yes” on both points, Chairman Sanders asked if there were any questions or comments.

Mr. Cox reminded everyone the Pay Agent had approved establishment of the four new locality pay areas but that a regulatory process needed to be initiated by the Pay Agent. He added, “It’s time to move forward with the process.” Mr. Allen announced that he had new information regarding the status of the regulatory process. He informed everyone that it takes several months to complete that process, but that the Pay Agent’s objective is to establish the four new locality pay areas effective January 2019.

Chairman Sanders called for a vote on Decision Points 1 and 2, and the Council voted “yes” unanimously. Mr. Ratcliffe continued reading the Working Group report and reached Decision Point 3.

Decision Point 3: Based on updated results from the NCS/OES model, should the Council recommend that the Corpus Christi, TX, and Omaha, NE, research areas be established as separate locality pay areas in 2019, and continue to monitor the pay disparities for other “Rest of U.S.” areas for which the Bureau of Labor Statistics (BLS) has provided salary estimates from the NCS/OES model?²

² The Federal Salary Council reviews comparisons of General Schedule and non-Federal pay based on data from two BLS surveys, the National Compensation Survey (NCS) and the Occupational Employment Statistics (OES) program. BLS uses NCS data to assess the impact of level of work on occupational wages. BLS applies factors derived from the NCS data to occupational average salaries from OES to estimate occupational wages by level of work in each locality pay area. This measurement process is called the *NCS/OES model*.

Addressing Decision Point 3 the Council considered the following language from the Working Group report:

We are now monitoring pay disparities in 41 research areas not approved so far for establishment as separate locality pay areas. We studied pay disparities for these areas, compared to the “Rest of U.S.” pay disparity, over a 3-year period (2015-2017). The results are shown in **Attachment 3**. The pay disparities for the Corpus Christi, TX, and Omaha, NE, research areas exceeded that for the “Rest of U.S.” locality pay area by more than 10 percentage points on average over the 3-year period studied.

Since the pay disparities for the Corpus Christi and Omaha research areas have both significantly exceeded the “Rest of U.S.” pay disparity over the 3-year period studied (2015-2017), the Working Group recommends that the full Council recommend those two areas be established as separate locality pay areas in 2019.

The Council unanimously voted “yes” on Decision Point 3. Chairman Sanders and other Council members asked whether it would be possible to establish the proposed Corpus Christi and Omaha locality pay areas at the same time as the four locality pay areas discussed for Decision Point 2. Further Council discussion clarified Pay Agent approval would be needed. Chairman Sanders requested OPM staff look into whether the six locality pay areas from Decision Points 2 and 3 could be established at the same time as the four locality pay areas covered by Decision Point 2, and as part of the same regulatory process, and report back to the Council. Thereafter, Mr. Ratcliffe continued reading the Working Group report and reached Decision Point 4.

Decision Point 4: Should the Council recommend the Pay Agent begin the regulatory process to establish McKinley County, NM, as an area of application to the Albuquerque locality pay area and to establish San Luis Obispo County, CA, as an area of application to the Los Angeles locality pay area?

Addressing Decision Point 4, the Council considered detailed information provided in the Working Group report, which explains that establishment of the two locations as areas of application was previously recommended by the Council and approved by the Pay Agent. (The Working Group report explains in detail reasons these two locations were previously recommended for establishment as areas of application.) The Council unanimously voted “yes” on Decision Point 4. Mr. Ratcliffe continued reading the Working Group report and reached Decision Points 5 and 6.

Decision Points 5 and 6: (5) Should the Council review current criteria for areas of application to determine whether any recommendations for changing the criteria are warranted, and (6) should the Council seek the views of BLS on what criteria should be used to establish areas of application?

The Council considered detailed information in the Working Group report, which explains the current criteria for establishing areas of application and notes that in recent years the Council has recommended changes in criteria that the Pay Agent has not approved.

