



# Federal White-Collar Pay: FY2009 and FY2010 Salary Adjustments

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## Summary

Federal white-collar employees are intended by law to receive an annual pay adjustment and a locality-based comparability payment, effective in January of each year, under Section 529 of P.L. 101-509, the Federal Employees Pay Comparability Act (FEPCA) of 1990. The law has never been implemented as originally enacted; annual and locality payments pursuant to the statute have been reduced each year. Federal white-collar employees received a 1.5% annual pay adjustment and a 0.5% locality-based comparability payment in January 2010. President Barack H. Obama authorized the average 2.0% pay adjustment in Executive Order 13525, issued on December 23, 2009. Although the annual adjustment and the locality payment are sometimes referred to as cost-of-living adjustments, neither is based on changes in the cost of living.

The annual pay adjustment is based on the Employment Cost Index (ECI), which measures changes in private-sector wages and salaries. The size of the locality payment is determined by the President and is based on a comparison of non-federal and General Schedule (GS) salaries in 32 pay areas nationwide. (The GS is the pay schedule that covers white-collar employees under the Civil Service.) By law, the disparity between non-federal and federal salaries was to be gradually reduced to 5% during the years 1994 to 2002. Continuing in each year thereafter, FEPCA requires that amounts payable may not be less than the full amounts necessary to reduce the pay disparity to 5%.

The President's FY2010 budget proposed a 2.0% federal civilian pay adjustment. Division C, Section 744(a) of P.L. 111-117, the Consolidated Appropriations Act for FY2010 (H.R. 3288), enacted on December 16, 2009, provides the 2.0% pay adjustment for federal civilian employees, including employees in the Departments of Defense and Homeland Security.

This report will be updated as events dictate.

## Contents

Introduction .....	1
Pay Adjustments .....	2
Annual Pay Adjustment.....	2
Locality-Based Comparability Payments .....	3
Methodology for Determining the Locality-Based Comparability Payments .....	4
January 2010 Pay Adjustment .....	7
The President’s Recommendation.....	7
Congressional Actions.....	8
Financial Services and General Government Appropriations Act .....	8
Consolidated Appropriations Act.....	8

## Tables

Table 1. Annual and Locality Pay Adjustments under FEPCA, 1991 to 2010 .....	9
Table 2. January 2010 Authorized Locality Payments, and Net Annual and Locality Pay Increase .....	10

## Contacts

Author Contact Information .....	11
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## Introduction

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

In January 2010, federal white-collar employees received an average 2.0% pay increase allocated as a 1.5% annual adjustment and a 0.5% locality payment. Not all employees received the full amount of the pay adjustment because of statutory limitations on GS pay that correspond to Executive Schedule (EX) pay rates. Basic pay cannot exceed EX Level V (\$145,700, as of January 2010); basic pay and locality pay combined cannot exceed EX Level IV (\$155,500, as of January 2010); and total compensation cannot exceed EX Level I (\$199,700, as of January 2010).<sup>3</sup> GS-15 employees at the upper end of that pay grade in 18 areas are currently affected by the EX Level IV cap on basic pay and locality pay combined as shown below:

- Employees at step 10 in the Dallas-Fort Worth, TX; Denver-Aurora-Boulder, CO; Miami-Fort Lauderdale-Pompano Beach, FL; Minneapolis-St. Paul-St. Cloud, MN-WI; Philadelphia-Camden-Vineland, PA-NJ-DE-MD; Portland-Vancouver-Beaverton, OR-WA; Sacramento-Arden-Arcade-Yuba City, CA-NV; and Seattle-Tacoma-Olympia, WA, locality pay areas.
- Employees at steps 9 and 10 in the Boston-Worcester-Manchester, MA-NH-RI-ME; Chicago-Naperville-Michigan City, IL-IN-WI; Detroit-Warren-Flint, MI; Hartford-West Hartford-Willimantic, CT-MA; San Diego-Carlsbad-San Marcos, CA; and Washington-Baltimore-Northern Virginia, DC-MD-VA-WV-PA, locality pay areas.
- Employees at steps 8, 9, and 10 in the Houston-Baytown-Huntsville, TX; Los Angeles-Long Beach-Riverside, CA; and New York-Newark-Bridgeport, NY-NJ-CT-PA, locality pay areas.
- Employees at steps 6, 7, 8, 9, and 10 in the San Jose-San Francisco-Oakland, CA, locality pay area.<sup>4</sup>

