



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

Monday, September 29, 1997
CPM 97-09

MEMORANDUM FOR: Other Stakeholders

FROM: Donald J. Winstead Assistant, Director for Compensation Policy

Subject: January 1998 Pay Increases for General Schedule Employees

- President's Alternative Plan for January 1998 Pay Adjustments
- Locality Payments for GS Employees in 1998 as a Percentage of Basic Pay
- Locality Pay Percentages Authorized for 1998 and the Net Pay Increases
- Locality Pay Area Definitions
- 1998 Draft Salary Tables

Under the authority of 5 U.S.C. 5303(b) and 5304a, the President has transmitted to Congress an alternative plan for pay adjustments affecting General Schedule (GS) and certain other employees in January 1998. The alternative plan provides the following:

- (1) The rates of basic pay for each statutory pay system will be increased by 2.3 percent effective on the first day of the first applicable pay period beginning on or after January 1, 1998; and
- (2) Locality-based comparability payments will be increased on the same date by an overall amount that will increase the GS payroll by about 0.5 percent.

The across-the-board increase of 2.3 percent applies to all statutory pay systems. These are the General Schedule, the Foreign Service, and most pay plans for health care workers in the Veterans Health Administration, Department of Veterans Affairs. In addition, the minimum rate of the pay range for employees in senior-level (SL) and scientific or professional (ST) positions will be increased by 2.3 percent. This pay increase does not apply to the Executive Schedule, the Senior Executive Service (SES), the Federal Wage System (FWS), administrative law judges (ALJ's), or members of Boards of Contract Appeals. Employees covered by these pay plans receive increases based on other provisions of law. For example, basic pay increases for ALJ's and members of Boards of Contract Appeals are linked to increases provided under the Ethics Reform Act; basic pay increases for SES members are determined by the President under

5 U.S.C. 5382; and FWS pay rates are set under a separate locality pay system. Decisions on pay increases in 1998 for employees covered by these pay plans will be made later this year.

Locality payments are authorized by law only for GS employees whose official duty stations are located in the 48 contiguous States and Washington, DC. The President's Pay Agent (the Secretary of Labor and the Directors of the Office of Management and Budget and the Office of Personnel Management) has previously extended these payments to certain other categories of employees, including the Foreign Service, the SES, ALJ's, members of Boards of Contract Appeals, and SL/ST employees. The Pay Agent may grant such extensions only on a yearly basis, and the determination for 1998 will be announced later this year.

This memorandum provides a facsimile of the President's alternative plan, which sets forth the amounts of the locality payments for GS employees in 1998 as a percentage of basic pay in each of the 32 GS locality pay areas. There are two new locality pay areas for 1998: Hartford, CT, and Orlando, FL. (See proposed regulations published at 61 FR 55227 on October 25, 1996.)

A table showing the locality pay percentage authorized for 1998 and the net pay increase (including the across-the-board increase of 2.3 percent) for GS employees in each locality pay area is provided. The salary tables include the General Schedule, the locality rates of pay for each of the 32 locality pay areas, Special Salary Rate Table No. 491 (for law enforcement officers), and the law enforcement officer locality rates of pay for each of the 32 locality pay areas. The rates of pay shown in these draft salary tables will not be official until the President issues an Executive order later this year to implement his alternative plan, but may be used by agencies for payroll planning purposes.

For further information, please contact the Compensation Administration Division on (202) 606-2858; FAX: (202) 606-0824; or email at payleave@opm.gov.

THE WHITE HOUSE
Office of the Press Secretary
(Martha's Vineyard, Massachusetts)

For Immediate Release
August 29, 1997

TEXT OF A LETTER FROM
THE PRESIDENT TO THE SPEAKER OF
THE HOUSE OF REPRESENTATIVES AND
THE PRESIDENT OF THE SENATE

August 29, 1997

Dear Mr. Speaker: (Dear Mr. President:)

I am transmitting an alternative plan for Federal civilian employee pay adjustments, to take effect in January 1998.