The Council heard from the reading of the Working Group report that in recent years groups and individuals from a number of “Rest of U.S.” locations throughout the Country have expressed concern about not qualifying as areas of application. The Council considered the Working Group recommendation that the Council take a fresh look at current criteria for areas of application, as well as the historical position of the President’s Pay Agent in that regard, to determine whether recommendations for changing the criteria are warranted, and that the Working Group suggestion that such a review could include seeking the views of BLS on this issue.

Mr. Cox expressed strong support of the Working Group recommendation, and Mr. Reardon said he agreed it is important to support that recommendation. The Council unanimously voted “yes” on Decision Points 5 and 6. Mr. Ratcliffe continued reading the Working Group report and reached Decision Point 7.

Decision Point 7: Should the Council recommend any special action be taken for any of the areas listed in Attachment 4 of the Working Group report that do not meet current criteria for inclusion in a locality pay area separate from the “Rest of U.S.?”

Chairman Sanders confirmed with Council staff that individuals from three of the locations listed in Attachment 4 of the Working Group report were present to provide testimony to the Council. He then proposed that testimony be heard before the Council would vote on Decision Point 7, and the other Council members agreed. Chairman Sanders reminded everyone that, as stated in the meeting notice published in the *Federal Register*, the Council asks that each speaker’s testimony be limited to 5 minutes.

Testimony the Council heard regarding the three locations is briefly summarized below. Charleston, SC, was the first “Rest of U.S.” location on which the Council heard testimony, followed by Imperial County, CA, and Nashville, TN.

Charleston, SC

The three speakers’ testimony accompanied a detailed, written proposal to establish Charleston, SC, as a locality pay area separate from the “Rest of U.S.” That written proposal is Council Document FSC 18-01-04.

The three speakers, in order of testimony, were—

1. Mr. Scott Isaacks, Director and Chief Executive Officer of the Ralph H. Johnson Department of Veterans Affairs (VA) Medical Center in Charleston, SC;
2. Ms. Lisa Metheney, Deputy District Engineer for Programs and Project Management, U.S. Army Corps of Engineers, Charleston District; and
3. Mr. Ian Scott, Senior Vice President, Advocacy, Charleston Chamber of Commerce.

Mr. Isaacks was the first speaker. He noted that Ralph H. Johnson VA Medical Center (VAMC) serves more than 75,000 veterans, and is a complex tertiary care referral center providing high quality medical, specialty, and mental health care to veterans across the southeast. He said the VAMC is the second-fastest growing VA medical center in the country and is known for

delivering high quality, safe care and is ranked in the top 10 percent of all hospitals in the U.S. He said he mentioned these facts because veterans deserve nothing less than the very best health care to deal with the injuries and illnesses they sustained during their service. He added, “That is what we are providing for them, but the ability to continue providing the best care for our veterans is being severely impacted by Charleston being limited to “Rest of U.S.” locality pay.

Mr. Isaacks told the Council that, while his VAMC can initially attract highly qualified applicants for select clinical care occupations, all too often excellent candidates decline offers because they cannot afford to live in the area, where the cost of living already causes staffing issues and is rising. He said a number of mission-critical occupations are affected, and that there are currently about 400 vacancies and a vacancy rate of 12 percent for positions including physicians, psychologists, physician assistants, certified registered nurse anesthetists, licensed practical nurses, medical technologists, registered nurses, and physical therapists. Mr. Isaacks said his facility uses targeted special salary rates and retention, relocation, and recruitment incentives as well as student loan repayments to partially address the problem.

Mr. Isaacks said, “The reality is because we are a hospital, we—like the overwhelming majority of Federal entities in the Charleston area—are science, technology, engineering and medical or STEM-based. That means the bolus of our employees are professionals in higher-graded positions which often results in pay disparities of anywhere from \$10,000 to \$20,000 between markets such as Laredo, Texas, Denver or Philadelphia as compared to Charleston. Further, because we require larger numbers of scientists, therapists, pharmacists, researchers and other medical professionals to fulfill our mission, the grades of our positions skews the current formula used by this board to determine locality pay.”