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<sup>1</sup> This report does not cover salary adjustments for federal executive and judicial branch officials, federal justices and judges, Members of Congress, or the United States Postal Service. See CRS Report RL33245, *Legislative, Executive, and Judicial Officials: Process for Adjusting Pay and Current Salaries*, by (name redacted); CRS Report RS20388, *Salary Linkage: Members of Congress and Certain Federal Executive and Judicial Officials*, by (name redacted); and CRS Report RL33128, *Senior Executive Service (SES) Pay for Performance System*, by (name redacted). See also, CRS Report 97-615, *Salaries of Members of Congress: Congressional Votes, 1990-2010*, by (name redacted); CRS Report 97-1011, *Salaries of Members of Congress: Recent Actions and Historical Tables*, by (name redacted); and CRS Report RL30064, *Congressional Salaries and Allowances*, by (name redacted).

<sup>2</sup> 104 Stat. 1389, at 1427.

<sup>3</sup> 5 U.S.C. §5303(f), 5 U.S.C. §5304(g)(1), and 5 U.S.C. §5307(a)(1).

<sup>4</sup> For an analysis of the pay cap, see CRS Report RL34380, *The Executive Schedule IV Pay Cap on General Schedule Compensation*, by (name redacted).

In January 2009, federal white-collar employees received an average 3.9% pay increase allocated as a 2.9% annual adjustment and a 1.0% locality payment.

FEPCA has never been implemented as originally enacted. The annual pay adjustment was not made in 1994; in 1995, 1996, and 1998, and 2010, reduced amounts of the annual adjustments were provided. For 1995 through 2010, reduced amounts of the locality payments were provided. **Table 1** (at the end of this report) shows the annual and locality pay adjustments made under FEPCA for the years 1991 to 2010.

## Pay Adjustments

### Annual Pay Adjustment

Federal white-collar employees, including those paid under the General Schedule, usually receive an annual pay adjustment. The President also may annually adjust salaries of administrative law judges. Individuals in senior-level (SL) and scientific and professional (ST) positions may receive the annual adjustment at the discretion of agency heads.<sup>5</sup> Annual adjustments for contract appeals board members depend on whether EX<sup>6</sup> pay is adjusted.

FEPCA requires the annual pay adjustment for GS employees to be based on the Employment Cost Index (ECI), which measures change in private-sector wages and salaries. Basic pay rates are to be increased, beginning the first full pay period of a calendar year, by an amount that is 0.5 percentage points less than the percentage by which the ECI, for the quarter ending September 30 of the year before the preceding calendar year, exceeds the ECI for the comparable quarter of the next preceding year (if at all). For example, the annual adjustment for January 2010 was determined by comparing the ECI for the quarter ending September 30, 2008, with the ECI for the quarter ending September 30, 2007. The data used to calculate the annual adjustment are 15 months old at the time of the adjustment. ECI data indicated that the annual across-the-board pay adjustment in January 2010 should be 2.4%. This figure reflects the September 2007 to September 2008 change in private-sector wages and salaries of 2.9%, minus 0.5%.<sup>7</sup>

In the event of a national emergency or serious economic conditions affecting the general welfare, FEPCA authorizes the President to issue an alternative pay plan that uses a different percentage increase from the one required by the ECI-based formula. The alternative plan must be submitted to Congress by September 1 preceding the scheduled effective date.<sup>8</sup> The President issued an alternative plan for the January 2010 annual pay adjustment on August 31, 2009.<sup>9</sup>

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

<sup>6</sup> The EX schedule is the pay schedule for cabinet officers and other top government officials. It has five levels of pay in 2010 as follow: EX I-\$199,700, EX II-\$179,700, EX III-\$165,300, EX IV-\$155,500, and EX V-\$145,700.

<sup>7</sup> U.S. Department of Labor, Bureau of Labor Statistics, Employment Cost Index—September 2009 (Washington: October 31, 2008), p. 2.

<sup>8</sup> 104 Stat. 1389, at 1429-1431; 5 U.S.C. §§5301-5303.

<sup>9</sup> Letter to Congressional Leaders Transmitting an Alternative Plan for Pay Increases for Civilian Federal Employees, August 31, 2009, Daily Comp. Pres. Docs, 2009, DCPD200900673.

