

Federal Salary Council

1900 E Street, NW.

Washington, DC 20415-8200

January 6, 2021

MEMORANDUM FOR: THE PRESIDENT'S PAY AGENT
HONORABLE EUGENE SCALIA
HONORABLE RUSSELL T. VOUGHT
HONORABLE MICHAEL J. RIGAS

SUBJECT: Level of Comparability Payments for January 2022 and Other
Matters Pertaining to the Locality Pay Program

EXECUTIVE SUMMARY

As authorized by the Federal Employees Pay Comparability Act of 1990 (FEPCA) and detailed below, we present our recommendations for the establishment or modification of pay localities, the coverage of salary surveys conducted by the Bureau of Labor Statistics (BLS) for use in the locality pay program, the process of comparing General Schedule (GS) pay to non-Federal pay, and the level of comparability payments for January 2022. Except as otherwise noted below, these recommendations represent a consensus of Council members. Where the Council could not reach consensus, the separate views of Council members are submitted for the President's Pay Agent to consider.

Recommendation 1: The Council recommends the Pay Agent adopt the locality pay rates set forth in Attachment 1 as those that, absent another provision of law, would go into effect under FEPCA in January 2022. Regarding this recommendation, however, we note as a reminder that, in accordance with its statutory charter, the Council undertook a thorough review and discussion of the salary survey methodology used in the locality pay program and provided recommendations in that regard in the Council's May 2, 2019, report to the Pay Agent. In those recommendations, certain Council Members recommended that the Pay Agent consider, establish, and fund alternatives to the current salary survey methodology and/or, alternatively, sponsor a more in-depth study of alternative methodologies to measure the disparity between Federal and non-Federal compensation and its resulting impact.

Recommendation 2: The Council should continue to analyze and discuss the issue of whether the 2,500 GS employment threshold should change for evaluating Rest of US metropolitan areas for possible establishment as new locality pay areas based on pay disparities calculated using data from the NCS/OES Model. In 2021, the Council Working Group should provide the Council with a recommendation on this issue.

Recommendation 3: Because no Rest of US research areas meet the standard established by the Council for establishment as new locality pay areas based on pay disparities calculated using data from the NCS/OES Model, no new locality pay areas should be established at this time based on such pay disparities.

Recommendation 4: Council members could not reach consensus on the issue of whether the Pay Agent should adopt the metropolitan statistical areas (MSAs) and combined statistical areas

(CSAs) delineated in Office of Management and Budget (OMB) Bulletin No. 20-01 for use in the locality pay program. However, Council members provided separate recommendations on that issue, as detailed in Attachment 4.

Recommendation 5: The Council should not recommend establishment of any new locality pay areas or areas of application at this time that do not meet approved criteria for such establishment. However, the Council strongly endorses the approval of all appropriate pay flexibilities—such as recruiting and retention incentives and/or special pay rates—to the agencies that employ Federal workers in the two areas that submitted Human Capital Indicators (HCI) data that were sufficient to support further Council consideration: Charleston, SC, and Southern New Jersey, as defined by proposals the Council received in 2020 regarding those areas.

Recommendation 6: For Carroll County, IL, and other areas that can demonstrate that the only reason they do not meet the GS employment criterion for areas of application is because they have vacancies that keep them below the threshold, the Council recommends that the GS employment criterion be waived.

Note to the Pay Agent

In addition to our recommendations above, the Council invites the Pay Agent to consider the views individual Council members expressed on the future of Federal pay in the October 21, 2020, Council meeting. Minutes of that meeting are posted on the OPM website at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/#url=Federal-Salary-Council>.

List of Attachments to These Council Recommendations

Below is a more detailed discussion, including background and rationale, for each of the recommendations summarized above. Attachments referred to in this document are listed below.

Attachment 1: FEPCA Locality Rates for 2022 Using Current Salary Survey Methodology

Attachment 2: Explanation of NCS/OES Model and Pay Disparity Calculations

Attachment 3: Pay Disparities in Current Rest of US Research Areas

Attachment 4: Views of Council Members on OMB Updates to MSAs and CSAs

Attachment 5: Geographic Structure of Locality Pay Areas

Attachment 6: Locations that Contacted Council Staff about Locality Pay

BACKGROUND AND RATIONALE FOR COUNCIL RECOMMENDATIONS

Recommendation 1: The Council recommends that the Pay Agent adopt the locality pay rates set forth in Attachment 1 as those that, absent another provision of law, would go into effect under FEPCA in January 2022.¹ Regarding this recommendation, however, we note as a reminder that, in accordance with its statutory charter, the Council undertook a thorough review and discussion of the salary survey methodology used in the locality pay program and provided recommendations in that regard in the Council’s May 2, 2019, report to the Pay Agent. In those recommendations, certain Council Members recommended that the Pay Agent consider, establish, and fund alternatives to the current salary survey methodology and/or, alternatively, sponsor a more in-depth study of alternative methodologies to measure the disparity between Federal and non-Federal compensation and its resulting impact.

Background and Rationale: As in previous years, this year the Federal Salary Council reviewed comparisons of GS and non-Federal pay based on data from two BLS surveys, the National Compensation Survey (NCS) and the Occupational Employment Statistics (OES) program. As explained in previous Council documents, BLS uses NCS data to assess the impact of level of work on occupational earnings, and applies factors derived from the NCS sample to occupational average salaries from OES to estimate occupational earnings by level of work in each locality pay area. Taken together, this is referred to as the *NCS/OES Model*. (A further explanation of the NCS/OES Model and pay disparity calculations is provided in Attachment 2.) Based on that model, OPM staff calculated a weighted average of the estimated locality pay disparities as of March 2020.

