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FEDERAL PAY ADJUSTMENT—ALTERNATIVE PLAN

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

AN ALTERNATIVE PLAN FOR A FEDERAL EMPLOYEES' PAY ADJUSTMENT TO BECOME EFFECTIVE ON THE FIRST DAY OF THE FIRST APPLICABLE PAY PERIOD ON OR AFTER JANUARY 1, 1996, PURSUANT TO 5 U.S.C. 5305(c)(1)



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THE WHITE HOUSE,
Washington, August 31, 1995.

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

DEAR MR. SPEAKER: The law requires that the President transmit to the Congress an alternative plan for Federal pay adjustments if he views the pay adjustments that would take effect under the law as inappropriate. Therefore, to ensure that substantially larger increases do not take effect automatically, I am transmitting an alternative plan for the 1996 pay adjustments.

Under section 5303(a) of title 5, United States Code, the rates of basic pay would rise by 2.4 percent, effective in January 1996. In addition, pursuant to section 5304 of title 5, General Schedule employees also would receive an increase in their locality-based comparability payments that would cost 2.7 percent of payroll. When combined with the 2.4 percent basic pay increase, the locality-based payments would produce a total payroll increase of about 5.1 percent that would cost \$3.9 billion in 1996—\$2 billion more than the 2.4 percent pay increase I proposed in my 1996 Budget and which is included in my Balanced Budget Plan.

Sections 5303(b) and 5304a of title 5, however, provide me the authority to implement an alternate pay adjustment plan if I view the pay adjustments that would otherwise take effect as inappropriate due to "national emergency or serious economic conditions affecting the general welfare." As you know, Presidents have used such authority many times over the past 15 years.

In evaluating "an economic condition affecting the general welfare," the statute 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. I have reviewed these and other pertinent measures of our economy.

The budget discipline that my Administration has put in place has contributed to sustained economic growth and low inflation. To continue this discipline and its favorable impact on economic conditions, I have determined that an alternative pay adjustment of 2.4 percent is appropriate for the 1996 pay raises under sections 5303 and 5304. This raise matches the 2.4 percent basic pay increase that I proposed for military members in my fiscal 1996 Budget and that the Congress likely will include in the 1996 Defense Authorization bill.

Because many Federal civilian employees do not receive locality pay, I will put the bulk of the 2.4 percent adjustment into the general increase under section 5303, thus giving all employees a mean-

ingful raise. I will apply the remainder to increasing the locality-based comparability payments under section 5304.

Accordingly, I have determined that the following alternate pay plan is appropriate:

(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 percent, effective on the first day of the first applicable pay period beginning on or after January 1, 1996.

(2) Under the authority of section 5304a 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, 1996. When compared with the payments currently in effect, these comparability payments will increase the General Schedule payroll by about 0.4 percent.

Finally, the law requires that I include in this report on assessment of the impact that my decisions will have 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 pay increase greater than 2.4 percent, I do not believe this will have any material impact on the quality of our work force. In accordance with the Federal Workforce Restructuring Act of 1994, I am committed to reducing Government employment substantially; consequently, hiring and attrition are very low. In addition, the Government has at hand many pay 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

[In percent]

Pay locality	Comparability payment ef- fective Janu- ary 1996	Increase over January 1995 rate
Atlanta MSA	5.14	0.48
Boston CMSA	7.68	0.71
Chicago CMSA	7.63	0.71
Cincinnati CMSA	5.87	0.54
Cleveland CMSA	4.67	0.44
Columbus, OH, MSA	5.84	0.54
Dallas CMSA	6.23	0.58
Dayton MSA	5.72	0.53
Denver CMSA	6.34	0.59
Detroit CMSA	7.26	0.67
Houston CMSA	9.40	0.87
Huntsville MSA	4.84	0.45
Indianapolis MSA	5.04	0.46
Kansas City MSA	4.38	0.41
Los Angeles CMSA ¹	8.15	0.76
Miami CMSA	5.94	0.55
New York CMSA	8.05	0.75
Philadelphia CMSA	6.90	0.64
Portland, OR, CMSA	5.20	0.49
Richmond MSA	4.41	0.41
Sacramento CMSA	5.81	0.54
St. Louis MSA	4.72	0.44

LOCALITY-BASED COMPARABILITY PAYMENTS UNDER ALTERNATIVE PLAN—Continued

[In percent]

Pay locality	Comparability payment ef- fective Janu- ary 1996	Increase over January 1995 rate
San Diego MSA	6.76	0.62
San Francisco CMSA	8.97	0.83
Seattle CMSA	6.44	0.60
Washington CMSA ²	6.04	0.56
Rest of United States ³	4.13	0.39

¹ Pay locality also includes Santa Barbara County and Edwards Air Force Base, CA.² Pay locality also includes St. Marys County, MD.³ 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 95-04, June 30, 1995.

