



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

December 11, 2006

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: LINDA M. SPRINGER
Director 

SUBJECT: Draft January 2007 Salary Tables

The Office of Personnel Management (OPM) is posting **draft** 2007 salary tables on OPM's Web site at <http://www.opm.gov/oca/07tables/index.asp>. We anticipate the President will issue an Executive order later this month to implement the 2007 pay rates. We will issue a separate memorandum announcing the final 2007 salary tables after the President signs the Executive order.

Alternative Plan

Under the authority of 5 U.S.C. 5304a, the President has transmitted to Congress an alternative plan for locality pay adjustments affecting General Schedule (GS) employees in January 2007. (See Attachment 1.) The President's alternative plan results in an overall pay adjustment of 2.2 percent. Of the 2.2 percent average increase, 1.7 percent is allocated as an across-the-board increase for the General Schedule under 5 U.S.C. 5303. The alternative plan provides the remaining 0.5 percent as locality-based adjustments, under 5 U.S.C. 5304a.

2007 Salary Tables and Effective Date

We have posted **draft** 2007 salary tables on OPM's web site at <http://www.opm.gov/oca/07tables/index.asp>. The 2007 pay rates will become effective on the first day of the first applicable pay period beginning on or after January 1, 2007 (January 7, 2007) if no further action is taken by Congress.

Executive Schedule

Based on 5 U.S.C. 5318, Executive Schedule (EX) rates of pay will be increased by 1.7 percent (rounded to the nearest \$100) and will become effective on the first day of the first pay period beginning on or after January 1, 2007 (January 7, 2007). The draft EX salary table is on OPM's Web site at <http://www.opm.gov/oca/07tables/indexSES.asp>.

Senior Executive Service

Under 5 U.S.C. 5376, the minimum rate of basic pay for the Senior Executive Service (SES) rate range will be adjusted to be consistent with the increase in the minimum rate of basic pay for senior-level positions under 5 U.S.C. 5376 (\$111,676 in 2007). The applicable maximum rate of basic pay for the SES will be \$168,000 (EX-II) for SES members covered by a certified SES performance appraisal system and \$154,600 (EX-III) for SES members covered by an SES performance appraisal system that has not been certified. An SES member at the minimum rate of the SES rate range must receive a pay increase of 1.7 percent in January 2007, since an SES member may not receive less than the minimum rate of the SES rate range. An agency's determination to adjust the rate of basic pay for an SES member that is approved by the end of the first pay period in January 2007 (January 20, 2007) may be made effective as of the first day of the first pay period (January 7, 2007). Determinations to adjust SES pay that are approved after January 20, 2007, will become effective at the beginning of the next pay period following the approval. OPM's regulations for setting and adjusting SES pay are available at 5 CFR part 534, subpart D.

Post Employment Restrictions

Agencies are required to notify SES members and other individuals who are paid at a rate of basic pay equal to or greater than 86.5 percent of the rate for level II of the Executive Schedule (\$145,320 in 2007) that they are subject to certain post-employment restrictions in 18 U.S.C. 207(c). (See 18 U.S.C. 207(c)(2)(A)(ii).) OPM's regulations requiring notification of post-employment restrictions are available at 5 CFR part 730. Agencies may continue to use the sample notice OPM provided in its memorandum of January 6, 2004 (CPM 2004-01), to notify an SES member or other individual that he or she is subject to the post-employment restrictions in 18 U.S.C. 207(c). (Agencies will need to update the salary threshold, as appropriate.) The sample notice is available at http://www.opm.gov/oca/compmemo/2004/2004-01_attach1.asp

Aggregate Limitation on Pay

The aggregate limitation on pay for calendar year 2007 will be \$186,600 (equivalent to the rate for level I of the Executive Schedule). SES members and employees in senior-level and scientific or professional (SL/ST) positions who are covered by a certified performance appraisal system are subject to a higher aggregate limitation on pay—up to the Vice President's salary (\$215,700 in 2007). (See 5 U.S.C. 5307 and 5 CFR part 530, subpart B.) Information on obtaining certification of performance appraisal systems is available at <http://www.opm.gov/oca/compmemo/2004/2004-13.asp>.

Locality Pay Extensions

On November 13, 2006, the Director of OPM issued a memorandum on behalf of the President's Pay Agent (the Secretary of Labor and the Directors of the Office of Management and Budget (OMB) and OPM) that extends the GS locality payments to Administrative Law

Judges, employees in SL/ST positions, and certain other non-GS categories of employees again in 2007. By law, Executive Schedule officials and SES members and employees in certain other equivalent pay systems are not authorized to receive locality payments.

