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ALTERNATIVE PLAN FOR FEDERAL CIVILIAN EMPLOYEE PAY ADJUSTMENTS

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

AN ALTERNATIVE PLAN FOR FEDERAL CIVILIAN EMPLOYEE PAY ADJUSTMENTS, TO TAKE EFFECT IN JANUARY 1998, PURSUANT TO 5 U.S.C. 5305(c)(1)

SEPTEMBER 3, 1997.—Referred to the Committee on Government Reform and Oversight and ordered to be printed

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THE WHITE HOUSE,
Washington, August 29, 1997.

Hon. NEWT GINGRICH,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: 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 nonfederal 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 4304a 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 work force.

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 tools, such as recruitment bonuses, retention allowances, and special salary rates, to maintain the high quality work force 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* [1] *(In percent)*
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

[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.

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.

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