## Locality-Based Comparability Payments<sup>10</sup>

GS employees are also intended to receive locality-based comparability payments.<sup>11</sup> The Pay Agent<sup>12</sup> may also extend these payments to employees in other pay systems and has done so for employees in the Foreign Service and in administrative law judge, administrative appeals judge, and contract appeals board member positions.<sup>13</sup> The Pay Agent determines the applicable pay cap level for certain non-General Schedule employees to whom locality pay is extended.<sup>14</sup> The Office of Personnel Management (OPM) published final regulations in December 2001 to clarify and redefine the limitations.<sup>15</sup>

Among other groups of employees, GS special-rate employees receive either the special rate supplement or the locality payment, whichever is higher. Law enforcement officers receiving special rates under Section 403 of FEPCA receive both special rates and locality pay. Civilian employees of the Department of Defense who are covered by the National Security Personnel System (non-bargaining unit employees) receive a pay adjustment made up of a performance-based pay increase, an adjustment to base salary, and a local market supplement that is equivalent to GS pay.

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<sup>10</sup> A locality rate of pay is considered as basic pay in computing danger pay allowances and post differentials (and for purposes of calculating retirement annuities) for certain employees who are temporarily assigned to foreign areas and for whom the Department of State has established allowances for danger. See 5 C.F.R. 531.610 for other purposes for which locality rates are treated as basic pay. (U.S. Office of Personnel Management, "Locality-Based Comparability Payments," *Federal Register*, vol. 69, August 5, 2004, pp. 47353-47354. U.S. Office of Personnel Management, "Changes in Pay Administration Rules for General Schedule Employees," *Federal Register*, vol. 70, May 31, 2005, pp. 31279-31280, 31305.)

<sup>11</sup> Blue-collar workers under the Federal Wage System (FWS) receive a prevailing rate adjustment that is generally capped at the average percentage pay adjustment received by federal white-collar employees. For FY2010, this provision is at Section 710 of P.L. 111-117, the Consolidated Appropriations Act for FY2010. Notwithstanding the cap, the blue-collar pay adjustment in most locations is no less than the increase received by GS employees in that location. Blue-collar workers in Alaska, Hawaii, and certain other non-foreign areas receive a pay adjustment that is no less than the increase received by GS employees in the Rest of the United States (RUS) pay area. For FY2010, this provision is at Section 744(b) of P.L. 111-117, the Consolidated Appropriations Act for FY2010.

<sup>12</sup> The Pay Agent comprises the Secretary of Labor (Hilda Solis), the Director of the Office of Management and Budget (Peter Orszag), and the Director of the Office of Personnel Management (John Berry).

<sup>13</sup> The President, by Executive Order, delegated to the Pay Agent the authority to extend locality-based comparability payments to certain categories of positions not otherwise covered. U.S. President (Clinton), "Delegating a Federal Pay Administration Authority," Executive Order 12883, *Federal Register*, vol. 58, December 1, 1993, p. 63281. SL and ST employees are no longer eligible to receive locality pay as of April 12, 2009, under the provisions of a new pay system established by P.L. 110-372 enacted on October 8, 2008 (122 Stat. 4043-4046).

<sup>14</sup> The President, by Executive Order, delegated to the Pay Agent the authority to determine the applicable pay cap level for certain non-General Schedule employees to whom locality pay is extended. U.S. President (Clinton), "Adjustments of Certain Rates of Pay and Delegation of a Federal Pay Administration Authority," Executive Order 13106, *Federal Register*, vol. 63, December 9, 1998, p. 68152.

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

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

FEPCA authorizes the President to fix an alternative level of locality-based comparability payments if, because of a national emergency or serious economic conditions affecting the general welfare, the President considers the level that would otherwise be payable inappropriate. At least one month before these comparability payments would be payable (by November 30, 2008, for the 2009 payment), the President would have to prepare and transmit to Congress a report describing the intended alternative level of payments, including the reasons why the alternative level would be necessary.<sup>16</sup> The President issued an alternative plan for the January 2010 locality pay adjustment on November 30, 2009.<sup>17</sup>

Once the annual and locality pay percentage amounts are determined, the actual pay rates are calculated in the following way. First, the basic General Schedule (GS) is increased by the annual adjustment percentage, resulting in a new GS schedule. These new basic GS rates are then increased by the locality payments. For 2010, the resulting pay rates (annual + locality) are compared with the 2009 pay rates (annual + locality) to derive the net increases in pay. According to OPM, the net increase is calculated using this formula: 1 plus the new local rate divided by one plus the old local rate times the percentage for the across-the-board increase minus 1 times 100.