Under title 5, United States Code, Federal civilian employees would receive a two-part pay raise in January 1998: (1) a 2.8 percent base salary raise linked to the part of the Employment Cost Index (ECI) that deals with changes in the wages and salaries of private industry workers; and (2) a locality pay raise, based on the Bureau of Labor Statistics' salary surveys of non-Federal employers in local pay areas, costing about 7.2 percent of payroll. Thus, on a cost-of-payroll basis, the total Federal employee pay increase would be about 10 percent in 1998.

But, for each part of the two-part pay increase, title 5 gives me the authority to implement an alternative pay adjustment plan if I view the adjustment that would otherwise take effect as inappropriate due to "national emergency or serious economic conditions affecting the general welfare." Over the past 20 years, Presidents have used this or similar authority for most annual Federal pay raises.

In evaluating "an economic condition affecting the general welfare," the law directs me to consider such economic measures as the Index of Leading Economic Indicators, the Gross National Product, the unemployment rate, the budget deficit, the Consumer Price Index, the Producer Price Index, the Employment Cost Index, and the Implicit Price Deflator for Personal Consumption Expenditures.

In assessing Federal civilian pay increases for 1998, I reviewed the indicators cited above as well as other pertinent economic and budgetary factors -- including the compatibility of pay increases with the limits on Federal discretionary spending under the Bipartisan Balanced Budget Agreement.

The Budget Agreement continues the spending discipline that my Administration initiated in 1993 and that has contributed to sustained economic growth, low inflation and unemployment, and a sharp cut in the budget deficit. Full statutory civilian pay increases of 10 percent in 1998 are inconsistent with the task of reaching balance by 2002. They would cost about \$7.9 billion in 1998 alone -- \$5.7 billion more than the 2.8 percent increase I proposed in my fiscal 1998 Budget -- and would build in later years. Such cost increases either would threaten our achieving balance by 2002, or force deep cuts in discretionary spending or Federal employment to stay within spending targets. Neither outcome is acceptable for maintaining the economic prosperity of the American people.

Therefore, I have determined that my proposal for a total civilian raise of 2.8 percent remains appropriate. This raise matches the 2.8 percent basic pay increase that I proposed for military members in my fiscal 1998 Budget, and that the Congress will likely include in the 1998 defense authorization bill.

Because many Federal civilian employees do not receive locality pay, I will put the bulk of the 2.8 percent adjustment into the general increase under section 5303, thus giving all employees a meaningful raise. I will apply the remainder to increasing the locality-based comparability payments under section 5304.

Accordingly, I have determined that:

- (1) Under the authority of section 5303(b) of title 5, United States Code, the pay rates for each statutory pay system shall be increased by 2.3 percent, effective on the first day of the first applicable pay period beginning on or after January 1, 1998.
- (2) Under the authority of section 5304a of title 5, United States Code, locality-based comparability payments in the amounts set forth on the attached table shall be effective on the first day of the first applicable pay period beginning on or after January 1, 1998. When compared with the payments now in effect, these comparability payments will increase the General Schedule payroll by about 0.5 percent.

Finally, the law requires that I include in this report an assessment of the impact of my decisions on the Government's ability to recruit and retain well-qualified employees. While I regret that our fiscal situation does not permit granting Federal employees a larger pay increase, I do not believe that it will materially affect our ability to continue to attract and retain a quality Federal workforce.

Due to our continuing efforts to reinvent Government, creating a Government that works better and costs less, the number of Federal employees continues to fall; consequently, hiring and attrition are low. In addition, should the need arise, the Government has many pay tools, such as recruitment bonuses, retention allowances, and special salary rates, to maintain the high quality workforce that serves our Nation so very well.

