

AN ALTERNATIVE PLAN FOR LOCALITY PAY  
INCREASES

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COMMUNICATION

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

AN ALTERNATIVE PLAN FOR LOCALITY PAY INCREASE PAYABLE  
TO CIVILIAN FEDERAL EMPLOYEES COVERED BY THE GENERAL  
SCHEDULE (GS) AND CERTAIN OTHER PAY SYSTEMS IN JANU-  
ARY 2007, PURSUANT TO 5 U.S.C. 5305(a)(3)



DECEMBER 5, 2006.—Referred to the Committee on Government Reform  
and ordered to be printed

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THE WHITE HOUSE,  
Washington, November 30, 2006.

Hon. J. DENNIS HASTERT,  
*Speaker of the House of Representatives,*  
*Washington, DC*

DEAR MR. SPEAKER: 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

<i>Locality Pay Area</i>	<i>Locality Payment Percentage</i>
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