According to those calculations, the estimated overall disparity between (1) base GS average salaries excluding any add-ons such as GS special rates and existing locality payments and (2) non-Federal average salaries surveyed by BLS in locality pay areas was 52.17 percent. Using these data, the amount needed to reduce the pay disparity to 5 percent (the target disparity established by FEPCA) averages 44.92 percent. Thus, when existing locality pay rates averaging 23.60 percent as of March 2020 are taken into account, the overall remaining pay disparity is estimated at 23.11 percent. Accordingly, using data from the salary survey and the pay comparison methodology described above, we recommend the Pay Agent adopt the locality pay rates set forth in Attachment 1 as those that, absent another provision of law, would go into effect under FEPCA in January 2022.

Note that these locality pay rates would be in addition to the increase in GS base salary rates under 5 U.S.C. 5303(a). This provision calls for increases in basic pay equal to the percentage increase in the Employment Cost Index (ECI) for wages and salaries of private industry workers, between September 2019 and September 2020, less half a percentage point. The ECI increased 2.7 percent during that period, so the base GS increase in 2022 would be 2.2 percent.

Recommendation 2: The Council should continue to analyze and discuss the issue of whether the 2,500 GS employment threshold should change for evaluating Rest of US metropolitan areas for possible establishment as new locality pay areas based on pay disparities calculated using

¹ In Attachment 1, those locality rates are listed in a table, in the column with the heading “Local Rate (Target Pay Disparity).”

data from the NCS/OES Model. The Council Working Group should provide the Council with a recommendation on this issue prior to the Council's next public meeting.

Background and Rationale: As noted in the Council's April 2020 recommendations to the Pay Agent, the Council has reviewed Rest of US research areas for consideration as new locality pay areas since the implementation of the NCS/OES Model in 2012, when the Council set a threshold level of 2,500 GS employees for those research areas in order to focus on areas having the most employees. The Council agreed in those April 2020 recommendations to study the question of whether that threshold should be reduced.

The Council began consulting with BLS to research the issue in 2020, and that research is ongoing. The Council agreed in its October 21, 2020, meeting that it should continue to study the issue and that the Working Group should come up with a specific recommendation or recommendations on the issue prior to the Council's next public meeting.

Recommendation 3: Because no Rest of US research areas meet the standard established by the Council for establishment as new locality pay areas based on pay disparities calculated using data from the NCS/OES Model, no new locality pay areas should be established at this time based on such pay disparities.

Background and Rationale: The Council is now monitoring pay disparities in 38 Rest of US research areas not approved for establishment as separate locality pay areas. We studied pay disparities for these areas, compared to the Rest of US pay disparity, over a 3-year period (2018-2020), and the results are shown in Attachment 3. Using the Council's current methodology, none of the 38 research areas had a pay disparity exceeding that for the Rest of US locality pay area by more than 10 percentage points on average over the 3-year period studied, the standard established by the Council to trigger a Council recommendation to establish a research area as a new locality pay area.

Recommendation 4: Council members could not reach consensus on the issue of whether the Pay Agent should adopt the metropolitan statistical areas (MSAs) and combined statistical areas (CSAs) delineated in Office of Management and Budget (OMB) Bulletin No. 20-01 for use in the locality pay program. However, Council members provided separate recommendations on that issue, as detailed in Attachment 4.

Background and Rationale: On September 14, 2018, the Office of Management and Budget (OMB) updated its definitions of metropolitan statistical areas (MSAs) and combined statistical areas (CSAs); the September 2018 OMB update was a "mid-decade revision" that was more significant than previous updates over the past few years.² While OMB does not establish the definitions of MSAs and CSAs specifically for use in the locality pay program and cautions agencies to review them carefully before using them for non-statistical purposes, it has been the Council's practice to consider those definitions for defining locality pay areas.³

² On March 6, 2020, OMB issued additional minor updates to these definitions, but based on analysis by OPM staff none of those updates would impact the definitions of current locality pay areas.

³ The terms *basic locality pay area* and *area of application* are defined in Attachment 5.

Use of the updated MSAs and CSAs in the locality pay program could result in Rest of US locations moving to separate locality pay areas and locations in separate locality pay areas moving to the Rest of US locality pay area. In addition, if updated MSAs and CSAs are to be recommended for use in the locality pay program, the geographic specifications provided by OPM to BLS for producing the non-Federal pay estimates could also be significantly affected. Accordingly, the Council deferred any recommendations to the Pay Agent in order to give it the opportunity to conduct a more extensive analysis of the potential impact of the revised OMB definitions on locality pay areas.

In that regard, the Council reviewed each location that could potentially be impacted by the OMB updates. Some members recommended that the Council treat OMB's revised definitions as it had done in the past; that is, where the OMB definition expands or extends an existing locality pay area to include additional counties, those counties should be added to the existing locality pay area, but where those definitions exclude counties currently included in an existing locality pay area, those counties should continue to receive the locality adjustment. However, the remainder of the Council members recommended a case-by-case approach, assessing the impact of each OMB revision on the relevant locality pay area(s), adopting or rejecting the revised definitions where appropriate.

