

**THE FEDERAL SALARY COUNCIL****Minutes of September 3, 2003****MEETING NO. 03-01**

The Federal Salary Council (FSC) held its first meeting of 2003 on Wednesday, September 3, 2003. Donald J. Winstead, Deputy Associate Director for Pay and Performance Policy at the Office of Personnel Management (OPM) and Designated Federal Official for the Federal Salary Council, introduced himself. Mr. Winstead explained that the Federal Salary Council, which is chartered under the Federal Advisory Committee Act, had recently undergone changes in membership. He introduced the new Chair, Ms. Terri Lacy, a partner at Andrews and Kurth L.L.P. He said Peter Tchirkow, American Federation of Government Employees (AFGE), had retired and that former AFGE National President Bobby Harnage had not been reelected in August. Mr. Winstead thanked Mr. Harnage and Mr. Tchirkow for their many years of fine service to the Council. Jaque Simon of AFGE introduced herself and asked if she could informally represent AFGE. Mr. Winstead welcomed her and explained that, since there had not been time for the President to appoint an AFGE member, Ms. Simon could informally represent AFGE but would not be able to vote or conduct official business with the Council. Mr. Winstead turned the floor over to Ms. Lacy, who began the meeting at 1:10 p.m.

**Present**

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

In addition to OPM staff, more than 25 members of the public attended, including:

- Federal employees representing western Massachusetts and South Florida;
- Three representatives of the Bureau of Labor Statistics (BLS);
- Congressional staff from the offices of Senator Edward Kennedy (D-MA), Senator John Kerry (D-MA), Representative Richard Neal (D-MA), Representative John Olver (D-MA); and Representative Ileana Ros-Lehtinen (R-FL); and
- Six representatives of the media.

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

Ms. Lacy said the minutes of the previous Council meeting (Council document FSC-03-1-1) had been certified prior to the current meeting. She then introduced Phil Doyle of the Bureau of Labor Statistics (BLS), who briefed the Council on the status of improvements in the National Compensation Survey (NCS) Program.

## **Status of NCS Improvements**

Phil Doyle, Chief, Division of Compensation Data Analysis and Planning, briefed the Council on the status of the following five planned improvements to NCS surveys:

- (1) Revise grade leveling,
- (2) Revise grade leveling for supervisors,
- (3) Develop multiple regression model to fill in for missing data,
- (4) Revise crosswalk between General Schedule and NCS jobs, and
- (5) Exclude non-Federal workers graded above GS-15.

The handout accompanying Mr. Doyle's presentation is Council document FSC-03-1-2.

Mr. Doyle said data delivered to OPM in 2002 and 2003 included the most recent crosswalk provided by OPM staff and a procedure to exclude workers above GS-15 and that future deliveries would incorporate crosswalks updated annually by OPM. He said the improvement to grade leveling was in progress, that leveling guides were essentially ready for use in data collection early next year, that training of staff and modification to software would be done in time for Spring 2004 data collection, and that full implementation would take about 5 years, since "changes of this magnitude can be made only at the initiation (enrollment) phase of collection."

Ms. Lacy thanked Mr. Doyle for his presentation and asked if the Council had any questions. Receiving none, she said the Council would now hear testimony concerning locality pay area boundaries. After asking that speakers limit their presentations to 5 minutes so the Council could complete the day's business in the time available, Ms. Lacy invited Federal employees representing Western Massachusetts to begin their testimony.

(Mr. Doyle's presentation is summarized in Council Document FSC 03-1-2. A BLS presentation on geographic redesign in NCS surveys was planned but skipped to allow more time for testimony.)

## **Western Massachusetts**

Mr. Bruce Sylvia, Vice President of the Federal Executive Association of Western Massachusetts (FEAWM), thanked the Council on behalf of Federal agencies in the Connecticut River Valley (CRV) area of western Massachusetts for providing him the opportunity to speak.

He said he would not take the time to address his submission in the same detail as he had in previous Council meetings, since the proposals made public in previous meetings "speak for themselves." However, he said he wished to state that he believes the process is supposed to be about fairness and equity. He discussed the amount of time and effort the FEAWM had expended doing research, preparing proposals, and traveling to Council meetings. He said the Council had said for 3 years that it needed to review 2000 Census data before acting on the

FEAWM proposal but had nevertheless recommended adding Barnstable County, MA, as an area of application to Boston in 2002. He asked why and said “we have a quit rate 50 percent higher than the national average and more than double the number of GS employees” in Barnstable County. He said he had previously urged the Council to update its criteria for areas of application in order to “keep current with the real picture in the Federal sector” and believes his specific recommendations to do so were never considered. He reminded the union representatives on the Council of their responsibility to their constituents and urged them to “be bold” and exercise their votes in the best interest of their constituents. He then discussed recruitment and retention difficulties and cited strong local and congressional support for the FEAWM proposal. He gave the Council a petition signed by Federal employees to make Hampden and Hampshire Counties, or 21 towns in Hampden and Hampshire Counties, areas of application to the Hartford locality pay area. In closing, he urged the Council to recommend approval of the FEAWM proposal and thanked the Council members for hearing his statement.