## **Methodology for Determining the Locality-Based Comparability Payments**

Under the law, the Bureau of Labor Statistics (BLS) conducts surveys that document non-federal rates of pay in each locality pay area. (In January 2009, there are 32 pay areas nationwide.) Prior to October 1996, the surveys were conducted under the Occupational Compensation Survey Program (OCSP), which had been approved by the Federal Salary Council<sup>18</sup> and the Pay Agent. Since then, the surveys have been conducted under the National Compensation Survey (NCS) program. The NCS results, however, were not approved for use with the January 2000 through January 2003 locality payments. In its memorandum to the Pay Agent on the January 2001 locality payments, the council recommended five improvements in the NCS program.<sup>19</sup> For the January 2004 through January 2006 locality payments, a phase-in of NCS survey data was

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<sup>16</sup> 104 Stat. 1389, at 1429-1436, as amended by 106 Stat. 1355-1356 and 1360; 5 U.S.C. §§5301-5302 and §§5304-5304a.

<sup>17</sup> Letter to Congressional Leaders Transmitting an Alternative Plan for Pay Increases for Civilian Federal Employees, November 30, 2009, DCPD200900959.

<sup>18</sup> The council includes nine members. Members generally recognized for their impartiality, knowledge, and experience in labor relations and pay policy.

<sup>19</sup> These recommendations, endorsed by the Pay Agent, were that (1) four factors, rather than nine, be used to assign the correct federal grade levels to the non-federal jobs surveyed, and grade level guides for occupational families be provided; (2) a model be developed to estimate missing data; (3) the matching of federal survey jobs with non-federal survey jobs be improved, and subcategories be provided for occupations that are not elsewhere classified; (4) for supervisory occupations, the highest level of work supervised be graded and the grade level be adjusted based on the level of supervision, instead of grading the supervisory job itself; and (5) criteria be developed to identify and exclude jobs that would be classified above GS-15 in government. (Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2001 and Other Matters Pertaining to the Locality Pay Program* [Washington: October 22, 1999], p. 8.)

approved.<sup>20</sup> The Federal Salary Council recommended that 100% of the NCS data be used beginning with the January 2007 locality payments.

Four of the improvements to the NCS survey have been fully implemented. The fifth enhancement, on the use of four factors to assign the correct federal grade level to non-federal jobs, will not be fully implemented for an estimated three years. According to the council's memorandum on the January 2009 locality payments, "The average pay gap was about 6 points higher in 2007 than in 2006," and the gaps in all locality pay areas, except for Dayton, OH,<sup>21</sup> increased. The Huntsville, AL, and Washington, DC-Baltimore, MD, locality pay areas showed the largest increases in the pay gap from 2006 to 2007; +12.33% and +9.72, respectively. The council stated that "This likely means the new survey methods tend to match survey jobs to lower General Schedule grades."<sup>22</sup>

As requested by the council, the BLS surveys provided pay data both by establishments of all sizes and by establishments with fewer than 50 employees (referred to as small establishments). The council reported that the inclusion of the data from the small establishments "increases the number of non-Federal employees represented by the data by more than 25 percent" and had a "modest" impact on the pay gaps. While not ruling out the possibility that data from small establishments could be used in the future, the council recommended that the data not be used in calculating locality payments for 2009, and that they "be reviewed again next year before making a decision" on its use. In making the recommendation, the council acknowledged that "some Council members have expressed concerns about how well jobs in small establishments match Federal jobs."<sup>23</sup> Since 1994, when locality pay was implemented, the BLS surveys have included data only from establishments with 50 or more workers.

The BLS survey results are submitted to the Office of Personnel Management (OPM), which serves as the staff to the Federal Salary Council and the Pay Agent. OPM documents federal rates of pay in each of the pay areas and compares non-federal and GS salaries, by grade, for each pay area. The average salaries at each grade, both federal and non-federal, are then aggregated and compared to determine an overall average percentage pay gap for each area. By law, the disparity between non-federal and federal salaries is to be reduced to 5%. Therefore, the overall average percentage pay gap for each pay area is adjusted annually to this level by OPM. This adjusted gap, called the target gap, is used to determine the locality rates for each pay area recommended to the President by the Pay Agent, after receiving advice from the Federal Salary Council. The pay gaps on which the locality payments are based are 22 months old by the effective date of the adjustment; thus, March 2008 gaps determine the January 2010 locality payments.

