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Federal Locality-Based Comparability Payments for General Schedule Employees

The Federal Employees Pay Comparability Act of 1990 (FEPCA) authorizes locality-based comparability payments for General Schedule (GS) employees. (See 5 U.S.C. §§5304, 5304a.) Locality pay implementation and adjustment procedures are specified in the statute and Office of Personnel Management (OPM) regulations. (See 5 C.F.R. Part 531, Subpart F.)

The locality pay procedures provide that payments are to be made within each locality determined to have a nonfederal/federal pay disparity greater than 5%. Bureau of Labor Statistics (BLS) surveys compare the rates of GS pay with the rates of pay generally paid to nonfederal workers for the same levels of work within each pay locality. The amount of the comparability payment payable within any particular locality is stated as a single percentage, which is uniformly applicable to GS positions within the locality. The payments are effective as of the first day of the first applicable pay period commencing on or after such date as the President designates. Locality payments are not based on indicators of the cost of living in a pay area.

Table 1 lists the 54 locality pay areas as of January 2021.

FEPCA also authorizes the President to establish an alternative level of locality 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. Locality payments became effective in January 1994 and an average 3.95% adjustment was provided, as the law required, for that year. For each year since then, alternative plans have reduced the locality pay amount provided.

Base pay and locality pay combined cannot exceed the pay rate for Level IV of the Executive Schedule, which is \$172,500, as of January 2021 (5 U.S.C. §5304(g)(1)). As annual adjustments to base and locality are provided and this limitation prevents raises from taking effect at the top of the scale—"pay compression"—employees paid at an increasing number of GS step levels have reached this cap. As a result of the January 2021 pay adjustments, employees in the middle to upper steps of the GS-15 pay grade are affected by the pay cap in 25 locality pay areas. The most severe compression is occurring in the San Jose-San Francisco-Oakland locality pay area, where employees at GS-15 steps 5 through 10 all receive the same rate of pay.

Under FEPCA, the Federal Salary Council (FSC) provides views and recommendations on the establishment or

Table 1. Federal Locality Pay Areas

As of January 2021

Alaska	Indianapolis-Carmel-Muncie, IN
Albany-Schenectady, NY-MA	Kansas City-Overland Park-Kansas City, MO-KS
Albuquerque-Santa Fe-Las Vegas, NM	Laredo, TX
Atlanta - Athens-Clarke County - Sandy Springs, GA-AL	Las Vegas-Henderson, NV-AZ
Austin-Round Rock, TX	Los Angeles-Long Beach, CA
Birmingham-Hoover-Talladega, AL	Miami-Fort Lauderdale-Port St. Lucie, FL
Boston-Worcester-Providence, MA-RI-NH-ME	Milwaukee-Racine-Waukesha, WI
Buffalo-Cheektowaga, NY	Minneapolis-St. Paul, MN-WI
Burlington-South Burlington, VT	New York-Newark, NY-NJ-CT-PA
Charlotte-Concord, NC-SC	Omaha-Council Bluffs-Fremont, NE-IA
Chicago-Naperville, IL-IN-WI	Palm Bay-Melbourne-Titusville, FL
Cincinnati-Wilmington-Maysville, OH-KY-IN	Philadelphia-Reading-Camden, PA-NJ-DE-MD
Cleveland-Akron-Canton, OH	Phoenix-Mesa-Scottsdale, AZ
Colorado Springs, CO	Pittsburgh-New Castle-Weirton, PA-OH-WV
Columbus-Marion-Zanesville, OH	Portland-Vancouver-Salem, OR-WA
Corpus Christi-Kingsville-Alice, TX	Raleigh-Durham-Chapel Hill, NC
Dallas-Fort Worth, TX-OK	Richmond, VA
Davenport-Moline, IA-IL	Sacramento-Roseville, CA-NV
Dayton-Springfield-Sidney, OH	San Antonio-New Braunfels-Pearsall, TX
Denver-Aurora, CO	San Diego-Carlsbad, CA
Des Moines-Ames-West Des Moines, IA	San Jose-San Francisco-Oakland, CA
Detroit-Warren-Ann Arbor, MI	Seattle-Tacoma, WA
Harrisburg-Lebanon, PA	St. Louis-St. Charles-Farmington, MO-IL
Hartford-West Hartford, CT-MA	Tucson-Nogales, AZ
Hawaii	Virginia Beach-Norfolk, VA-NC
Houston-The Woodlands, TX	Washington-Baltimore-Arlington, DC-MD-VA-WV-PA
Huntsville-Decatur-Albertville, AL	Rest of U.S. (RUS)