Mr. Isaacks said that while fair compensation for the VAMC staff is one concern, the request to establish Charleston as a locality pay area separate from the “Rest of U.S.” is more about providing the very best health care for veterans. In closing, he said, “Without your approval of this locality pay request, I am convinced our ability to continue to fulfill our mission both now and in the future will be placed at unnecessary risk. Therefore, I ask you to approve this request—not just for our employees, but for the veterans we are privileged to serve. Thank you.”

Chairman Sanders asked if the Council had any questions for Mr. Isaacks. Mr. Cannon asked about the special salary rates at the VAMC and the coverage of any salary data used to set pay levels for the positions covered by special rates. Mr. Isaacks responded that the VAMC uses local labor market data but that he was aware of difficulties collecting salary data locally because hospitals contacted for possible survey have been reluctant to participate.

Referring to NCS/OES model results for Charleston and the criteria discussed earlier in the meeting for establishing new locality pay areas based on NCS/OES model results, which Charleston does not meet, Chairman Sanders asked what Mr. Isaacks would propose the Council recommend for Charleston. Mr. Isaacks responded that, while others might have more expertise that would be helpful in answering the question, he believed that some methodology that takes living costs into consideration might help. Chairman Sanders said that a methodology based on living costs might be problematic, but that the effect of living costs on staffing is a consideration.

Mr. Cox asked what the most recent pay disparities have been for Charleston. Mr. Ratcliffe read the pay disparities for Charleston shown in Attachment 3 of the Working Group report and noted

that over the 3-year period 2015-2017 the pay disparity for Charleston was 3.37 percent lower on average than the pay disparity for the “Rest of U.S.”

Mr. Cox said he understands that staffing positions at VAMCs can be very difficult and expressed concern about the situation Mr. Isaacks described. Mr. Isaacks said, “We really do use all those tools outside of locality pay,” and reiterated that his VAMC had significant staffing difficulties impacting mission.

Ms. Metheney was the next to speak. She introduced herself as the senior civilian for the Charleston District of the U.S. Army Corps of Engineers. She said the Charleston District is composed of 215 dedicated employees focused on civil works, military construction, and interagency and international support missions averaging approximately \$300 million annually. She explained that the Charleston District plans, designs, and constructs water resource infrastructure projects; regulates waters of the U.S. in South Carolina; and provides a full suite of project planning and construction at Fort Jackson and Joint Base Charleston and a number of other critical functions.

Ms. Metheney said that she was speaking today as a member of the Charleston Federal Executive Association representing the 44 Federal agencies located in Charleston, as were Mr. Isaacks and Mr. Scott. She said while the 44 agencies’ missions are varied, all are impacted in executing their missions due to the challenges of recruiting and retaining the necessary talent while being limited to “Rest of U.S.” locality pay. She added that so many of the Federal employers in Charleston have missions requiring a large percentage of staff from STEMM (Scientific, Technical, Engineering, Mathematics, and Medical)-related fields, the lack of a higher locality pay rate for the Charleston area is even more impactful. (As indicated above, Mr. Isaacks also earlier noted the particularly severe impact of Charleston pay on STEMM positions.)

Mr. Cannon asked Ms. Metheney how many of the jobs she discussed require security clearance levels of secret or above. He said clearances are a substantial investment, and that employees who leave their positions for higher pay take their clearances with them. Ms. Metheney responded that she would estimate that about 15 percent to 18 percent of her workforce require secret or above security clearance.

Ms. Metheney said the locality pay program’s comparison methodology does not align with what employers in Charleston are experiencing when trying to staff mission-critical STEMM and related positions, and she added that her group looked at OES data and could not replicate the Council’s results. Chairman Sanders said he would be happy for staff to explain further how survey methodology and the pay comparison process work. Regarding some of the STEMM positions referred to so far in the testimony on Charleston, Chairman Sanders said, “These strike me as jobs for which you’re competing at a National level rather than a local level.”

Ms. Metheney agreed that is possible and added, “Maybe that’s part of why we can’t replicate the Council’s results.”

