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# AN ALTERNATIVE PLAN FOR ACROSS-THE-BOARD AND LOCALITY PAY INCREASES

## COMMUNICATION

FROM

# THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

AN ALTERNATIVE PLAN FOR ACROSS-THE-BOARD AND LOCALITY PAY INCREASES PAYABLE TO CIVILIAN FEDERAL EMPLOYEES COVERED BY THE GENERAL SCHEDULE (GS) AND CERTAIN OTHER PAY SYSTEMS IN JANUARY 2004, PURSUANT TO 5 U.S.C. 5305(a)(3)

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THE WHITE HOUSE,
*Washington, August 27, 2003.*

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

DEAR MR. SPEAKER: I am transmitting an alternative plan for across-the-board and locality pay increases payable to civilian Federal employees covered by the General Schedule (GS) and certain other pay systems in January 2004.

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 2004: (1) a 2.7 percent across-the-board increase 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 locality pay increase based on Bureau of Labor Statistics' salary surveys of non-Federal employers in each locality pay area, which would cost about 10 percent of payroll for the calendar year. Including increases for blue-collar and other workers, the total Federal employee pay increase would cost about 13 percent of payroll in calendar year 2004. For Federal employees covered by the locality pay system, the overall average pay increase would be about 15.1 percent.

For each part of the two-part pay increase, title 5, United States Code, authorizes me to implement an alternative 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 limit the January 2004 GS pay increase.

A national emergency has existed since September 11, 2001, that now includes Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom. Full statutory civilian pay increases costing 13 percent of payroll in 2004 would interfere with our Nation's ability to pursue the war on terrorism. Such increases would cost about $13 billion in fiscal year 2004 alone—$11 billion more than the 2 percent overall Federal civilian pay increase I proposed in my 2004 Budget—and would build in later years.

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 total pay increase of 2 percent would be appropriate for GS and certain other employees in January 2004.

A 2 percent pay increase should be complemented by $500 million dollars from the Human Capital Performance Fund, which I proposed is my FY 2004 Budget and which is now contained in H.R. 1588, the National Defense Authorization Act for Fiscal Year 2004. Favorable congressional action to establish full funding for

this initiative would be a key step towards rewarding the highest performing and most valuable employees in agencies with rigorous and disciplined performance management systems. Providing higher pay for employees whose exceptional performance is critical to the achievement of the agency mission is preferable to spreading limited dollars across-the-board to all employees regardless of their individual performance or contribution.

I will allocate 1.5 percent of the 2 percent total increase to an across-the-board increase under section 5303 of title 5, United States Code, and use the remaining 0.5 percent of payroll to continue the implementation of the locality pay program under section 5304. Our national situation precludes granting larger pay increases to GS employees at this time.

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 will be increased by 1.5 percent, effective on the first day of the first applicable pay period beginning on or after January 1, 2004; and (2) Under the authority of section 5304a of title 5, United States Code, locality-based comparability payments in the percentages set forth in the attached table will go into effect in January 2004.

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 the 2 percent I have proposed would likely be unfunded, agencies would have to absorb to pay the higher rates. Moreover, GS quit rates are at an all-time low of 1.7 percent per year, 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 National so very well.

Sincerely,

GEORGE W. BUSH.

*2004 Locality-Based Comparability Payments Under Alternative Plan*

| *Locality Pay Area*[1] | *Locality Payment [in percent]* |
|---|---|
| Atlanta, GA | 11.50 |
| Boston-Worcester-Lawrence, MA–NH–ME–CT–RI | 15.73 |
| Chicago-Gary-Kenosha, IL–IN–WI | 16.92 |
| Cincinnati-Hamilton, OH–KY–IN | 14.04 |
| Cleveland-Akron, OH | 12.10 |
| Columbus, OH | 12.28 |
| Dallas-Fort Worth, TX | 12.74 |
| Dayton-Springfield, OH | 11.17 |
| Denver-Boulder-Greeley, CO | 15.46 |
| Detroit-Ann Arbor-Flint, MI | 17.02 |
| Hartford, CT | 16.41 |
| Houston-Galveston-Brazoria, TX | 21.49 |
| Huntsville, AL | 10.58 |
| Indianapolis, IN | 10.30 |
| Kansas City, MO–KS | 10.73 |
| Los Angeles-Riverside-Orange County, CA | 18.57 |
| Miami-Fort Lauderdale, FL | 14.45 |
| Milwaukee-Racine, WI | 11.73 |
| Minneapolis-St. Paul, MN–WI | 13.54 |

| *Locality Pay Area*[1] | *Locality Payment [in percent]* |
|---|---|
| New York-N. New Jersey-Long Island, NY–NJ–CT–PA | 17.73 |
| Orlando, FL | 10.12 |
| Philadelphia-Wilmington-Atlantic City, PA–NJ–DE–MD | 14.12 |
| Pittsburgh, PA | 11.03 |
| Portland-Salem, OR–WA | 13.60 |
| Richmond-Petersburg, VA | 11.25 |
| Sacramento-Yolo, CA | 13.98 |
| St. Louis, MO–IL | 10.46 |
| San Diego, CA | 14.84 |
| San Francisco-Oakland-San Jose, CA | 22.23 |
| Seattle-Tacoma-Bremerton, WA | 13.85 |
| Washington-Baltimore, DC–MD–VA–WV | 13.43 |
| Rest of U.S. | 10.09 |

[1] Locality pay areas are defined in 5 CFR 531.603.

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