Source: 5 C.F.R. §531.603. RUS consists of those portions of the United States and its territories and possessions not located within another locality pay area.

modification of pay localities, the coverage of the surveys of pay localities conducted by the BLS, the process of comparing the GS and nonfederal rates of pay, and the level of comparability payments that should be paid in an annual memorandum to the President's Pay Agent (which comprises the Secretary of Labor, U.S. Office of Management and Budget director, and OPM director). Nine

members comprise the FSC, of whom three members are chosen from among persons generally recognized for their impartiality, knowledge, and experience in the field of labor relations and pay policy, and six represent employee organizations whose membership includes substantial numbers of employees holding GS positions. The latter members are selected giving due consideration to such factors as the relative numbers of employees represented by the various organizations. Not more than three members of the FSC at any one time can be from a single employee organization, council, federation, alliance, association, or affiliation of employee organizations (5 U.S.C. §5304(e)(1)). The FSC's most recent memorandum covered locality pay for January 2022. The Biden Administration has yet to reconstitute the FSC and name a chair.

As part of its responsibilities, the FSC may recommend that a new locality pay area be established or that a location become an "area of application"—that is, be included in an already existing locality pay area. The current criteria for adding adjacent core-based statistical areas (CBSAs—metropolitan and micropolitan statistical areas) or single counties to locality pay areas as areas of application are as follows:

- A multi-county CBSA adjacent to a basic locality pay area must have 1,500 or more GS employees and an employment interchange rate of at least 7.5%. The "employment interchange rate" is a measure of workers commuting between an existing locality pay area and the proposed area of application. The rate is calculated by including all workers in assessed locations, not just federal employees.
- A single county that is not part of a multi-county, non-micropolitan CBSA and is adjacent to a basic locality pay area must have 400 or more GS employees and an employment interchange rate of at least 7.5%.
- Some federal facilities cross locality pay area boundaries. The FSC criteria stipulate that, for such a facility "[t]o 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 [f]ederal 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."

With regard to revisions in the criteria for new locality pay areas, the FSC's memorandum included a recommendation that the FSC "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 [National Compensation Survey]/OES [Occupational Employment Statistics] Model." The memorandum directed the FSC's Working Group to provide it with a recommendation on this issue in 2021.

A location has an opportunity to present data and information to the FSC related to the locality pay circumstances in that location at the FSC's annual meeting in Washington, DC. The data and information generally relate to the number of GS employees impacted, recruiting and retention difficulties in the location, and employee commuting patterns outside of the location to a larger locality pay area.

OPM does not hold membership on the FSC but provides administrative and technical staff support. Individuals or groups concerned about the geographic boundaries of locality pay areas or the criteria by which those boundaries are established for a particular location may submit a proposal to the FSC. Such a proposal could cover the location of concern regardless of whether it meets the current criteria. Individuals or groups interested in providing input to the FSC can send an email message to Pay-Leave-Policy@opm.gov with "Federal Salary Council" in the subject line. OPM can provide individuals with current information on procedures for providing testimony to the FSC and on other matters related to locality pay.

The Pay Agent makes recommendations on locality payments in an annual report to the President. The most recent report covered locality pay for 2022 and stated, "Any Council recommendations to change or make exceptions to the criteria by which basic locality pay areas and areas of application ... are established should discuss and quantify the implications that such changes or exceptions could have on all potentially impacted locations throughout the Country before the Pay Agent would consider them. Further deliberation on these important matters is warranted by the new Council, once constituted."

In November 2021, the Government Accountability Office (GAO) published a report on the administration and implementation of the GS locality pay program. It discussed the five options for alternatives to the locality pay survey methodology that were included in the FSC's May 2019 memorandum to the Pay Agent: (1) maintain the status quo—continue use of the NCS/OEWS model; (2) modify the existing salary survey methodology; (3) verify the results of the methodology; (4) assess the total compensation gap; and (5) establish a commission to periodically review federal civilian compensation. GAO noted, "As of August 2021, the council continues to use the current NCS/OEWS methodology."

The GAO report also restated the Pay Agent's views that "it has found that important labor market factors are not considered and the overall scale of the pay disparities presented by the council each year using the current locality pay methodology lacks credibility; and it believed there is a need for fundamental legislative reforms of the federal compensation system to develop a system that is performance sensitive and makes the government more citizen centered, results oriented, and market based."

Barbara L. Schwemle, Analyst in American National Government

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