Mr. Scott spoke next. He said the Charleston Metro Chamber of Commerce is the collective voice of employers in the region and serves 1,600 member organizations. He said the Chamber, through its Regional Competitiveness Center, provides members up-to-date economic, demographic and workforce data to inform their investment and operations decisions. Mr. Scott said the Chamber would speak today in support of designating the Charleston-North Charleston Metropolitan Statistical Area with its own locality pay rate for Federal employees.

Mr. Scott said the Charleston region's economy is undergoing a transformation from service-based to skills-based. He said Boeing, Mercedes, Google, Volvo, and many other technology, healthcare, and manufacturing firms now call the Charleston region home. Citing data from the Brookings Institute, he said Charleston ranks 20th among the nation's top 100 metropolitan areas for growth in the Advanced Industry sector.

Mr. Scott told the Council that Federal employment continues to be an important component of the Charleston area's economy, but that Federal agencies increasingly struggle to recruit and retain the talented employees they need to fulfill their missions. He said, "Like private-sector employers, they compete for talent in Charleston's fast-growing and costly market. Unlike private-sector employers, they do not have authority to maintain a competitive wage position. A locality pay rate would help remedy that situation."

Mr. Scott cited additional indicators showing considerable growth and increased living costs in the Charleston area, reiterated his support of a higher locality pay percentage for the Charleston area, and thanked the Council for hearing his testimony.

Chairman Sanders asked if there were questions or comments from the Council regarding the three speakers' testimony on the Charleston area. Mr. Lenkhart thanked the speakers for their testimony and said it was very compelling. He encouraged the speakers to seek Congressional support. He then asked the Council members, "Is there anything we can do?" Chairman Sanders responded, "I don't know what we can do. But Charleston may be one of many areas where there are indications the current methodology needs to be reviewed."

Hearing no further comments regarding the testimony on Charleston, Chairman Sanders invited the next speaker to begin.

Imperial County, CA

Mr. Mike Matzke, President, AFGE National Border Patrol Council Local 2554, spoke on behalf of Federal employees in Imperial County, CA. Mr. Matzke's testimony accompanied a detailed, written proposal to include that county in the Los Angeles locality pay area as an area of application. That written proposal is Council Document FSC 18-01-06.

Mr. Matzke began by thanking the Council for supporting Imperial County in the past and for its continued support. (Along with making other changes to criteria for areas of application, the previous Council recommended new criteria for single-county locations adjacent to multiple

locality pay areas. See the Council's December 2016 recommendations posted at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/federal-salary-council/recommendation16.pdf>, specifically the section on pages 7-8 entitled "Evaluating Single-County Locations Adjacent to Multiple Locality Pay Areas." Under those criteria, which were not approved by the Pay Agent, Imperial County would have qualified for inclusion in the Los Angeles locality pay area based on (1) the sum of its employment interchange rates with the Los Angeles and San Diego locality pay areas being greater than 7.5 percent and (2) having a higher employment interchange rate with the Los Angeles locality pay area than with the San Diego locality pay area.)

Mr. Matzke said Imperial County is the only county in southern California that does not receive locality pay above that for the "Rest of U.S." He pointed out that the Pay Agent had tentatively agreed with the Federal Salary Council that San Luis Obispo County, CA, should receive Los Angeles locality pay because San Luis Obispo County is almost completely surrounded by higher paying locality pay areas. He said Imperial County is also essentially a completely surrounded county in California, but whereas San Luis Obispo has the Pacific Ocean to its west, "Imperial County has something worse to its east: a State with a lower cost of living." He added, "Because of that, the two largest Federal agencies in Imperial County are hemorrhaging agents and there is no end in sight. If you are a Federal employee in Imperial County, you can get a job in a higher locality pay area like San Diego or Los Angeles, or move to a lower cost of living county like Yuma or La Paz, Arizona. There is absolutely no reason to stay in Imperial County, CA, and it shows in our attrition rate." Mr. Matzke noted that these disparities were occupation-specific, primarily involving Federal law enforcement positions; in so noting, he quipped that "where I work, you're either a farmer or you're law enforcement."