The Council Chairman asked that each Council member provide views on each OMB revision. Those views are set forth in Attachment 4 and summarized as follows:

- Members representing the American Federation of Government Employees (AFGE), the National Federation of Federal Employees (NFFE), and the National Treasury Employees Union (NTEU) recommend following past practice—expanding locality pay areas following the new OMB definitions, but retaining counties excluded by those definitions in their existing locality pay areas. They further noted that the number of employees that would be added with adoption of the updated OMB definitions would be relatively small.
- Five Members—the Council's three HR Experts and the members representing the Federal Law Enforcement Officers Association (FLEOA) and the Fraternal Order of Police (FOP)—opposed following the revised OMB definitions blindly, especially since the revised definitions did not take the Federal locality pay program into account when they were issued. They also stated that they could not support a recommendation to follow the OMB definitions only when they would expand a locality pay area, but not when they had the opposite effect. These Council members recommend adopting the OMB revisions only for a subset of the locations potentially impacted by the OMB updates to the definitions of MSAs and CSAs. Four of those members agreed on all accounts, with the fifth of those five providing his own set of recommendations.

Attachment 4 lists the locations that would be impacted by these Council members' recommendations on this issue and shows how each of those locations would be impacted.

Recommendation 5: The Council should not recommend establishment of any new locality pay areas or areas of application at this time that do not meet approved criteria for such establishment. However, the Council strongly endorses the approval of all appropriate pay flexibilities—such as recruiting and retention incentives and/or special pay rates—to the agencies that employ Federal workers in the two areas that submitted Human Capital Indicators (HCI) data that were sufficient to support further Council consideration: Charleston, SC, and

Southern New Jersey, as defined by proposals the Council received in 2020 regarding those areas.

Background and Rationale: The Council and OPM staff receive numerous requests each year to consider establishing or changing locality pay area definitions for locations that do not meet established criteria for doing so. Those requests run the gamut from simple phone calls or emails from individual employees to detailed petitions and presentations by local representatives and organizations at public Council meetings, all trying to make the case that their particular location warrants a locality adjustment, notwithstanding the fact that that location does not meet the NCS/OES criteria. For example, Attachment 6 lists locations, most in the Rest of US locality pay area, from which groups or individuals have contacted the Council or OPM staff during the deliberative cycle these recommendations cover to express concerns about pay levels or the geographic boundaries of locality pay areas. The Rest of US locations listed do not meet criteria approved by the Pay Agent for a change in their locality pay area designation, yet representatives from some of these locations report that Federal agencies in their area have recruiting and/or retention problems. For locations listed that are already in locality pay areas separate from the Rest of US, the petitioners ask that the Council recommend a higher locality pay percentage for one or more locations in the locality pay area.

In an effort to establish a more disciplined and data-driven response to such requests, the Chairman and Council Member Bullock proposed in the Council's April 2020 report to the Pay Agent that the Council require such representatives to support their requests with detailed HCI data that make a more quantitative case for coverage. That same report indicates that Council Members Erwin, Reardon, and Simon were open to considering HCI data but did not support a hard-and-fast policy that such data be required.

After the Council issued its April 2020 report, groups from four geographic areas—Charleston, SC; Nashville, TN; Orlando/Central Florida; and Southern New Jersey⁴—stated that they would try to support their requests with detailed HCI data. OPM staff subsequently received HCI submissions from Charleston and Southern New Jersey that were sufficient to support further Council consideration. The Council analyzed those submissions and concluded that while the HCI data submitted by Charleston and Southern New Jersey indicated recruitment and retention difficulties sufficient to warrant some sort of additional compensation, the evidence showed that those difficulties were limited to and/or varied significantly among certain occupational categories and/or grade levels. Accordingly, because the Council's current statutory authority limits it to recommendations that cover all occupations and grades in a particular location, the Council concluded it could not recommend that the Pay Agent designate those areas for a locality pay adjustment.

Nevertheless, the Council members are sympathetic to the challenges Federal agencies in Charleston and Southern New Jersey face and agreed the Council should strongly endorse the approval of all appropriate pay flexibilities—such as recruiting and retention incentives and/or special pay rates—to the agencies that employ Federal workers in these two areas.

⁴None of these areas meets current criteria for being included in a higher-paying locality pay area.

The Council notes that while the submissions by Central Florida and Nashville were not yet sufficient to make a determination with respect to locality pay, they too should be commended for their efforts and encouraged to continue them. However, the Council apprised those two areas of its statutory limitations—that is, that it can only recommend that a geographic area for a locality pay adjustment if its recruiting and retention challenges are across-the-board in nature. Accordingly, the Council encouraged the petitioners from the two areas to explore the use of the various pay flexibilities as a way of addressing any staffing issues in those two areas.

Recommendation 6: For Carroll County, IL, and other areas that can demonstrate that the only reason they do not meet the GS employment criterion for areas of application is because they have vacancies that keep them below the threshold, the Council recommends that the GS employment criterion be waived.

Background and Rationale: Carroll County, IL, meets the employment interchange criterion to be included in the Davenport-Moline, IA-IL locality pay area as an area of application but does not meet the GS employment criterion for such inclusion. In its October 21, 2020, meeting, the Council heard testimony regarding Carroll County, and according to that testimony the county would meet the GS employment criterion if all of its vacancies were filled. The Council then agreed that the GS employment criterion should be waived for a location if the only reason it does not meet the criterion is because it has vacant GS positions that keep it below the threshold.