FEPCA also stipulates that a certain percentage of the target gap between GS average salaries and non-federal average salaries in each pay area is to be closed each year. Twenty percent of the gap

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<sup>20</sup> For the January 2004 locality payments, equal weights of 50% were applied to the NCS and OCSP results. For January 2005, weights of 75% and 25% were applied to the NCS and OCSP results, respectively. Weights of 90% NCS and 10% OCSP were applied for January 2006.

<sup>21</sup> The council stated that the decrease in the pay gap for Dayton, OH, primarily resulted from the conversion of civilian employees at the Department of Defense from the General Schedule to the National Security Personnel System, thereby removing the employees from the pay comparisons that underlie the locality-based comparability payments.

<sup>22</sup> Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2009 and Other Matters Pertaining to the Locality Pay Program* (Washington: October 25, 2007), p. 3. (Hereafter referred to as Federal Salary Council Memorandum for January 2009.)

<sup>23</sup> *Ibid.*, p. 2.



was closed in 1994, the first year of locality pay, as authorized by FEPCA. An additional 10% of the gap was to be closed each year thereafter, meaning that 30% of the gap was to be closed in 1995, 40% in 1996, 50% in 1997, 60% in 1998, 70% in 1999, 80% in 2000, and 90% in 2001. By January 2002, and continuing each year thereafter, FEPCA specified that amounts payable could not be less than the full amounts necessary to reduce the pay disparity of the target gap to 5%. In each of the years since 1994, the locality pay increase has been implemented at a much lower percentage than the law requires. As a result, the gap is being reduced slowly; 23.5% of the gap was closed in 1995, 25.9% in 1996, 28.3% in 1997, 29.2% in 1998, 31% in 1999, 33.5% in 2000, 38.1% in 2001, 42.3% in 2002, 44% in 2003, 53.7% in 2004, 58.8% in 2005, 62.7% in 2006, 69.8% in 2007, 58.3% in 2008, 52.5% in 2009, and 51.88% in 2010.

### ***Evaluating Areas in the Vicinity of Locality Pay Areas***

To evaluate areas currently in the “Rest of the United States” pay area for possible inclusion in adjacent locality pay areas, the following criteria<sup>24</sup> apply:

**For adjacent Metropolitan Statistical Areas (MSAs) and Combined Statistical Areas (CSAs):** To be included in an adjacent locality pay area, an adjacent MSA or CSA currently in the RUS locality pay area must have at least 1,500 GS employees and an employment interchange measure<sup>25</sup> of at least 7.5%.

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

**For federal facilities that cross locality pay area boundaries:** To be included in an adjacent locality pay area, the whole facility must have at least 500 GS employees, with the majority of those employees in the higher-paying locality pay area, or that portion of a federal facility outside a higher-paying locality pay area must have at least 750 GS employees; the duty stations of the majority of these employees must be within 10 miles of the separate locality pay area; and a significant number of these employees must commute to work from the higher-paying locality pay area.<sup>26</sup>

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

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<sup>24</sup> *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent* (Washington: December 2003), p. 19.

<sup>25</sup> The council recommended that commuting rates be calculated using the employment interchange measure, which is defined by the Office of Management and Budget as “A measure of the ties between two adjacent entities.” It is “the sum of the percentage of employed residents of the smaller entity who work in the larger entity and the percentage of the employment in the smaller entity that is accounted for by workers who reside in the larger entity.” (Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2005 and Other Matters Pertaining to the Locality Pay Program* [Washington: October 28, 2003], p. 7. [Hereafter referred to as Federal Salary Council Memorandum for January 2005.]

<sup>26</sup> Memorandum for the President's Pay Agent from the Federal Salary Council, *Level of Comparability Payments for January 2007 and Other Matters Pertaining to the Locality Pay Program* [Washington: October 21, 2005], p. 5, and *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent* [Washington: December 2005], p. 13.