Continuing, Mr. Matzke said, "If you also consider the high levels of pollution, unemployment, and heat in the summer time this exacerbates our problems. We are currently down 338 agents in the El Centro Sector and we are down 80 officers on the Customs side. Recently the Calexico Station offered a \$12,500 bonus to fill 59 openings, but only 12 were filled. El Centro Sector currently has one station in Riverside County, and that station has roughly half the attrition rate as the stations in Imperial County. While we don't believe that by making us part of the Los Angeles locality pay area this Council will solve all our problems, we are asking to be added to the Los Angeles locality pay area in the hopes that it will cut our future attrition rates in half and encourage more Federal employees to stay in Imperial County. Thank you for your time and commitment to the pay equity of Federal employees."

Chairman Sanders thanked Mr. Matzke and said he would take a closer look back at the previous Council's recommendation regarding single-county locations adjacent to multiple locality pay areas and that he was interested in understanding the idea of summing employment interchange rates.

Mr. Cox commented, "I think we have made recommendations along those lines in the past but have not been successful with the President's Pay Agent in that regard. But staffing is difficult in the area."

Mr. Matzke said the key takeaway is that Imperial County is losing personnel to areas that have higher locality pay or lower living costs. He thanked the Council again for hearing his testimony.

Hearing no further comments regarding the testimony on Imperial County, Chairman Sanders invited the next speaker to begin.

Nashville, TN

Mr. Eric Crafton introduced himself as Chairman of Nashville's Locality Pay Initiative Team and the Deputy Chief of Real Estate of the Army Corps of Engineers' Nashville District. His testimony accompanied a detailed, written proposal to establish Nashville, TN, as a locality pay area separate from the "Rest of U.S." That written proposal is Council Document FSC 18-01-05.

Mr. Crafton thanked the Council for giving him the opportunity to provide testimony. He said that as Chairman of the Locality Pay Initiative Team he represents 28 Nashville area Federal agencies and 9,000 Federal employees and their families. He said, "The mere fact that 28 Federal agencies combined forces to bring this issue to your attention speaks volumes," and he said he would provide personal examples to illustrate the extreme staffing difficulties caused by Nashville's lack of a special locality pay scale.

He said it had taken him 9 months and four job postings to fill a GS-12 appraiser position, and that two candidates he selected left within 2 weeks, both identifying as the reason for leaving the Nashville area's high cost of living, lack of affordable housing, and the lack of higher locality pay than that for the "Rest of U.S."

Mr. Crafton continued, "Also, I am a veteran. My VA doctor retired in November 2017. It took months to find her replacement. During this time, my March appointment was cancelled and rebooked 7 months later, for October of this year, because a doctor had not been hired by my appointment date. Two very frustrating stories, and I'm just one person, in one branch of one agency."

Mr. Crafton noted that in 2014 the Council was asked to consider establishing a separate locality pay area for Nashville because Nashville's booming economy, steadily falling unemployment rate, skyrocketing cost of living, and the expanding pay gap between private and Federal pay, especially in technical and STEM-related occupations, were all combining to make mission accomplishment very challenging and the recruitment of new talent and retention of experienced employees even more difficult. Mr. Crafton said that now Nashville's Federal agencies are at a tipping point.

Mr. Crafton said the Council's findings were surprising that the disparity between Federal and non-Federal pay in Nashville was 0.71 percent lower than the disparity between Federal and non-Federal pay in the "Rest of U.S." area during the period 2014-2016. He said those findings directly contradict what the 28 Federal agencies he represents observed during the same period and do not fit with what they have observed. He asked the Council to consider the following:

1. In 2017, Nashville's Metropolitan Government enacted a 3-year pay plan that includes an aggregate 18% pay increase, recognizing their pay gap with the private sector.

2. At each of its five annual meetings (2014-2018), the Department of Defense Wage Fixing Authority approved five consecutive annual pay raises for its Federal Wage System employees equaling an aggregate 24% increase, acknowledging the continued significant pay disparity between Nashville's Federal employees and comparable private sector employees. Now, senior mechanics and electricians commonly earn GS-14 pay, handily outpacing their GS-12 and GS-13 supervisors. As a result, GS supervisors are petitioning to go back into the field, and who can blame them?
3. Despite the fact that Nashville's unemployment rate steadily decreased over this period (2014-2016) to the point where Nashville now boasts the lowest unemployment rate in the nation at 2.3%, the report still shows private wages remaining flat.
4. From 2013-2018, Nashville's cost of living dramatically increased so much that GSA increased Nashville's per diem rate by 60% or almost \$80 higher than the average "Rest of U.S." per diem rate.