Ms. Lacy asked if the Council had questions for Mr. Sylvia.

During his presentation, Mr. Sylvia had said that Representative Olver and other Congressmen had been working “out of committee” on legislation that would be favorable to the FEAWM cause. Mr. Maestas asked whether that would diminish the importance of Council support. Mr. Sylvia said no, that in mentioning the possibility of legislation he was just describing a parallel course of action that in no way diminished the Council’s role in helping Federal employees in western Massachusetts.

Since the Council had no further questions for Mr. Sylvia, Ms. Lacy said that Jeffrey Anliker, Chair of the FEAWM, was also scheduled to address the Council. Mr. Anliker said he would like to do so but wondered if he still could, given the 5 minute limit the Chair had requested. Ms. Lacy said Mr. Anliker could address the Council.

Mr. Anliker reiterated his point made in prior presentations that the CRV, though consisting of many townships, is actually “one geographic, social, and economic corridor through which trade and employment freely flow.” He said the Hartford-Springfield economic partnership had formed in September 2000 because of the need for the area to act as a unified economic entity and “as one for population, transportation, cost of labor, and pay.” He provided the Council with news articles about the partnership and cited support of it by “both Governors, regional and local units of government, corporate/business interests and nonprofit partners.” He asked the Council to revisit its area-of-application criteria, to reduce the GS employment criterion to correspond with reductions in the Federal workforce since the 1990s, and to consider the 3.2 percent quit rate for the CRV, which “according to OPM data in fiscal year 2001 is 50% greater than the national average of 2.1 percent.” He said the quit rate for Hamden and Hampshire counties in FY 2002 was “almost 4.5 percent” and said retention of qualified employees is increasingly difficult.

Mr. Anliker urged the Council to deliberate carefully, evaluate each proposal on its own merits, and act favorably on the FEAWM proposal. He thanked the Council for hearing him.

Ms. Ann Jablon, a staff member from the office of Representative Neal, expressed Representative Neal's support for the proposal, and said Representative Neal's office had heard from many about recruitment and retention difficulties in the CRV.

Ms. Kathleen Wildman, a staff member from Senator Kennedy's office, said Senator Kennedy strongly supported the FEAWM proposal. She said Senator Kennedy's office was very concerned that the 3.2 quit rate was 50 percent higher than the national average and that it was important to understand that the quit rate doesn't include transfer among Federal Agencies or areas. She said that at the Internal Revenue Service years of experience for IRS agents in the CRV were less than that of agents in the Boston locality pay area. She said other pay flexibilities had not worked in the CRV to address recruitment and retention problems.

Ms. Lacy thanked the Congressional staff for their statements.

### **Barnstable County, MA**

Ms. Lacy said the Council noted remarks submitted in writing by Frank Almeida of the National Oceanic and Atmospheric Administration, National Marine Fisheries. Mr. Almeida planned to speak in person before the Council but could not attend due to unforeseen circumstances and did not have time to arrange a replacement. As in the previous Council meeting, Mr. Almeida asked the Council to recommend that Barnstable County be added to the Boston locality pay area. His statement (see FSC 03-1-12) said that Cape Cod meets all of the Council's current criteria for areas of application except the GS employment criterion, reminds the Council it voted to recommend adding Barnstable County to Boston last year, and asks that the Council once again consider the Barnstable County proposal in light of 2000 census data and current Federal employee commuting rates, which Mr. Almeida said were "staggering." (The Federal employee commuting rates are in Council document FSC 03-1-9, which was prepared by the Barnstable County Locality Pay Working Group).

### **Monterey County, CA**

Ms. Lacy invited Gary Dent from the Federal Managers Association, Chapter 308, to address the Council. Mr. Dent said that Monterey County, CA, has experienced a deep sense of betrayal in learning that the county could be excluded from the San Francisco locality pay area. He said that if Monterey County were removed from the locality pay area the most valuable employees would probably leave and that younger workers in the Federal Employees Retirement System would have less incentive to remain. Mr. Dent urged the Council not to recommend removal of Monterey County from the San Francisco locality pay area. Ms. Lacy provided the Council an opportunity to ask Mr. Dent questions. Receiving none, Ms. Lacy welcomed Representative Sam Farr, who addressed the Council regarding Monterey County.