### ***Requests for Changes in Locality Pay Area Boundaries***

To be considered by the council, requests for changes in the boundaries of locality pay areas must include the following information:

- credentials of the requesting group that establish how the group represents GS employees in the area;
- identification of the geographic area covered by the proposal;
- the number of GS employees in the area, by agency;
- a detailed explanation of why the area should be added to the adjacent locality pay area;
- current job vacancy rates in the area for GS positions;
- documentation of recruitment or retention problems for GS employees in the area;
- documentation that agencies have tried other pay flexibilities, including requests for special salary rates and use of recruitment, retention, and relocation payments, and that these flexibilities did not solve recruitment and retention problems;
- an indication that the headquarters of affected agencies know about and support the request;
- distance measures, by road, between the requesting area and the locality pay area;
- a summary of transportation facilities linking the requesting area and the locality pay area, including commuter rail or other mass transit facilities; and
- agency organizational relationships between activities covered by the proposal and activities in another locality pay area.<sup>27</sup>

## **January 2010 Pay Adjustment**

### **The President's Recommendation**

The President usually includes a proposal on the federal civilian pay adjustment in the *Budget of the United States* issued in February of each year. The FY2010 budget included a proposed 2.0% pay adjustment for federal civilian employees. This percentage is the overall average increase, including locality pay adjustments.<sup>28</sup> Congress authorized an average 2.0% pay adjustment in P.L. 111-117, the Consolidated Appropriations Act for FY2010, as discussed below.

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<sup>27</sup> Federal Salary Council Memorandum for January 2005, p. 10.

<sup>28</sup> U.S. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government Fiscal Year 2010; Analytical Perspectives* (Washington: GPO, 2009), p. 37.

## Congressional Actions

The pay adjustment is considered annually by Congress, which may legislate an adjustment that is different from the one recommended by the President or that might be authorized by the President in an alternative plan. The January 1999, January 2000, January 2002 through January 2006, and January 2009 through January 2010 overall pay adjustment amounts were set by Congress.<sup>29</sup>

## Financial Services and General Government Appropriations Act

Any congressional recommendation on the pay adjustment has usually been included in the appropriations bill which provides funding for the general government. In the 111<sup>th</sup> Congress this bill is called the Financial Services and General Government Appropriations (FSGG) Bill. The House version of the Financial Services and General Government Appropriations Act for FY2010 (H.R. 3170), as passed, was silent on a pay adjustment. The Senate version of the bill (S. 1432), as reported, included a 2.9% pay adjustment for federal civilian employees, including civilian employees in the Departments of Defense (DOD) and Homeland Security (DHS) at Section 736(a).<sup>30</sup>

## Consolidated Appropriations Act

Division C, Section 744(a) of P.L. 111-117, the Consolidated Appropriations Act for FY2010 (H.R. 3288), enacted on December 16, 2009, provides an average 2.0% pay adjustment for federal civilian employees, including DOD and DHS employees at Section 744(a). The pay increase became effective on the first day of the first applicable pay period beginning after January 1, 2010.

On December 23, 2009, the President issued Executive Order 13525, which implemented the law and the allocation of the pay increase as a 1.5% annual basic pay adjustment and a 0.5% locality pay adjustment.<sup>31</sup> (Individuals who are paid under the schedule for the Senior Executive Service and employees in senior-level (SL) and scientific or professional (ST) positions do not receive locality pay.) OPM published the 2010 salary tables on its website and these are available at <http://www.opm.gov>. **Table 2** shows the authorized locality payments, and the net annual and locality pay increases for January 2010.

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<sup>29</sup> P.L. 105-277, P.L. 106-58, P.L. 107-67, P.L. 108-7, P.L. 108-199, P.L. 108-447, P.L. 109-115, P.L. 110-161, and P.L. 110-329, respectively, provided the pay adjustments but reserved to the President the decision as to how the increases would be allocated between the annual and locality pay adjustments. P.L. 111-117 allocated the January 2010 pay adjustment as 1.5% basic and 0.5% locality pay.

<sup>30</sup> U.S. Congress, Senate Committee on Appropriations, *Financial Services and General Government Appropriations Bill, 2010*, report to accompany S. 1432, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., S.Rept. 111-43 (Washington: GPO, 2009).

<sup>31</sup> U.S. President (Obama), "Adjustments of Certain Rates of Pay," Executive Order 13525, *Federal Register*, vol. 74, December 30, 2009, pp. 69231-69242.