Note to the Pay Agent

In addition to our recommendations above, the Council invites the Pay Agent to consider the views individual Council members expressed on the future of Federal pay in the October 21, 2020, Council meeting. Minutes of that meeting are posted on the OPM website at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/#url=Federal-Salary-Council>.

SIGNED _____

Douglas G. Fehrer
Acting Chairman⁵

⁵ On October 26, 2020, Chairman Ronald Sanders resigned from the Council, and Vice Chairman Douglas Fehrer became Acting Chairman.

Attachment 1

FEPCA Locality Rates for 2022 Using Current Salary Survey Methodology

Locality Pay Area	Base GS Payroll	March 2020 Pay Disparity	Local Rate (Target Pay Disparity)
Alaska	\$489,515,045	60.24%	52.61%
Albany-Schenectady, NY-MA	\$186,407,347	49.48%	42.36%
Albuquerque-Santa Fe-Las Vegas, NM	\$604,280,071	37.30%	30.76%
Atlanta--Athens-Clarke County--Sandy Springs, GA-AL	\$2,111,510,140	43.49%	36.66%
Austin-Round Rock, TX	\$493,200,674	44.42%	37.54%
Birmingham-Hoover-Talladega, AL	\$378,635,531	39.62%	32.97%
Boston-Worcester-Providence, MA-RI-NH-ME	\$1,880,879,846	66.94%	58.99%
Buffalo-Cheektowaga, NY	\$354,956,300	44.80%	37.90%
Burlington-South Burlington, VT	\$225,549,021	46.23%	39.27%
Charlotte-Concord, NC-SC	\$235,447,161	43.08%	36.27%
Chicago-Naperville, IL-IN-WI	\$1,464,440,139	54.04%	46.70%
Cincinnati-Wilmington-Maysville, OH-KY-IN	\$429,652,627	39.24%	32.61%
Cleveland-Akron-Canton, OH	\$747,344,493	40.49%	33.80%
Colorado Springs, CO	\$529,595,661	44.01%	37.15%
Columbus-Marion-Zanesville, OH	\$627,875,302	47.37%	40.35%
Corpus Christi-Kingsville-Alice, TX	\$181,948,197	30.76%	24.53%
Dallas-Fort Worth, TX-OK	\$1,461,436,000	53.62%	46.30%
Davenport-Moline, IA-IL	\$260,624,742	40.24%	33.56%
Dayton-Springfield-Sidney, OH	\$593,170,308	49.26%	42.15%
Denver-Aurora, CO	\$1,415,854,105	64.67%	56.83%
Des Moines-Ames-West Des Moines, IA	\$192,162,860	39.97%	33.30%
Detroit-Warren-Ann Arbor, MI	\$931,888,197	51.02%	43.83%
Harrisburg-Lebanon, PA	\$402,958,605	45.66%	38.72%
Hartford-West Hartford, CT-MA	\$318,432,488	58.59%	51.04%
Hawaii	\$1,091,143,591	52.31%	45.06%
Houston-The Woodlands, TX	\$1,058,080,120	60.42%	52.78%
Huntsville-Decatur-Albertville, AL	\$799,295,342	45.00%	38.10%
Indianapolis-Carmel-Muncie, IN	\$745,552,637	33.65%	27.29%
Kansas City-Overland Park-Kansas City, MO-KS	\$1,315,377,437	40.26%	33.58%
Laredo, TX	\$219,291,140	56.04%	48.61%
Las Vegas-Henderson, NV-AZ	\$363,922,884	41.87%	35.11%
Los Angeles-Long Beach, CA	\$2,647,134,062	77.60%	69.14%
Miami-Fort Lauderdale-Port St. Lucie, FL	\$1,075,228,029	39.03%	32.41%
Milwaukee-Racine-Waukesha, WI	\$267,351,549	38.62%	32.02%
Minneapolis-St. Paul, MN-WI	\$602,784,829	57.68%	50.17%
New York-Newark, NY-NJ-CT-PA	\$3,298,619,371	75.33%	66.98%
Omaha-Council Bluffs-Fremont, NE-IA	\$345,146,103	41.53%	34.79%
Palm Bay-Melbourne-Titusville, FL	\$341,047,977	31.56%	25.30%
Philadelphia-Reading-Camden, PA-NJ-DE-MD	\$1,849,668,613	61.76%	54.06%
Phoenix-Mesa-Scottsdale, AZ	\$689,109,524	49.13%	42.03%
Pittsburgh-New Castle-Weirton, PA-OH-WV	\$467,529,698	41.45%	34.71%
Portland-Vancouver-Salem, OR-WA	\$772,700,201	49.16%	42.06%
Raleigh-Durham-Chapel Hill, NC	\$1,169,905,987	40.96%	34.25%
Rest of US	\$26,573,638,281	29.83%	23.65%
Richmond, VA	\$665,962,573	48.17%	41.11%
Sacramento-Roseville, CA-NV	\$520,914,191	62.37%	54.64%
San Antonio-New Braunfels-Pearsall, TX	\$1,462,347,653	42.31%	35.53%
San Diego-Carlsbad, CA	\$1,704,594,162	71.75%	63.57%
San Jose-San Francisco-Oakland, CA	\$1,719,616,642	90.43%	81.36%
Seattle-Tacoma, WA	\$1,878,513,409	73.99%	65.70%
St. Louis-St. Charles-Farmington, MO-IL	\$845,534,988	46.06%	39.10%
Tucson-Nogales, AZ	\$824,731,281	41.74%	34.99%
Virginia Beach-Norfolk, VA-NC	\$2,222,106,268	43.96%	37.10%
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA	\$23,417,192,334	70.76%	62.63%
Total Payroll/Weighted Average Pay Gap	\$97,471,805,736	52.17%	44.92%

Attachment 2

Explanation of NCS/OES Model and Pay Disparity Calculations

The Bureau of Labor Statistics (BLS) uses National Compensation Survey (NCS) data to assess the impact of level of work on occupational earnings, and applies factors derived from the NCS sample to occupational average salaries from Occupational Employment Statistics (OES) data to estimate occupational earnings by level of work in each locality pay area. This measurement process is called the *NCS/OES model*.

