

GAO@100 Highlights

Highlights of [GAO-22-104580](#), a report to the Committee on Armed Services, House of Representatives

Why GAO Did This Study

FEPCA authorized annual locality-based pay adjustments for GS employees. The act's goal was to reduce reported pay gaps between federal and nonfederal employees in specific areas of the U.S. to no more than 5 percent. While this goal has not been met since its authorization in 1994, some amount of locality pay increases has been provided for 22 of the 28 years since FEPCA took effect.

House Report 116-442 accompanying the bill that would become the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 included a provision for GAO to review the administration of the locality pay program.

This report describes (1) the process for administering the GS locality pay program, including establishing or modifying existing geographical boundaries for locality pay areas and the amount of time required for such changes; (2) the status of incorporating OMB's statistical area definitions to determine the boundaries for locality pay areas; and (3) the council's potential alternatives for administering and implementing the locality pay program.

GAO reviewed legislation, Office of Personnel Management (OPM) regulations, council memorandums and Pay Agent reports, and BLS, OMB, and OPM documents. GAO also interviewed OPM and BLS officials, OMB staff, and council members; and conducted a literature search.

The Department of Labor and OPM provided technical comments on a draft of this report, which GAO incorporated as appropriate. OMB had no comments.

View [GAO-22-104580](#). For more information, contact Jeff Arkin at (202) 512-6806 or arkinj@gao.gov.

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HUMAN CAPITAL

Administration and Implementation of the General Schedule Locality Pay Program

What GAO Found

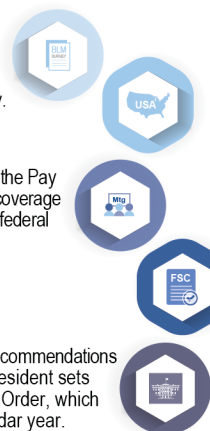
To help determine the locality-based pay adjustments for federal employees paid under the General Schedule (GS) pay system, the Federal Employees Pay Comparability Act of 1990 (FEPCA) created the President's Pay Agent (Pay Agent) and Federal Salary Council (council) to annually recommend locality pay amounts to the President and modifications to locality pay areas (see figure below).

Annual Process for the General Schedule Locality Pay Program

The Federal Employees Pay Comparability Act of 1990 requires the use of nonfederal salary survey data from the Bureau of Labor Statistics (BLS) to measure pay disparities between federal and nonfederal workers for each locality.

The council submits annual recommendations to the Pay Agent on the modifications to locality pay areas, coverage of BLS salary surveys, the process of comparing federal to nonfederal pay, and pay rates for each locality.

The President may implement the Pay Agent's recommendations or provide alternative pay adjustments. The President sets locality pay percentages through an Executive Order, which takes effect on the first pay period of the calendar year.



The Office of Personnel Management (OPM) staff provides support to the President's Pay Agent (Pay Agent) and Federal Salary Council (council) at their request.^a For example, OPM reviews all potential jurisdictions that could be added into a locality area.

The Pay Agent will tentatively accept or reject the council's recommendations in its annual report to the President.

Source: GAO analysis of Federal Salary Council and Office of Personnel Management documentation. | GAO-22-104580

^aDesignated by the President, the Pay Agent is comprised of the Secretary of Labor and the Directors of the Office of Management and Budget and OPM. The council is comprised of three experts in labor relations and pay policy and six representatives of employee organizations representing large numbers of General Schedule employees.

Since 1994, the council has recommended defining locality pay areas using the Office of Management and Budget's (OMB) statistical area definitions, which provide nationally consistent delineations for a set of geographic areas. Based on the recommendations of the council, the Pay Agent has updated the locality areas, as needed, when OMB updates its statistical area definitions. Currently, the council uses definitions from OMB's April 2018 update. OMB issued an update in March 2020. Some of the council members told GAO that the council plans to discuss these updates once the administration appoints new council members. Using the 2020 definitions could affect GS employees' pay if locations within existing locality pay areas were moved to separate locality pay areas (higher or lower paying).

In its 2019 memorandum, the council identified five alternatives to the survey methodology for setting locality pay, including verifying Bureau of Labor Statistics (BLS) survey data with other human capital data—such as attrition data—and establishing a commission to periodically review federal civilian compensation. According to council members, these alternatives represent the most recent discussion by the council of different methodologies. This is also consistent with the results of GAO's literature search.