Table I. Annual and Locality Pay Adjustments under FEPCA, 1991 to 2010

Year	ECI-Based Annual Adjustment Required by FEPCA	Annual Adjustment Authorized	Locality Payments Required by FEPCA (National Average)	Locality Payments Authorized (National Average)	Net Increase, Annual and Locality Pay (National Average, Weighted)
1991	—	4.1%	—	—	4.1%
1992	4.2%	4.2%	—	—	4.2%
1993	3.7%	3.7%	—	—	3.7%
1994	2.2%	0	3.95%	3.95%	3.95%
1995	2.6%	2.0%	6.44%	5.05%	3.08%
1996	2.4%	2.0%	8.58%	5.56%	2.49%
1997	2.3%	2.3%	11.29%	6.37%	3.09%
1998	2.8%	2.3%	14.30%	6.93%	2.84%
1999	3.1%	3.1%	16.95%	7.50%	3.65%
2000	3.8%	3.8%	20.62%	8.62%	4.89%
2001	2.7%	2.7%	23.12%	9.77%	3.76%
2002	3.6%	3.6%	25.92%	10.95%	4.72%
2003	3.1%	3.1%	27.59%	12.12%	4.21%
2004	2.7%	2.7%	25.71%	13.81%	4.24%
2005	2.5%	2.5%	25.51%	15.01%	3.54%
2006	2.1%	2.1%	25.85%	16.22%	3.19%
2007	1.7%	1.7%	24.15%	16.80%	2.24%
2008	2.5%	2.5%	31.02%	18.13%	3.58%
2009	2.9%	2.9%	36.89%	19.42%	3.99%
2010	2.4%	1.5%	38.59%	20.02%	2.03%

**Sources:** Locality-based comparability payments began in 1994. For the ECI-required annual adjustment, see U.S. Department of Labor, Bureau of Labor Statistics, *Employment Cost Index*, September of each year. For the locality payments required by FEPCA, see *Report on Locality-Based Comparability Payments for the General Schedule, Annual Report of the President's Pay Agent*, December of each year. For the annual and locality pay adjustments authorized, see E.O. 12736, Dec. 12, 1990; E.O. 12786, Dec. 26, 1991; E.O. 12826, Dec. 30, 1992; Presidential memorandum of Dec. 1, 1993; E.O. 12944, Dec. 28, 1994; E.O. 12984, Dec. 28, 1995; E.O. 13033, Dec. 27, 1996; E.O. 13071, Dec. 29, 1997; E.O. 13106, Dec. 7, 1998; E.O. 13144, Dec. 21, 1999; E.O. 13182, Dec. 23, 2000; E.O. 13249, Dec. 28, 2001; E.O.s 13282, Dec. 31, 2002, and 13291, Mar. 21, 2003; E.O.s 13322, Dec. 30, 2003, and 13332, Mar. 3, 2004; E.O. 13368, Dec. 30, 2004; E.O. 13393, Dec. 22, 2005; E.O. 13420, Dec. 21, 2006; E.O. 13454, Jan. 4, 2008; E.O. 13483, Dec. 18, 2008; E.O. 13525, Dec. 23, 2009.