To calculate estimates of pay disparities, the Pay Agent asks BLS to calculate annual wage estimates by area, occupation, and grade level. These estimates are then weighted by National Federal employment to arrive at wage estimates by broad occupation group and grade for each pay area. There are five broad occupational groups collectively referred to as “PATCO” categories: Professional (P), Administrative (A), Technical (T), Clerical (C), and Officer (O).

OES data provide wage estimates by occupation for each locality pay area, but do not have information by grade level. The NCS has information on grade level, but a much smaller sample with which to calculate occupation-area estimates. To combine the information from the two samples, a regression model is used. The model assumes that the difference between a wage observed in the NCS for a given area, occupation, and grade level, and the corresponding area-occupation wage from the OES, can be explained by a few key variables, the most important of which is the grade level itself. The model then predicts the extent to which wages will be higher, on average, for higher grade levels. It is important to note that the model assumes the relationship between wages and levels is the same throughout the Nation. While this assumption is not likely to hold exactly, the NCS sample size is not large enough to allow the effect of grade level on salary to vary by area.

Once estimated, the model is used to predict the hourly wage rate for area-occupation-grade cells of interest to the Pay Agent. This predicted hourly wage rate is then multiplied by 2,080 hours (52 weeks X 40 hours per week) to arrive at an estimate of the annual earnings for that particular cell. The estimates from the model are then averaged, using Federal employment levels as weights, to form an estimate of annual earnings for PATCO job family and grade for each area.

Calculating Pay Disparities Using the NCS/OES Model

Because 5 U.S.C. 5302(6) requires that each local pay disparity be expressed as a single percentage, the comparison of GS and non-Federal rates of pay in a locality requires that the two sets of rates be reduced to one pair of rates, a GS average and a non-Federal average. An important principle in averaging each set of rates is that the rates of individual survey jobs, job categories, and grades are weighted by Federal GS employment in equivalent classifications. Weighting by Federal employment ensures that the influence of each non-Federal survey job on the overall non-Federal average is proportionate to the frequency of that job in the Federal sector.

A three-stage weighted average is used in the pay disparity calculations. In the first stage, job rates from the NCS/OES model are averaged within PATCO category by grade level. The NCS/OES model covers virtually all GS jobs. The model produces occupational wage information for jobs found only in the OES sample for an area. For averaging within PATCO category, each job rate is

weighted by the Nationwide full-time, permanent, year-round employment⁶ in GS positions that match the job. BLS combines the individual occupations within PATCO-grade cells and sends OPM average non-Federal salaries by PATCO-grade categories. The reason for National weighting in the first stage is explained below.

When the first stage averages are complete, each grade is represented by up to five PATCO category rates in lieu of its original job rates. Under the NCS/OES model, all PATCO-grade categories with Federal incumbents are represented, except where BLS had no data for the PATCO-grade cell in a location.

In the second stage, the PATCO category rates are averaged by grade level to one grade level rate for each grade represented. Thus, at grade GS-5, which has Federal jobs in all five PATCO categories, the five PATCO category rates are averaged to one GS-5 non-Federal pay rate. For averaging by grade, each PATCO category rate is weighted by the local full-time, permanent, year-round GS employment in the category at the grade.

In the third stage, the grade averages are weighted by the corresponding local, full-time, permanent, year-round GS grade level employment and averaged to a single overall non-Federal pay rate for the locality. This overall non-Federal average salary is the non-Federal rate to which the overall average GS rate is compared. Under the NCS/OES model, all 15 GS grades can be represented.

Since GS rates by grade are not based on a sample, but rather on a census of the relevant GS populations, the first two stages of the above process are omitted in deriving the GS average rate. For each grade level represented by a non-Federal average derived in stage two, we average the scheduled rates of all full-time, permanent, year-round GS employees at the grade in the area. The overall GS average rate is the weighted average of these GS grade level rates, using the same weights as those used to average the non-Federal grade level rates.

Finally, the pay disparity is the percentage by which the overall average non-Federal rate exceeds the overall average GS rate.

As indicated above, at the first stage of averaging the non-Federal data, the weights represent National GS employment, while local GS employment is used to weight the second and third stage averages. GS employment weights are meant to ensure that the effect of each non-Federal pay rate on the overall non-Federal average reflects the relative frequency of Federal employment in matching Federal job classifications.

The methodology employed by the Pay Agent to measure local pay disparities does not use local weights in the first (job level) stage of averaging because this would have an undesirable effect. A survey job whose Federal counterpart has no local GS incumbents will “drop out” in stage one and have no effect on the overall average. For this reason, National weights are used in the first stage of averaging data. National weights are used only where retention of each survey observation is most important---at the job level or stage one. Local weights are used at all other stages.

Calculation of the Washington-Baltimore pay disparity is shown on the next page as an example.

⁶ Employment weights include employees in the United States and its territories and possessions.

