



# Honolulu-Pacific Federal Executive Board "NEWS BITE"



FEBRUARY 2004

## ***HAWAII COST OF LIVING ALLOWANCE (COLA) SURVEY TO BE CONDUCTED IN MARCH 2004***

The Cost of Living Allowance (COLA) is an important issue to many Federal employees in Hawaii. Yet most employees don't know much about COLA or how the rate is set. The FEB will publish a series of articles in this and future issues of the newsletter to help employees better understand COLA.

### **What is COLA**

A statute enacted in 1948 authorizes the Government to pay nonforeign area COLA in consideration of higher living costs in areas outside the 48 contiguous states. Approximately 47,000 General Schedule, U.S. Postal Service, and certain other white-collar Federal employees in Alaska, Hawaii, Guam, Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands receive COLA. COLA is not subject to Federal income tax and does not count for retirement. To set the COLA rates, the Government compares living costs in the COLA areas to living costs in Washington, DC. The maximum COLA rate is 25 percent.

The *Caraballo* settlement prohibits any reductions in COLA until at least mid-2005. Any COLA decreases thereafter are limited to 1 percentage point per year and minimum payable COLA rate reduced to 2 percent.

### **Living Cost Surveys**

The Office of Personnel Management (OPM) conducts living-cost surveys in each COLA area to determine whether, and to what degree, local living costs are higher than those in the DC area. OPM sets the COLA rate for each area based on the results of the surveys plus a special adjustment factor. Permanent adjustment factors of 5 to 9

index points, depending on the area, are added to the overall price index for the COLA area to reflect differences in need, availability of, and access to goods and services and quality of life in the COLA area relative to the DC area.

OPM conducts surveys on a rotating basis, surveying each COLA area once every 3 years. OPM will conduct a living-cost survey in Hawaii in March 2004.

OPM surveys the DC area annually, once with each COLA area survey, so that prices it compares are taken during the same timeframe. The data collection generally takes less than 3 weeks.

OPM compares prices collected during the surveys using a methodology that assigns relative weights or importance to the items surveyed based on the way consumers typically spend their money. The comparisons produce indexes that, when combined with area adjustment factors, determine the COLA rate for the area.

### **COLA Advisory Committee (CAC)**

OPM establishes a COLA Advisory Committee (CAC) in each survey area prior to the survey scheduled for the area. There are five separate survey areas in Hawaii (Kauai, Oahu, Maui and the Big Island – Hilo and Kona); hence, there are five separate CAC's.

Each CAC is composed of agency and employee representatives from the survey area and one or more representatives from OPM. Most committees have about 12 members. OPM appoints committee members for three-year renewable terms.

Members on the CAC's are employees from the four largest employing agencies and the four largest union groups in each COLA area.

The Oahu CAC met in Honolulu the end of January.

### CAC'S Duties

The CAC's assist OPM in COLA program administration, particularly in planning and conducting surveys in the COLA area. CAC's activities may include the following:

- Advising and assisting OPM in planning living-cost surveys. OPM selects an initial set of survey items and outlets and then consults with the CAC's about them. As appropriate, OPM incorporates the CAC's recommendations into the survey design.
- Providing or arranging for observers for data collection during living-cost surveys.
- Advising OPM on its administration of the COLA program, including survey methodology.
- Assisting OPM in disseminating information to affected employees about the living-cost surveys and the COLA program.
- Advising OPM on special situations or conditions, such as hurricanes and earthquakes, as they relate to OPM's authority to conduct interim surveys or implement some other change in response to conditions caused by a natural disaster or similar emergency.

After the surveys and analyses of the results are completed, OPM will meet with the CAC to go over the results, including any proposed COLA rate changes. These meetings are tentatively planned for fall 2004 in Hawaii.

### How OPM Determines Items to be Surveyed and Collects Prices

OPM uses the Bureau of Labor Statistics (BLS) Consumer Expenditure Survey (CES) to help determine what items consumers buy. OPM then selects approximately 200 items that represent typical consumer expenditures in nine major categories that include food, shelter and utilities, household furnishings and supplies, clothing, transportation, medical, educational and communications, recreation and miscellaneous.