Sincerely,

WILLIAM J. CLINTON

Locality-Based Comparability Payments Under Alternative Plan Pay Locality

Comparability Payment Effective January 1998

Atlanta MSA	6.18%
Boston CMSA	8.61%
Chicago CMSA	9.21%
Cincinnati CMSA	7.71%
Cleveland CMSA	6.35%
Columbus, OH, MSA	6.90%
Dallas CMSA	6.90%
Dayton MSA	6.19%
Denver CMSA	8.46%
Detroit CMSA	9.36%
Hartford MSA(2)	9.13%
Houston CMSA	11.96%
Huntsville MSA	5.84%
Indianapolis MSA	5.63%
Kansas City MSA	6.06%
Los Angeles CMSA(3)	10.31%
Miami CMSA	7.86%
Milwaukee CMSA	6.19%
Minneapolis MSA	7.32%
New York CMSA	9.76%
Orlando MSA	5.42%
Philadelphia CMSA	7.67%
Pittsburgh MSA	6.21%
Portland, OR, CMSA	7.17%
Richmond MSA	6.12%
Sacramento CMSA	7.64%
St. Louis MSA	5.71%
San Diego MSA	7.94%
San Francisco CMSA	12.06%
Seattle CMSA	7.34%
Washington CMSA(4)	7.27%
Rest of United States(5)	5.42%

NOTE: MSA means Metropolitan Statistical Area and CMSA means Consolidated Metropolitan Statistical Area, both as defined by the Office of Management and Budget (OMB) in OMB Bulletin Number 96-08, June 28, 1996.

1. The comparability payment is a cumulative percentage, beginning with the first comparability payments in 1994, applied to base salary to calculate total pay. It is not the percentage increase in the comparability payment over the previous rate.

2. Pay locality also includes that portion of New London County, CT, not already part of the Hartford MSA.
3. Pay locality also includes Santa Barbara County and Edwards Air Force Base, CA.
4. Pay locality also includes St. Marys County, MD.
5. Does not include Alaska, Hawaii, or U.S. territories or possessions.

Locality-Based Comparability Rates and Net Pay Increases in 1998 For GS Employees Under the President's Alternative Plan

1998	NET		
LOCALITY	INCREASES	LOCALITY PAY AREA	RATE (2) IN 1998 (3)
Atlanta MSA	6.18%	2.81%	
Boston CMSA	8.61%	2.91%	
Chicago CMSA	9.21%	3.32%	
Cincinnati CMSA	7.71%	3.22%	
Cleveland CMSA	6.35%	3.11%	
Columbus, OH, MSA	6.90%	2.57%	
Dallas CMSA	6.90%	2.78%	
Dayton MSA	6.19%	2.81%	
Denver CMSA	8.46%	3.64%	
Detroit CMSA	9.36%	3.45%	
Hartford MSA (1)	9.13%	6.52%	
Houston CMSA	11.96%	2.70%	
Huntsville MSA	5.84%	2.94%	
Indianapolis MSA	5.63%	2.44%	
Kansas City MSA	6.06%	3.23%	
Los Angeles CMSA (1)	10.31%	3.09%	
Miami CMSA	7.86%	3.37%	
Milwaukee CMSA	6.19%	2.89%	
Minneapolis MSA	7.32%	3.06%	
New York CMSA	9.76%	2.87%	
Orlando MSA	5.42%	2.90%	
Philadelphia CMSA	7.67%	2.67%	
Pittsburgh MSA	6.21%	3.41%	
Portland, OR, CMSA	7.17%	3.30%	
Richmond MSA	6.12%	3.13%	
Sacramento CMSA	7.64%	3.34%	
St. Louis MSA	5.71%	2.82%	
San Diego MSA	7.94%	3.13%	
San Francisco CMSA	12.06%	3.59%	
Seattle CMSA	7.34%	2.99%	
Washington, DC, CMSA (1)	7.27%	2.45%	
Rest of United States	5.42%	2.90%	

Notes:

- (1) The Los Angeles locality pay area includes Santa Barbara County and Edwards Air Force Base, CA. The Hartford locality pay area includes that portion of New London County, CT, not located within the Hartford, CT MSA. The Washington-Baltimore locality pay area includes St. Mary's County, MD.
- (2) The 1998 locality rate replaces the 1997 rate. It is not paid in addition to or on top of the 1997 locality rate.
- (3) The net increase includes the increase in locality pay and the 2.3 percent across-the-board increase.

CMSA means Consolidated Metropolitan Statistical Area, and MSA means Metropolitan Statistical Area, as defined by the Office of Management and Budget in OMB Bulletin, 96-08 of June 28, 1996.