Pay Disparity Example—March 2020 Pay Disparity for Washington-Baltimore Locality Pay Area

Grade	BLS Average Grade-PATCO Salary Estimates for Washington, DC (Derived Using Nationwide GS Employment Weights)					Local GS Employment Weights Used to Derive Washington, DC Average Non-Federal Salaries					Calculating Overall Average Non-Federal and Federal Salaries Using Grade Weights for DC			
	Admin	Clerical	Officer	Professional	Technical	Admin	Clerical	Officer	Professional	Technical	Grade Fed Emp	BLS Avg	GS Avg	Gap
1		\$37,254			\$33,874		2							
2		\$36,709			\$36,454		10			7	27	\$36,604.00	\$23,729	54.26%
3		\$39,780	\$44,973		\$37,711		50	6		14	98	\$39,811.31	\$27,580	44.35%
4	\$48,705	\$45,657	\$47,319	\$39,514	\$43,445		268	72		82	515	\$45,510.74	\$30,850	47.52%
5	\$55,186	\$54,056	\$53,046	\$54,653	\$46,722	181	1,071	432	27	1,240	3,050	\$50,901.19	\$34,223	48.73%
6	\$70,540	\$64,085	\$59,954	\$66,666	\$54,062	5	887	806		2,443	4,159	\$57,375.63	\$38,501	49.02%
7	\$70,917	\$69,530	\$69,690	\$70,795	\$63,751	1,684	483	932	846	4,581	8,665	\$66,841.92	\$42,794	56.19%
8	\$81,743	\$76,548	\$75,849	\$88,709	\$72,606	20	456	464	39	2,620	3,600	\$73,748.83	\$49,511	48.95%
9	\$86,726	\$80,327	\$88,306	\$82,064	\$84,039	7,871	300	297	1,568	2,032	12,125	\$85,547.64	\$51,530	66.02%
10	\$97,286	\$91,251	\$104,651	\$81,685	\$97,472	742	142	84	19	454	1,441	\$96,973.52	\$58,376	66.12%
11	\$109,927	\$99,859	\$111,498	\$101,691	\$111,729	12,696	13	129	4,049	865	17,776	\$108,140.32	\$61,814	74.94%
12	\$141,659	\$128,902	\$149,879	\$136,799	\$147,400	25,147	15	171	10,476	1,209	37,025	\$140,503.93	\$75,318	86.55%
13	\$164,707		\$182,515	\$164,188	\$176,085	48,323		454	17,747	520	67,049	\$164,778.46	\$91,072	80.93%
14	\$178,290		\$172,460	\$173,542	\$169,540	37,679		446	21,131	121	59,382	\$176,538.67	\$108,990	61.98%
15	\$216,682		\$183,278	\$210,558	\$176,908	18,016		152	16,587	18	34,777	\$213,594.20	\$130,978	63.08%
Total											249,689	\$154,303.80	\$90,362.47	70.76%

Attachment 3

NCS/OES Model Pay Disparities 2018-2020 in Rest of US Research Areas

OES/NCS Model Pay Gaps 2018-2020 in 38 BLS Research Areas Area Compared to Rest of US							
Area	Area Pay Gaps			Area Pay Gaps Minus Rest of US Pay Gap			
	2018	2019	2020	2018	2019	2020	Average
Augusta, GA	27.67%	30.43%	30.20%	-6.00%	-2.00%	0.37%	-2.54%
Boise, ID	36.88%	35.99%	36.10%	3.21%	3.56%	6.27%	4.35%
Charleston, SC	39.42%	39.67%	36.38%	5.75%	7.24%	6.55%	6.51%
Charleston, WV	22.21%	23.15%	21.19%	-11.46%	-9.28%	-8.64%	-9.79%
Clarksville, TN	19.48%	16.26%	11.26%	-14.19%	-16.17%	-18.57%	-16.31%
Columbia, SC	27.68%	28.52%	27.00%	-5.99%	-3.91%	-2.83%	-4.24%
Columbus, GA	24.87%	23.66%	19.57%	-8.80%	-8.77%	-10.26%	-9.28%
Crestview, FL	42.70%	39.39%	36.81%	9.03%	6.96%	6.98%	7.66%
El Paso, TX	40.15%	32.67%	29.08%	6.48%	0.24%	-0.75%	1.99%
Fresno, CA	38.56%	40.71%	40.70%	4.89%	8.28%	10.87%	8.01%
Gainesville, FL	21.53%	23.69%	19.11%	-12.14%	-8.74%	-10.72%	-10.53%
Gulfport, MS	38.29%	33.60%	30.65%	4.62%	1.17%	0.82%	2.20%
Jackson, MS	23.87%	21.74%	19.75%	-9.80%	-10.69%	-10.08%	-10.19%
Jacksonville, FL	37.71%	38.91%	33.74%	4.04%	6.48%	3.91%	4.81%
Jacksonville, NC	32.58%	28.75%	19.88%	-1.09%	-3.68%	-9.95%	-4.91%
Killeen-Temple, TX	36.89%	35.01%	27.76%	3.22%	2.58%	-2.07%	1.24%
Lawton, OK	17.51%	22.48%	25.68%	-16.16%	-9.95%	-4.15%	-10.09%
Lexington, KY	24.96%	23.68%	22.84%	-8.71%	-8.75%	-6.99%	-8.15%
Little Rock, AR	23.52%	21.89%	16.63%	-10.15%	-10.54%	-13.20%	-11.30%
Louisville, KY	35.11%	33.36%	34.44%	1.44%	0.93%	4.61%	2.33%
Macon, GA	38.77%	36.84%	32.57%	5.10%	4.41%	2.74%	4.08%
Madison, WI	39.95%	36.97%	36.06%	6.28%	4.54%	6.23%	5.68%
Manhattan, KS	25.58%	22.64%	18.77%	-8.09%	-9.79%	-11.06%	-9.65%
McAllen, TX	30.01%	21.81%	17.54%	-3.66%	-10.62%	-12.29%	-8.86%
Memphis, TN	36.24%	35.36%	25.33%	2.57%	2.93%	-4.50%	0.33%
Montgomery, AL	44.41%	41.82%	34.76%	10.74%	9.39%	4.93%	8.35%
Nashville, TN	39.02%	33.36%	30.30%	5.35%	0.93%	0.47%	2.25%
New Bern, NC	37.88%	39.52%	38.55%	4.21%	7.09%	8.72%	6.67%
New Orleans, LA	34.56%	35.40%	35.29%	0.89%	2.97%	5.46%	3.11%
Oklahoma City, OK	38.41%	39.46%	37.98%	4.74%	7.03%	8.15%	6.64%
Orlando, FL	38.32%	34.59%	30.41%	4.65%	2.16%	0.58%	2.46%
Pensacola, FL	23.90%	21.94%	18.26%	-9.77%	-10.49%	-11.57%	-10.61%
Rest of US	33.67%	32.43%	29.83%	0.00%	0.00%	0.00%	0.00%
Salt Lake City, UT	39.15%	39.43%	35.48%	5.48%	7.00%	5.65%	6.04%
Savannah, GA	31.01%	30.43%	25.45%	-2.66%	-2.00%	-4.38%	-3.01%
Spokane, WA	41.48%	41.78%	41.34%	7.81%	9.35%	11.51%	9.56%
Tampa, FL	39.74%	40.52%	35.52%	6.07%	8.09%	5.69%	6.62%
Tulsa, OK	44.50%	38.61%	36.35%	10.83%	6.18%	6.52%	7.84%
Yuma, AZ	26.28%	27.19%	25.66%	-7.39%	-5.24%	-4.17%	-5.60%