Locality Rates

Attachment 2 provides a table showing the 2007 locality pay percentage and net percentage increase in each area (reflecting the combined effect of the 1.7 percent across-the-board base pay increase and the applicable increase in the locality pay percentage).

Changes in Locality Pay Areas in 2007

The President's Pay Agent has approved the following changes in locality pay areas effective on the first day of the first pay period beginning on or after January 1, 2007 (January 7, 2007):

- Grayson County, TX, is added to the Dallas-Fort Worth, TX, locality pay area
- Berks County, PA, is added to the Philadelphia-Camden-Vineland, PA-NJ-DE-MD locality pay area

Locality pay area definitions are posted at <http://www.opm.gov/oca/07tables/locdef.asp>.

2006 Annual Review of Special Salary Rates

We will issue a separate memorandum announcing the results of the 2006 annual review of special rates.

Questions

For additional information, agency Chief Human Capital Officers and/or Human Resources Directors should contact their assigned OPM Human Capital Officers. Employees should contact their agency human resources offices for assistance.

Attachments

cc: Chief Human Capital Officers
Human Resources Directors

Text of a Letter from the President to the Speaker of the House of Representatives and the President of the Senate

November 30, 2006

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

I am transmitting an alternative plan for locality pay increases payable to civilian Federal employees covered by the General Schedule (GS) and certain other pay systems in January 2007.

Under title 5, United States Code, civilian Federal employees covered by the GS and certain other pay systems would receive a two-part pay increase in January 2007: (1) a 1.7 percent across-the-board adjustment in scheduled rates of basic pay derived from Employment Cost Index data on changes in the wages and salaries of private industry workers, and (2) a 6.9 percent locality pay adjustment based on Bureau of Labor Statistics' salary surveys of non-Federal employers in each locality pay area. According to the statutory formula, for Federal employees covered by the locality pay system, the overall average pay increase would be about 8.6 percent. The total Federal employee pay increase would cost about \$8.8 billion in fiscal year 2007 alone.

Title 5, United States Code, authorizes me to implement an alternative locality pay 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." For the reasons described below, I have determined that it would be appropriate to exercise my statutory alternative plan authority to set an alternative January 2007 locality pay increase.

A national emergency, within the meaning of chapter 53 of title 5, has existed since September 11, 2001, that includes Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom. The growth in Federal requirements is straining the Federal budget. Full statutory civilian pay increases costing \$8.8 billion in 2007 alone would interfere with our Nation's ability to pursue the war on terrorism.

Such cost increases would threaten our efforts against terrorism or force deep cuts in discretionary spending or Federal employment to stay within budget. Neither outcome is acceptable. Therefore, I have determined that a locality pay increase of 0.5 percent would be appropriate for GS and certain other employees in January 2007. Our national situation precludes granting larger locality pay increases at this time.

Accordingly, I have determined that under the authority of section 5304a of title 5, United States Code, locality-based comparability payments for the locality pay areas in amounts set forth in the attached table shall become effective on the first day of the first applicable pay period beginning on or after January 1, 2007. When compared with the payments currently in effect, these comparability payments will increase the General Schedule payroll by 0.5 percent.

Finally, the law requires that I include in this report an assessment of the impact of my decision on the Government's ability to recruit and retain well-qualified employees. I do not believe this decision will materially affect our ability to continue to attract and retain a quality Federal workforce. To the contrary, since any pay raise above what I have proposed would likely be unfunded, agencies would have to absorb the additional cost and could have to freeze hiring in order to pay the higher rates. Moreover, GS "quit" rates continue to be very low (2.0 percent on an annual basis), well below the overall average "quit" rate in private enterprise. Should the need arise, the Government has many compensation 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,