Mr. Crafton said that since the Council's findings regarding 2014-2016 disparities between Federal and non-Federal pay are so different from what Federal employers were observing, he felt compelled to investigate. He said, "I discovered that the Council's report uses BLS and OPM data to reduce all Federal wages and private wages into one annual mean wage for each category, and then compares the two. This 'one size fits all' approach inadvertently leads to inaccurate results for Nashville and is a major concern to us."

Continuing, Mr. Crafton said, "Nashville's economy is very different from most in that it is heavily reliant on tourism and hospitality, so this approach creates an inaccurate wage comparison picture that artificially skews downward private wages. None of our 28 agencies hires tour guides, musicians, bartenders or waiters, for example. So, the team revisited BLS's 22 occupational categories and determined that 12 of these created a *comparable market basket of jobs* that should be used to establish whether or not 'there is equal pay for substantially equal work within each local pay area.' Our results point to a very large gap between Federal and private pay. Noted Economist Dr. Garrett Harper and his team provided independent verification of our conclusions. In our intra-agency letter to the Council, he supported the veracity of our findings."

Concluding, Mr. Crafton said, "The Council has looked at Nashville since 2014, but seemingly through the wrong lens. The Council's stated policy is to look at an area for three years before making a recommendation to the President's Pay Agent, but Nashville's Federal agencies are hemorrhaging talented workers at such an alarming rate, we need your help now. So, I'm asking you for three things today:

1. Please revisit Nashville's case from 2014-2017 using our Comparable Market Basket Comparison Approach instead of the 'one size fits all' approach. This will clearly show Nashville warrants a separate locality pay area.

2. Please recognize the large Federal-private pay disparity in Nashville, and
3. Most importantly, please make a positive recommendation to the President's Pay Agent for the establishment of a new, separate locality pay area for Nashville in 2019.

Our 9,000 employees need your help. I offer sincere thanks for your time, attention and consideration.”

Chairman Sanders thanked Mr. Crafton and added, “Thanks to speakers from all three areas for coming to the meeting, and thank you for your service.”

Mr. Cox said he also appreciated the testimony. He said, “Federal employee pay is a serious issue,” and added that he believes part of what the Council had heard in the testimony were effects of the freeze on Federal employee pay for several years, followed by several years of small annual pay adjustments. He said he hoped for larger pay adjustments in the future.

Chairman Sanders said that what he heard in the testimony from the three areas today tells him the methodology is flawed. He said, “The impact of benefits is masked by the methodology, and occupational pay differences are masked by the methodology.”

Turning back to Decision Point 7, Chairman Sanders said he thinks the testimony heard today was symptomatic of a larger problem. He reiterated the point he made earlier regarding Charleston that compelling testimony from that area regarding their occupation-specific challenges raises the question of whether there are other areas with similar struggles that this Council has not heard from yet. He said his personal view is that, rather than recommend making exceptions for areas reporting particular, occupation-based staffing problems, the Council should take a more systemic approach and begin a review of the methodology. He then called for a vote on Decision Point 7 (Should the Council recommend any special action be taken for any of the areas listed in Attachment 4 of the Working Group report that do not meet current criteria for inclusion in a locality pay area separate from the “Rest of U.S.?”) The Council unanimously voted “no.” Mr. Ratcliffe continued reading the Working Group report and reached Decision Point 8.

Decision Point 8: Should the Council recommend use in the locality pay program of the updated definitions of OMB-defined metropolitan areas published in OMB Bulletin 17-01?