Note: Regarding the 2018 Rest of US pay gap, in its recommendations for 2019 the Council recommended that Des Moines, IA, be established as a separate locality pay area. Accordingly, the 2018 Rest of US pay gap used in the Council's recommendations for 2020 (33.75 percent) has been adjusted in a cost-neutral fashion to take the recommended locality payments for Des Moines into account, and the adjusted 2018 Rest of US pay gap is 33.67 percent.

Attachment 4-Views of Council Members on OMB Updates to MSAs and CSAs

Views of Council Members on OMB Updates to MSAs and CSAs					
New OMB MSA/CSA Definition	Impacted Location	Following OMB Change in MSA/CSA Definition would...	Council Member Recommendation		
			AFGE/NFFE/NTEU	HR Experts/FOP	FLEOA
Albany CSA	Berkshire County, MA	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
Albuquerque CSA	Cibola County, NM	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
	McKinley County, NM	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
	Mora County, NM	Include location in existing LPA.	Accept OMB Change	Reject OMB Change	Reject OMB Change
Atlanta CSA	Gordon County, GA	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Accept OMB Change
	Floyd County, GA	Include location in existing LPA.	Accept OMB Change	Accept OMB Change	Accept OMB Change
	Habersham County, GA	Include location in existing LPA.	Accept OMB Change	Accept OMB Change	Accept OMB Change
	Stephens County, GA	Include location in existing LPA.	Accept OMB Change	Reject OMB Change	Reject OMB Change
	Columbus, GA CSA	Include location in existing LPA.	Accept OMB Change	Reject OMB Change	Reject OMB Change
Birmingham CSA	Coosa County, AL	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
	Tallapoosa County, AL	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
Burlington CSA	Washington County, VT	Include location in existing LPA.	Accept OMB Change	Accept OMB Change	Accept OMB Change
Charlotte CSA	Anson County, NC	Include location in existing LPA.	Accept OMB Change	Reject OMB Change	Accept OMB Change
Cleveland CSA	Harrison County, OH	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
	Wayne County, OH	Include location in existing LPA.	Accept OMB Change	Accept OMB Change	Reject OMB Change
Corpus Christi CSA	Duval County, TX	Include location in existing LPA.	Accept OMB Change	Accept OMB Change	Accept OMB Change
Dallas CSA	Delta County, TX	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
	Hopkins County, TX	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
	Somervell County, TX	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
Dayton CSA	Preble County, OH	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
Harrisburg CSA	Lancaster County, PA	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
Houston CSA	San Jacinto County, TX	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
	Trinity County, TX	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
Huntsville CSA	DeKalb County, AL	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
	Marshall County, AL	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Accept OMB Change
Las Vegas CSA	Mohave County, AZ	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
Los Angeles CSA	Kern County, CA	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
	San Luis Obispo County, CA	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
Miami CSA	Okeechobee County, FL	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
Minneapolis CSA	Sibley County, MN	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
	Steele County, MN	Include location in existing LPA.	Accept OMB Change	Reject OMB Change	Accept OMB Change
New York CSA	Carbon County, PA	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Reject OMB Change