**Table 2. January 2010 Authorized Locality Payments, and Net Annual and Locality Pay Increase**

<b>Pay Areas</b>	<b>2010 Authorized Locality Payments</b>	<b>Net Increase, Annual and Locality Pay (weighted)</b>
Atlanta-Sandy Springs-Gainesville, GA-AL, CSA	19.29%	2.13%
Boston-Worcester-Manchester, MA-RI-NH, CSA, plus Barnstable County, MA, and Berwick, Eliot, Kittery, South Berwick, and York towns in York County, ME	24.80%	2.17%
Buffalo-Niagara-Cattaraugus, NY, CSA	16.98%	2.01%
Chicago-Naperville-Michigan City, IL-IN-WI, CSA	25.10%	2.01%
Cincinnati-Middletown-Wilmington, OH-KY-IN, CSA	18.55%	1.73%
Cleveland-Akron-Elyria, OH, CSA	18.68%	1.95%
Columbus-Marion-Chillicothe, OH, CSA	17.16%	1.97%
Dallas-Fort Worth, TX, CSA	20.67%	2.11%
Dayton-Springfield-Greenville, OH, CSA	16.24%	1.80%
Denver-Aurora-Boulder, CO, CSA, plus the Ft. Collins-Loveland, CO, MSA	22.52%	1.91%
Detroit-Warren-Flint, MI, CSA, plus Lenawee County, MI	24.09%	1.94%
Hartford-West Hartford-Willimantic, CT, CSA, plus the Springfield, MA, MSA and New London County, CT	25.82%	2.10%
Houston-Baytown-Huntsville, TX, CSA	28.71%	1.84%
Huntsville-Decatur, AL, CSA	16.02%	1.99%
Indianapolis-Anderson-Columbus, IN, CSA, plus Grant County, IN	14.68%	1.90%
Los Angeles-Long Beach-Riverside, CA, CSA, plus the Santa Barbara-Santa Maria-Goleta, CA, MSA and Edwards Air Force Base, CA	27.16%	2.02%
Miami-Fort Lauderdale-Pompano Beach, FL, MSA, plus Monroe County, FL	20.79%	1.99%
Milwaukee-Racine-Waukesha, WI, CSA	18.10%	1.89%
Minneapolis-St. Paul-St. Cloud, MN-WI, CSA	20.96%	2.01%
New York-Newark-Bridgeport, NY-NJ-CT-PA, CSA, plus Monroe County, PA, and Warren County, NJ	28.72%	2.10%
Philadelphia-Camden-Vineland, PA-NJ-DE-MD, CSA, plus Kent County, DE, Atlantic County, NJ, and Cape May County, NJ	21.79%	1.95%
Phoenix-Mesa-Scottsdale, AZ, MSA	16.76%	2.09%

Pay Areas	2010 Authorized Locality Payments	Net Increase, Annual and Locality Pay (weighted)
Pittsburgh-New Castle, PA, CSA	16.37%	1.95%
Portland-Vancouver-Beaverton, OR-WA, MSA, plus Marion County, OR, and Polk County, OR	20.35%	2.04%
Raleigh-Durham-Cary, NC, CSA, plus the Fayetteville, NC, MSA, the Goldsboro, NC, MSA, and the Federal Correctional Complex, Butner, NC	17.64%	1.72%
Richmond, VA, MSA	16.47%	1.82%
Sacramento - Arden-Arcade - Yuba City, CA-NV, CSA, plus Carson City, NV	22.20%	2.06%
San Diego-Carlsbad-San Marcos, CA, MSA	24.19%	2.12%
San Jose-San Francisco-Oakland, CA, CSA, plus the Salinas, CA, MSA and San Joaquin County, CA	35.15%	2.10%
Seattle-Tacoma-Olympia, WA, CSA, plus Whatcom County, WA	21.81%	2.13%
Washington-Baltimore-Northern Virginia, DC-MD-VA-WV, CSA, plus the Hagerstown-Martinsburg, MD-WV, MSA, the York-Hanover-Gettysburg, PA, CSA, and King George County, VA	24.22%	2.42%
Rest of the U.S. (RUS)	14.16%	1.77%
Average	20.02%	2.03%

**Source:** U.S. President (Obama), "Adjustments of Certain Rates of Pay," Executive Order 13525, *Federal Register*, vol. 74, December 30, 2009, pp. 69231-69242. MSA refers to a Metropolitan Statistical Area. CSA refers to a Combined Statistical Area. The locality pay areas are listed at 5 C.F.R. §531.603. See also, U.S. Office of Personnel Management, "Locality Pay Areas," *Federal Register*, vol. 72, June 22, 2007, pp. 34361-34363.

**Notes:** The actual pay rates are calculated in the following way. First, the basic General Schedule (GS) is increased by the annual adjustment percentage, resulting in a new GS schedule. The new basic GS rates are then increased by the locality payments. The resulting pay rates (annual + locality) are compared with the pay rates (annual + locality) for the previous year to derive the net increases in pay for the current year. According to OPM, the net increase is calculated using this formula:  $1 \text{ plus the new local rate divided by one plus the old local rate times } 1.029 \text{ for the across-the-board increase minus } 1 \text{ times } 100$ . For example, the calculation for 2010, in the Washington, DC, pay area, is  $1.2422/1.2310 \times 1.015 - 1 \times 100 = 2.42\%$ . Salary tables for 2010 are available on the Internet at <http://www.opm.gov>.

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