With the understanding that the minor updates in Bulletin 17-01 would have no effect on the definitions of current or planned locality pay areas, but that it is generally the Council's practice to recommend using the most up-to-date data available for analytic purposes, the Council unanimously agreed to recommend adopting the definitions of Core Based Statistical Areas in Bulletin 17-01 for use in the locality pay program.

Mr. Ratcliffe noted that just prior to the meeting Council staff learned another OMB Bulletin further updating OMB-defined metropolitan areas was issued just before today's Council meeting, OMB Bulletin 18-03, but that Council staff was still reviewing the impact. Mr. Allen added that it appeared the overall impact of the OMB update was that one additional county would be added to the tentatively approved San Antonio locality pay area if the metropolitan area definitions contained in Bulletin 18-03 were adopted.

Chairman Sanders proposed Council staff confirm the impact of the OMB update would be minor. Mr. Cox said that if the effect would be a county is added to a current or planned locality pay area he would likely have no objection to recommending use of metropolitan areas from OMB Bulletin 18-03. Chairman Sanders proposed the following decision point be put to the Council for a vote:

Decision Point 8b: If Council staff confirms changes in OMB Bulletin 18-03 are minor and do not result in counties being removed from locality pay areas separate from the “Rest of U.S.” locality pay area, should the Council recommend use in the locality pay program of the updated definitions of OMB-defined metropolitan areas published in OMB Bulletin 18-03?

The Council unanimously voted “yes” on Decision Point 8b. Mr. Ratcliffe continued reading the Working Group report and reached Decision Point 9.

Decision Point 9: Should the Council undertake a further review of the salary survey methodology used in the locality pay program?

Chairman Sanders said a good starting point for addressing Decision Point 9 would be to hear from BLS staff, which provided a report on the most recent deliveries of NCS/OES data to OPM staff. BLS Supervisory Economist Ms. Frances Harris read the following prepared statement to the Council.

I am Frances Harris of the Bureau of Labor Statistics, Office of Compensation and Working Conditions. I am pleased to come before you today to present the work that the Bureau of Labor Statistics does in support of the President’s Pay Agent and the Federal Salary Council. The BLS provides pay estimates each year to the Federal Salary Council and President’s Pay Agent for broad categories of professional, administrative, technical, clerical, and officer jobs, known as PATCOs, at the various General Schedule (GS) work levels. These estimates are based on the combined data from the Bureau’s National Compensation Survey (NCS) and the Occupational Employment Statistics (OES) programs.

The Occupational Employment Statistics program has a sample of 1.2 million establishments and estimates occupational employment and pay in every State and metropolitan area in the nation and selected U.S. territories. The National Compensation Survey has a sample of about 11,400 establishments and collects detailed information on the pay, benefits, and work levels of jobs. The BLS uses a statistical process to bring together data from the NCS and OES.

The PATCO estimates are designed to represent the annual earnings of workers in private industries and state and local government by area, PATCO group, and work level. The work level is based on information collected on the duties and responsibilities of the occupations sampled in the NCS. This information allows for pay comparisons to be made between Federal and non-Federal workers for the same level of work.

The Federal Salary Council requested that the BLS deliver PATCO estimates in 2017 based on the 2015 revisions to the 2013 OMB Core Based Statistical Area (or CBSA) definitions. The revisions resulted in minor changes to the CBSA definitions for Dallas-Fort Worth, TX-OK; Huntsville-Decatur-Albertville, AL; Birmingham-Hoover-

Talladega, AL; and Pensacola-Ferry Pass, FL-AL. The Council also requested that estimates for the Rest of the United States exclude areas that have been recommended and are awaiting establishment as new locality pay areas. As in prior years, the Council asked the BLS to provide separate estimates with and without incentive earnings.

In the 2017 delivery, the BLS produced PATCO estimates for 95 areas, including the 47 current locality pay areas as well as a number of areas of interest. The 2015 revisions to the CBSA definitions are reflected in the delivery. The PATCO estimates for the Rest of the United States excluded all current locality pay areas as well as the four areas—Burlington-South Burlington, VT; Virginia Beach-Norfolk, VA-NC; Birmingham-Hoover-Talladega, AL; and San Antonio-New Braunfels, TX—that were recommended and awaiting establishment as new locality pay areas.