Attachment 4-Views of Council Members on OMB Updates to MSAs and CSAs

Views of Council Members on OMB Updates to MSAs and CSAs					
New OMB MSA/CSA Definition	Impacted Location	<i>Following OMB Change in MSA/CSA Definition would...</i>	Council Member Recommendation		
			AFGE/NFFE/NTEU	HR Experts/FOP	FLEOA
New York CSA (cont.)	Lehigh County, PA	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
	Northampton County, PA	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
	Warren County, PA	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
Phoenix CSA	Gila County, AZ	Include location in existing LPA.	Accept OMB Change	Accept OMB Change	Accept OMB Change
Raleigh CSA	Moore County, NC	Include location in existing LPA.	Accept OMB Change	Reject OMB Change	Accept OMB Change
Richmond MSA	Caroline County, VA	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
	Cumberland County, VA	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
	Louisa County, VA	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
Sacramento CSA	Carson City, NV	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
	Douglas County, NV	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
San Jose CSA	Mariposa County, CA	Include location in existing LPA.	Accept OMB Change	Accept OMB Change	Accept OMB Change
	Merced County, CA	Include location in existing LPA.	Accept OMB Change	Accept OMB Change	Accept OMB Change
	Stanislaus County, CA	Include location in existing LPA.	Accept OMB Change	Accept OMB Change	Accept OMB Change
Virginia Beach CSA	Tyrrell County, NC	Exclude location from existing LPA.	Reject OMB Change	Accept OMB Change	Accept OMB Change
	Franklin City, VA	Include location in existing LPA.	Accept OMB Change	Reject OMB Change	Reject OMB Change
	Southampton County, VA	Include location in existing LPA.	Accept OMB Change	Reject OMB Change	Reject OMB Change
Washington DC CSA	Dorchester County, MD	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
	Kent County, MD	Exclude location from existing LPA.	Reject OMB Change	Reject OMB Change	Reject OMB Change
	Madison County, VA	Include location in existing LPA.	Accept OMB Change	Reject OMB Change	Reject OMB Change

Attachment 5

Geographic Structure of Locality Pay Areas

Terms Used in Referring to Composition of Locality Pay Areas

This report covers several issues related to the definition of locality pay areas. In discussion of these issues, the terms *basic locality pay area* and *area of application* are used. By way of review, locality pay areas consist of—

- (1) A main core-based statistical area (CBSA) defined by the Office of Management and Budget as a metropolitan statistical area (MSA) or combined statistical area (CSA) and forming the *basic locality pay area*, and
- (2) Where criteria recommended by the Council and approved by the Pay Agent are met, *areas of application*. Areas of application are locations that are adjacent to the basic locality pay area and meet approved criteria for inclusion in the locality pay area.

Current Criteria for Establishing Areas of Application

Current criteria for adding adjacent core-based statistical areas (CBSAs) or single counties to locality pay areas as areas of application are:

- For a multi-county CBSA adjacent to a basic locality pay area: 1,500 or more GS employees and an employment interchange rate with the basic locality pay area of at least 7.5 percent.⁷
 - The “employment interchange rate” is the sum of (1) the percentage of employed residents of the area under consideration who work in the basic locality pay area and (2) the percentage of the employment in the area under consideration that is accounted for by workers who reside in the basic locality pay area. The employment interchange rate is calculated by including all workers in assessed locations, not just Federal employees.
- For a single county that is not part of a multi-county, non-micropolitan CBSA and is adjacent to a basic locality pay area: 400 or more GS employees and an employment interchange rate with the basic locality pay area of at least 7.5 percent.

Criteria for evaluating Federal facilities that cross county lines into a separate locality pay area are:

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 those employees must be within 10 miles of the separate locality pay area, and a significant number of those employees must commute to work from the higher-paying locality pay area.

⁷ Excludes two types of CBSAs: (1) CSAs composed entirely of micropolitan statistical areas and (2) multi-county micropolitan statistical areas. The single-county criteria apply for counties included in such CBSAs.

Attachment 6

Locations that have Contacted Council Staff Since 11-05-19 Council Meeting

Location of Interest and Current Locality Pay Area
Contacts Regarding Pay Areas Separate from Rest of US
Austin locality pay area
Boston locality pay area
Denver locality pay area
Harrisburg locality pay area
Hawaii locality pay area
Miami locality pay area
Southern New Jersey Counties within Philadelphia locality pay area
Contacts Regarding Locations in Rest of US
Asheville, Buncombe County, NC
Bend, OR
Boise, ID
Central Florida
Charleston, SC
Charleston, WV
Cheshire County, NH
College Station, TX
Douglas and Lane Counties, OR
Eagle Pass/Maverick County, TX
Flagstaff, AZ
Fort Morgan/Morgan County, CO
Herlong, CA
Jefferson County, WA
Lansing, MI
Laramie County, WY
Lee County, FL (Cape Coral CSA)
Locations in the White River National Forest, CO
Louisville, KY
Lubbock, Lubbock County, TX
Madison, WI
Nashville, TN
New Hanover, Pender, and Duplin Counties, NC
New Orleans, LA
Nottoway County, VA
Oklahoma City, OK MSA
Olmsted County, MN
Pine County, MN
Prescott, AZ/Yavapai County, AZ
Preston County, WV AKA Morgantown CSA
Redding Red Bluff, CA CSA
Reno, NV
Rochester, NY
Salt Lake City, UT
San Juan County, WA
Savannah, GA
Sullivan County, NY
United States Penitentiary Thomson, Carroll County, IL
Visalia, CA
West Texas