Representative Farr thanked the Council and said he was pleased to attend the meeting. He reminded the Council that he had testified before regarding Monterey County. (The Pay Agent agreed to an FSC recommendation to add Monterey County to the San Francisco locality pay area in 1999, and the change was effective in January 2001. Representative Farr testified in support of this change.) Representative Farr told the Council that the 4000 Federal employees in Monterey County are "hard-working and dedicated to the success of their agency missions," that

rumors of “impending loss of locality pay” have “sent a wave of panic through Federal employee ranks,” and that a recent poll of workers indicated that many Federal workers would quit their jobs and leave the county if Monterey were removed from the locality pay area. He cautioned the Council against rushing to decide on so important an issue as locality pay area definitions. He reminded the Council that the decision to grant Monterey County area-of-application status was based on careful deliberation and detailed analysis and said that nothing about Monterey County has changed since it attained that status and that “what has changed is a line drawn on a map.” He told the Council the decision to add Monterey to the San Francisco pay area was right in 1999, and that “it remains the right decision today.” He thanked the Council and asked if it had questions. There were none. Mr. Brown said he had many constituents in Monterey County and that he agreed living costs in the county were especially high. Ms. Simon thanked Representative Farr for his presentation. Ms. Lacy also thanked him and announced that the South Florida Federal Executive Board would now address the Council.

### **Monroe County, FL**

Jaqueline Arroyo, South Florida Federal Executive Board; Matt Strahan, National Weather Service; and Israel Ortega, Congressional Staff for Representative Ileana Ros-Lehtinen spoke on behalf of Federal employees in Monroe County, FL, and requested that the Council recommend to the Pay Agent that the county be made an area of application to the Miami locality pay area.

Ms. Arroyo said recruitment and retention in Monroe county were increasingly difficult and that other pay flexibilities had been applied but had proven inadequate. She said the disparity in locality pay between the county and the Miami locality pay area hinders the ability to recruit and retain in the county. She invited the Council to visit the county to gain an understanding of its unique nature. She said that only 10 percent of the county’s land is habitable and that this makes the GS employment and population density criteria unattainable.

Matt Strahan, a meteorologist in charge of the Key West National Weather Service, discussed the “unique nature of the Keys,” which he said consisted of mostly uninhabitable land from which there is “nowhere to go for housing, entertainment, and medical care.” He said the Florida Keys are the third most expensive place to live in the U.S., that the Keys have living costs 25 percent higher than Washington, DC, and that the Keys are comparable to the nonforeign areas where Federal employees receive cost-of-living allowances. (The U.S. Government pays cost-of-living allowances (COLAs) to white-collar civilian Federal employees in Alaska, Hawaii, Guam and the Commonwealth of the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. Approximately 44,000 employees, including U.S. Postal Service employees, receive these nonforeign area COLAs. Section 5941 of title 5, United States Code, and Executive Order 10000 (as amended) authorize the payment of COLAs in nonforeign areas.) He said his office had 50 percent turnover per year for the past 4 years, that turnover is costly, and that it would be less costly to make Monroe county an area of application to Miami than to allow the high turnover rate to continue. He said that such a change would not eliminate retention problems in the county but would reduce them significantly.

Mr. Maestas said Mr. Strahan had talked about retention but not recruitment and asked whether recruitment was also a problem. Mr. Strahan said he had experienced recruitment difficulties and had cases where large signing bonuses had been rejected.

Mr. Strahan said that in Monroe County a GS-11 or GS-12 employee could qualify for Government-subsidized housing, which he said illustrated the high living costs in the county. Mr. Brown said that point was well made and that he had been to the area and observed that living costs were high.

Mr. Pasco noted that the speakers had not addressed Palm Beach County, FL, and asked if it meant the speakers did not support that county, which previously has been supported in petitions by the South Florida Federal Executive Board. Ms. Arroyo said the Board still supported Palm Beach County but believed the area might be added as a result of that county being part of the new Miami-Fort Lauderdale-Miami Beach, FL Metropolitan Statistical Area.

When the Council indicated it had no further questions for the speakers, Ms. Lacy thanked them and asked OPM staff if it still planned to make a presentation on the impact of new metropolitan area definitions on the locality pay program. Since the staff member who was scheduled to make this presentation was out of the room on Council business, OPM staff asked that the presentation (Document FSC 03-01-03) be made part of the record. Ms. Lacy then asked Ms. Rose to present the Report of the Federal Salary Council Working Group.