GEORGE W. BUSH

2007 Locality-Based Comparability Payments Under Alternative Plan

<u>Locality Pay Area</u>	<u>Locality Payment</u>
Atlanta-Sandy Springs-Gainesville, GA-AL	15.89%
Boston-Worcester-Manchester, MA-NH-ME-RI	20.97
Buffalo-Niagara-Cattaraugus, NY	14.15
Chicago-Naperville-Michigan City, IL-IN-WI	21.79
Cincinnati-Middletown-Wilmington, OH-KY-IN	17.38
Cleveland-Akron-Elyria, OH	15.96
Columbus-Marion-Chillicothe, OH	15.00
Dallas-Fort Worth, TX	17.34
Dayton-Springfield-Greenville, OH	14.27
Denver-Aurora-Boulder, CO	20.02
Detroit-Warren-Flint, MI	21.53
Hartford-West Hartford-Willimantic, CT-MA	22.44
Houston-Baytown-Huntsville, TX	26.65
Huntsville-Decatur, AL	13.60
Indianapolis-Anderson-Columbus, IN	13.00
Los Angeles-Long Beach-Riverside, CA	24.03
Miami-Fort Lauderdale-Miami Beach, FL	18.30
Milwaukee-Racine-Waukesha, WI	15.54
Minneapolis-St. Paul-St. Cloud, MN-WI	18.17
New York-Newark-Bridgeport, NY-NJ-CT-PA	24.57
Philadelphia-Camden-Vineland, PA-NJ-DE-MD	18.85
Phoenix-Mesa-Scottsdale, AZ	13.22
Pittsburgh-New Castle, PA	14.16
Portland-Vancouver-Beaverton, OR-WA	17.63
Raleigh-Durham-Cary, NC	16.18
Richmond, VA	14.41
Sacramento-Arden-Arcade-Truckee, CA-NV	18.99
San Diego-Carlsbad-San Marcos, CA	20.34
San Jose-San Francisco-Oakland, CA	30.33
Seattle-Tacoma-Olympia, WA	18.58
Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV	18.59
Rest of U.S.	12.64

**Locality-Based Comparability Payments and Pay
Increases in 2007 for General Schedule Employees**

Locality Pay Area [1]	New Locality Rate [2]	Total Increase Over 2006 Pay
Atlanta-Sandy Springs-Gainesville, GA-AL	15.89%	2.40%
Boston-Worcester-Manchester, MA-NH-ME-RI	20.97%	2.53%
Buffalo-Niagara-Cattaraugus, NY	14.15%	2.26%
Chicago-Naperville-Michigan City, IL-IN-WI	21.79%	2.24%
Cincinnati-Middletown-Wilmington, OH-KY-IN	17.38%	1.96%
Cleveland-Akron-Elyria, OH	15.96%	2.18%
Columbus-Marion-Chillicothe, OH	15.00%	1.83%
Dallas-Fort Worth, TX	17.34%	2.53%
Dayton-Springfield-Greenville, OH	14.27%	2.09%
Denver-Aurora-Boulder, CO	20.02%	2.15%
Detroit-Warren-Flint, MI	21.53%	2.15%
Hartford-West Hartford-Willimantic, CT-MA	22.44%	2.66%
Houston-Baytown-Huntsville, TX	26.65%	1.93%
Huntsville-Decatur, AL	13.60%	1.92%
Indianapolis-Anderson-Columbus, IN	13.00%	1.84%
Los Angeles-Long Beach-Riverside, CA	24.03%	2.40%
Miami-Fort Lauderdale-Miami Beach, FL	18.30%	2.10%
Milwaukee-Racine-Waukesha, WI	15.54%	2.41%
Minneapolis-St. Paul-St. Cloud, MN-WI	18.17%	2.45%
New York-Newark-Bridgeport, NY-NJ-CT-PA	24.57%	3.02%
Philadelphia-Camden-Vineland, PA-NJ-DE-MD	18.85%	2.40%
Phoenix-Mesa-Scottsdale, AZ	13.22%	2.21%
Pittsburgh-New Castle, PA	14.16%	2.01%
Portland-Vancouver-Beaverton, OR-WA	17.63%	2.11%
Raleigh-Durham-Cary, NC	16.18%	2.24%
Richmond, VA	14.41%	1.93%
Sacramento--Arden-Arcade--Truckee, CA-NV	18.99%	2.63%
San Diego-Carlsbad-San Marcos, CA	20.34%	2.68%
San Jose-San Francisco-Oakland, CA	30.33%	3.00%
Seattle-Tacoma-Olympia, WA	18.58%	2.26%
Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV	18.59%	2.64%
Rest of U.S.	12.64%	1.81%

[1] Locality pay areas are defined in 5 CFR 531.603(b) and are available at <http://www.opm.gov/oca/07tables/locdef.asp>.

[2] The 2007 locality rate replaces the 2006 rate. It is not paid in addition to or on top of the 2006 locality rate.