OPM collects most prices by directly visiting outlets, but it also collects data by telephone, through catalogs, and over the Internet. It is important that,

to the extent practical, the products OPM surveys in the COLA area be identical to the products that OPM surveys in the DC area or be of closely similar quality and quantity. Therefore, most survey items have an exact name, brand, size, type, weight, quantity, and/or other qualitative descriptive characteristic.

Except for survey items such as utilities, OPM tries to price each item in three different outlets of the same type (e.g., three grocery supermarkets) in each survey area. OPM prices items from the same outlet type (e.g., discount, department stores, etc.) to maintain consistency for comparison purposes.

### How OPM Will Announce COLA Rate Changes

OPM will continue to publish in the *Federal Register* the results of COLA surveys and any COLA rate adjustments. OPM will also provide copies of the *Federal Register* notice to the local CAC's and to agencies and unions. Additionally, OPM will issue a notice for agencies to post on employee bulletin boards. COLA notices and rate changes are also posted on OPM's web site at [www.opm.gov/oca/cola](http://www.opm.gov/oca/cola). Because of the changes in the COLA methodology, OPM anticipates that these publications will be shorter and involve less tabulated data than the reports OPM previously published.

## **2004 GS PAY RAISE**

The Congress has passed and the President has signed legislation providing a retroactive 4.1 percent overall average pay raise for GS employees effective with the first pay period beginning on or after January 1, 2004.

The new raises will supercede the 2.0 percent overall average increase approved by the President in December 2003. However, the legislation authorizes the President to allocate the 4.1 percent between an across-the-board pay raise and locality pay.

OPM anticipates that the President will issue an Executive Order in February allocating the raises. At this time, OPM doesn't know what the total increase will be in any locality pay area. OPM will post new pay tables as soon as possible after the Executive Order is issued.

## PACIFIC LEADERSHIP ACADEMY

*“When I started this program (Academy), I thought I was a manager of a department. By the end of the last class, I knew I had grown into a leader of people.” – Eileen McLaughlin, U.S. Army, Pacific Leadership Academy graduate.*

The Pacific Leadership Academy is one Federal community’s solution for developing and steering today’s leaders into the future. The partnership between the Honolulu-Pacific Federal Executive Board and the U.S. Office of Personnel Management’s Western Management Development Center is a winning combination that is addressing the human capital challenge by providing great leaders for great government.



*FY03 Senior Leaders Fellows*



*FY04 Senior Leaders*

The Pacific Leadership Academy is designed as a continuous, hands-on developmental learning laboratory. Not only are there dynamic training sessions, but also included in this program are working assignments, collaborative partnering with senior managers (consultants), and expanding opportunities to understand the broader concepts of organizations in the Federal or state system. This human capital investment supports agencies with their succession planning efforts to grow great and talented leaders for today and tomorrow.

The Senior Leaders Program inaugural class in Hawaii graduated 37 success-oriented Fellows in November 2003. The next classes of 37 Senior Leaders (GS-13 to 15) and 40 Emerging Leaders (GS-7 to 12) have already begun. The return on investment is mounting. One Fellow writes, “I feel like I am growing before my eyes. My hat is off to you (FEB/OPM) for this program together with renewing my faith in the government as a place to grow, thrive and give back.” Another graduate notes, “I had a long, productive conversation with my consultant this morning. She feels, and I agree, that the core competencies of the Academy helped me to deal with an abominable work situation. The training and camaraderie I experienced in the Pacific Leadership Academy clearly helped me to not only deal with a situation that was much less than ideal but helped me to do my very best and finally return to a position of authority.”



*FY04 Emerging Leaders*

In a series of future articles, we will explore the multiple perspectives and elements that make this program the talk of the Pacific. This will include the quantitative and qualitative return on investment to the agencies in the Pacific and the role of the Fellows’ Individual Action Plan Consultants, who are pivotal in guiding the Fellows through testing and implementing new principles of leadership. We will look at how powerful, collaborative interagency involvement brings the community together.

If you would like to know more about this program, contact L. A. Burke at [laburke@hpfeb.org](mailto:laburke@hpfeb.org) or Pamela Wilhelms at [pswilhel@opm.gov](mailto:pswilhel@opm.gov).