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

The Federal Salary Council Methodology Working Group met on July 21-22 and August 13, 2003. A copy of the Working Group Report is provided in Council Document FSC 03-1-7. Ms. Rose read the report, which summarized the Working Groups findings and issues the Council should consider before the next public meeting. The issues are:

- BLS Surveys
  - How should samples be augmented in current surveys?
  - How should we treat cities with pay gaps below the “Rest of U.S.” locality pay gap?
  - Should some existing locality pay areas be combined?
  - How should new cities be selected for survey?
- Defining Locality Pay Areas
  - Should the Pay Agent continue to define locality pay areas primarily on the basis of OMB metropolitan area definitions?
  - Should the Pay Agent retain the ability to establish areas of application?
- New Metropolitan Statistical Area Definitions
  - How should the new Metropolitan Statistical Area (MSA)/Consolidated Statistical Area (CSA) definitions be used in the locality pay program?
  - Should the largest defined areas (CSAs) be used whenever available?
  - Should county-based or town-based MSAs/CSAs be used in New England?

- New Commuting Patterns
  - What formula should be used to calculate commuting rates?
  - What area should be included in commuting measures?
  - How should Micropolitan Areas be treated?
- Evaluating Areas in the Vicinity of Locality Pay Areas
  - What criteria should be used to evaluate areas adjacent to locality pay areas?
  - What geographic scope should be used in applying these criteria?

The report said the Council did not need to reach any decisions on these issues at this time and that the Working Group planned to meet again on September 17-18 to review additional data.

Ms. Kelley said the Working Group had done an excellent job in framing questions that the Council must answer and was comprehensive in defining the most important issues the Council faces.

Ms. Lacy said that people interested in an electronic copy of the Working Group report could leave their email addresses and that staff would promptly send a copy.

Ms. Lacy said the next meeting was scheduled for October 7, 2003. She asked the Council if anyone cared to ask questions or make comments before she invited public comment.

Mr. Brown asked that the record reflect that the Council had voted in favor of granting area-of-application status to Barnstable County last year and that he believed the Pay Agent's decision not to adopt that recommendation was unfortunate. Ms. Lacy then opened the floor for public comment.

Mr. Sylvia asked if he could expect a decision regarding the FEAWM proposal at the October meeting. Ms. Lacy said that, while she wanted it known that the Council had heard and would carefully consider his proposal, she could not answer that question today. But she wanted Federal employees to know that the Council's goal was to move forward in its work to resolve the questions posed by the Working Group.

Mark Kodack of the U.S. Army Corps of Engineers in Winchester, VA, said he understood that any changes in locality pay area boundaries would be preceded by a Federal Register Notice and public comment period. He asked when such a notice might be published. Ms. Rose asked Mr. Winstead to answer this question. Mr. Winstead explained that there was no set schedule for publication of such a notice. He explained that a notice would be published if the Pay Agent decided to make a change in locality pay area boundaries. He said that the Pay Agent did not have to adopt the Council's recommendations regarding locality pay area boundaries but would await the recommendations before making a decision on this issue.

Ms. Lacy asked if there were any other questions or comments. Hearing none, she adjourned the meeting at 2:33 p.m.

## **FSC Documents**

The following Council documents are part of the public record:

<b>DOCUMENT</b>	<b>DESCRIPTION</b>
FSC 03-1-1	Minutes of FSC Meeting 02-02
FSC 03-1-2	Update by BLS on the status of improvements in the National Compensation Survey program
FSC 03-1-3	OPM briefing on metropolitan statistical area definitions, 2000 census commuting rates, and other geographic issues as they relate to the locality pay program
FSC 03-1-4	Census Bureau's revised standards for defining metropolitan areas in the 1990s
FSC 03-1-5	<i>Federal Register</i> Notice: "Standards for defining Metropolitan and Micropolitan Statistical Areas"
FSC 03-1-6	Document showing the effects of the new OMB metropolitan area definitions if they were used to define locality pay areas. (Note: Does not apply the current criteria or any other criteria for areas of application.)
FSC 03-1-7	Report of the FSC Methodology Working Group
FSC 03-1-8	Summary of correspondence received about locality pay areas
FSC 03-1-9	Paper by the Barnstable Locality Pay Working Group
FSC 03-1-10	Petition from the FEAWM
FSC 03-1-11	Petition from the South Florida Federal Executive Board
FSC 03-1-13	Handouts provided by the FEAWM
FSC 03-1-14	Statement by Representative Sam Farr

CERTIFIED

SIGNED  
Terri Lacy  
Chair