For all estimates delivered in 2017, the BLS applied standard methods to screen for BLS confidentiality requirements. Estimate suppressions were limited in number and concentrated in areas with relatively small employment, and in PATCO by grade combinations that contain relatively few detailed occupations and have relatively small federal weight.

Looking ahead, the Office of Personal Management (OPM) has already provided a federal employment weight file to the BLS for the 2018 delivery. The federal employment weight file for 2018 continues to use the 2000 version of the SOC codes. Therefore, the BLS plans to deliver the 2018 PATCO estimates based on the 2000 SOC codes.

The BLS would like to remind the Council that the OES program has begun collecting data at a more aggregated level than the detailed occupation for four of the 251 occupations in the federal employment weight file for the 2018 delivery. These aggregations were implemented because the OES survey does not have the information needed to distinguish between these similar occupations for accurate coding. These aggregations are expected to lead to higher quality estimates. The OES aggregations will be used in the PATCO estimates for the 2018 delivery. The BLS will evaluate the impact of the aggregations on the PATCO estimates and can provide the Federal Salary Council with a summary of its findings upon request.

I will be happy to answer any questions you may have.

Chairman Sanders thanked BLS for its testimony and began a discussion on Decision Point 9. He said that when he asked the question early on of whether the salary survey methodology should be reviewed, NTEU pointed out that the Council had made a number of recommendations over the years for improving the methodology, an observation he appreciates. Chairman Sanders then said, “I would like to get a better understanding of the current methodology by talking to BLS and other experts. I know BLS has had to make changes to their methodology due to budget constraints. I think that’s penny wise and pound foolish. I really think we need to work on methodology. You can’t look at all occupations as if they were equal, and you can’t look at all employees as if they were equal, or all areas as if they were equal. We need more precision, and that’s where I’d like to take the Council.”

Mr. Cox said, “We’re open to having conversations and discussions, but I think it’s about comparing pay to pay and not trying to package benefits and pay together. What we are hearing today is due to pay, not benefits. Federal employees are way behind.”

Mr. Cannon said, “We have a marketing issue, and we have to market ourselves better. We have to show we’re the best employer. It takes a certain calling to do what we do in public service.” Looking toward Mr. Matzke, Mr. Cannon added, “Law enforcement is a calling, not just a job.” Regarding the question of whether the salary survey methodology should be reviewed, Mr. Cannon said, “We have to be open to finding new ways of doing what we do, different ways of achieving our goals.”

Chairman Sanders said, “Thanks. And we have only heard from a few areas today. I’m sure there will be more.”

Mr. Reardon said, “We should look carefully at the methodology. It’s clear from what we heard today that we’re not looking at sufficient data. I also agree with J. David that the pay freeze and small annual increases since then are a factor.”

Ms. Bullock said, “What we heard today was really sad. I am in full agreement that we should at least look at the methodology.”

Chairman Sanders agreed with Ms. Bullock, and said, “I’m not saying the Council is necessarily going to change the methodology, but we need to review it. Let’s start with BLS, and from there we can get others’ views on how the methodology can become more accurate. If the goal is to ensure the Government can recruit and retain the best talent, then the question to ask is what’s the best method for measuring any pay gaps there may be. This can begin with a conversation with experts, starting with those in Government. It does seem problematic to include benefits in that comparison, but I would think we could check with experts on that to see if there are ways of doing apples-to-apples comparisons of benefits that might be helpful.”

In response to Chairman Sanders mentioning consulting with BLS as a first step, Ms. Harris said it is always BLS’ goal to support the Council. She said BLS would be happy to participate in discussions about methodology beginning with further information on how the current salary survey methodology works as well as how improvements might be made or how BLS might be able to help the Council explore other statistical methods. Chairman Sanders thanked Ms. Harris.

Public Comment and Adjournment

Chairman Sanders invited public comment. Hearing none, he adjourned the meeting at 1:05 p.m.

CERTIFIED

SIGNED

Ronald P. Sanders, Ph.D.
Chairman