**CAPT Bellis and Irene Kishita, FY03 FEB Chair**

## **CAPTAIN BRAD BELLIS NAMED NEW FEB CHAIR**

Captain Brad Bellis, SC, USN, FY04 FEB Vice Chair, recently became the Chair of the FEB due to the departure of the FY04 FEB Chair, Ms. Tweet Coleman. Captain Bellis is the Commander of the Defense Logistics Agency, Defense Energy Support Center Pacific at Camp Smith. Captain Bellis enlisted in the Navy in April 1976 and attended the U.S. Naval Academy where he earned a Bachelor of Science in Marine Engineering. He also attended the University of Florida, where he earned an MBA in Decision Information Sciences.

Prior to his present assignment, Captain Bellis served as Supply Officer on the USS SAIPAN (LHA2) deploying to the Persian Gulf in support of Operation Enduring Freedom and Operation Iraqi Freedom.



### **COLA'S IMPACT ON YOUR FEDERAL INCOME TAXES**

If you are a civilian employee of the U.S. Government in Hawaii and receive a Federal cost-of-living allowance (COLA), you do not pay Federal income tax on your COLA. You need to be aware, however, that COLA has an impact on the amount of Federal tax you pay if you itemize deductions.

**Part of the State income tax paid is not deductible.** According to IRS Revenue Ruling 74-140, in effect since 1974, employees in Hawaii cannot deduct the portion of the Hawaii State income tax they paid that is allocable to a cost-of-living allowance exempt from Federal tax.

In other words, because you do not include your COLA in taxable income on your Federal tax return and do not pay Federal tax on it, you aren't eligible to take a deduction on your Federal tax return for

Hawaii State income taxes paid on your COLA income.

This ruling affects you only if you itemize deductions on your Federal tax return. If you claim the standard deduction, the ruling does not affect you.

The IRS has a formula you can use to calculate the amount of your Hawaii State income tax to claim as an itemized deduction on your Federal tax return. The formula and additional information are on the FEB website at [www.honolulu-pacific.feb.gov](http://www.honolulu-pacific.feb.gov).

IRS Revenue Ruling 74-140 and the calculations apply to Federal returns only. They do not affect your Hawaii State tax return.

Contact the IRS toll free at 1-800-829-1040 or visit the IRS Taxpayer Assistance Center located on the first floor of the Prince Kuhio Federal Building for assistance and additional information.

### **ARMY MILITARY GOLF COURSES WELCOME FEDERAL CIVILIAN EMPLOYEES**

The U.S. Army Garrison Hawaii golf courses invite Federal civilian employees to use their facilities and enjoy the challenges of golf at the following three courses:

- Walter J. Nagorski Golf Course at Fort Shafter
- Kalakaua and Leilehua Golf Courses in Wahiawa



As "authorized patrons," Federal employees have rights and privileges with regard to fees and tee-time bookings.

For green fees and additional information, contact the individual golf courses. Advanced group bookings can be made by calling the Golf Operation Office at 656-0114.

Federal employees must have proper identification to take advantage of this offer.

## **SOCIAL SECURITY IN THE PACIFIC**



Did you know there are Social Security Administration (SSA) offices located in Pago Pago, American Samoa, Saipan, the N. Mariana Islands, or Dedede, Guam? That's right. Along with the five offices on Hawaii (one on every neighbor island and two on Oahu) there are eight Social Security offices that serve over 233,000 beneficiaries in the Pacific Area. All the offices are under the auspice care of Irene Kishita, Pacific Area Manager.

The Honolulu Social Security office, on the first floor of the Prince Kuhio Federal Building, is the largest office in the Pacific area serving over 100,000 beneficiaries.

While Social Security cards are still the biggest service provided by SSA, retirement applications are on the rise due to the increasing number of retiring baby boomers.

Currently, there are approximately 172,000 individuals collecting Social Security retirement benefits in Hawaii; and by the year 2030, SSA estimates over 350,000 individuals in Hawaii will be collecting retirement benefits. But don't fret my pet. SSA is doing everything we can to insure our programs, which include retirement, disability, and survivors benefits, are here for you and your loved ones for years to come.

You can file for benefits or search for information regarding SSA and its programs on the SSA website at [www.socialsecurity.gov](http://www.socialsecurity.gov).

(Article submitted by Christina Messner, SSA Public Affairs Officer for the Pacific)

## **EXCELLENCE IN FEDERAL GOVERNMENT AWARDS LUNCHEON**

The Federal Executive Board recently distributed to FEB members the nomination guidelines for the 2004 Excellence in Federal Government Awards. The guidelines are also posted on the FEB website at [www.honolulu-pacific.feb.gov](http://www.honolulu-pacific.feb.gov).

FEB members may nominate one person in each of the following categories:

- *Federal Employee of the Year – Professional, Administrative, Technical*
- *Federal Employee of the Year – Clerical and Assistant*
- *Federal Employee of the Year – Trades and Crafts*
- *Federal Manager/Supervisor of the Year*
- *Enlisted Service Member of the Year*
- *Military Officer of the Year*
- *Exceptional Community Service*
- *Federal Organizational Excellence*
- *Citizen of the Year*

The deadline to submit nominations to the FEB is March 17, 2004. Information about tickets, menu, etc. will be forwarded to you shortly.

If you have any questions, please call the FEB office at 541-2637.



## **THE DEPARTMENT OF DEFENSE IN HAWAII**

The following statistics are from the November 1, 2003, issue of the Fleet and Industrial Supply Center's "Center Relay." The figures show the importance of the military to the State of Hawaii.

Based on a percentage of their respective populations, Hawaii has the most military personnel of the 50 states. According to Census Bureau figures, approximately 4.95% of Hawaii's population consists of military personnel. Next in line are Alaska, Virginia, North Dakota and North Carolina. The two states with the fewest military personnel are Vermont with 761 and New Hampshire with 819. On a total basis, Hawaii's 39,056 active duty military personnel rank 8<sup>th</sup> in the nation. The state with the most active duty personnel is California with 148,677.

## ***CHARITY DRIVE COLLECTS OVER 35,000 ITEMS***

During the month of January 2004, the Federal Women's Council, Hawaii, a subcommittee of the Federal Executive Board's newly established Diversity Council, spearheaded a charity drive for the Institute for Human Services (IHS) Women and Family Shelters in Honolulu. IHS is Oahu's largest emergency shelter providing shelter, food, clothing and support services to the homeless.



***Sorting and counting the items***

The drive collected personal items for the homeless, ranging from toiletries, such as soap and shampoo to cosmetics and makeup, to children's toys, luggage and cash donations. To date over 35,000 individual donations were collected with items still coming in. Numerous volunteers from throughout the Oahu area sorted and boxed or bagged the items for central pickup. A few dedicated volunteers used their personal vehicles to collate, catalog and transport the items to the IHS donation site. Significantly, this effort was a huge undertaking to coordinate myriad volunteers from various levels of government and local businesses; and it signifies an amazingly high level of cooperation among local service and support agencies.

Mahalo to everyone who participated or donated items to the drive. Your efforts made a difference and are very much appreciated.

This is one of the initial events sponsored by the newly formed Diversity Council. The council incorporates and expands the tenets and principles of the Equal Employment Opportunity Council, Hispanic Employment Committee, Individuals with Disabilities Committee and the Federal Women's Council. The council's purpose and mission are to reflect the many facets of diversity in the federal workplace.

The Diversity Council hopes to sponsor numerous awareness and other events throughout the year, raising the level of opportunities and focus on every individual and his or her worth as residents and employees on the Island of Oahu. Through training, career enhancement seminars, fund-raising activities and generally supporting the local community, the Diversity Council serves as a conduit to inspire dignity, enhance self worth, and further career aspirations of Federal employees.

(Article submitted by LCDR Lynneann Pine, USN, with Afloat Training Group Mid Pacific, Pearl Harbor. LCDR Pine is the FY04 Vice President of the Federal Women's Council, Hawaii.)

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If you would like to submit an article for the newsletter, please call the FEB at 541-2637 or email the information to [gareese@hpfeb.org](mailto:gareese@hpfeb.org).

