

AN ALTERNATIVE PLAN FOR
LOCALITY PAY INCREASES

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 2005, PURSUANT TO 5 U.S.C. 5305(a)(3)



DECEMBER 6, 2004.—Referred to the Committee on Government Reform
and ordered to be printed

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THE WHITE HOUSE,
Washington, November 29, 2004.

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

DEAR MR. SPEAKER: I am transmitting an alternative plan for the locality pay increase payable to civilian Federal employees covered by the General Schedule (GS) and certain other pay systems in January 2005.

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 2005: (1) a 2.5 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 average about 10.6 percent for eligible employees. Including increases for blue-collar and other workers, the total Federal employee pay increase would cost about 11.2 percent of payroll in calendar year 2005. For Federal employees covered by the GS locality pay system, the overall average pay increase would be about 13.1 percent, far higher than 1.5 percent total pay increase I proposed in my Fiscal Year 2005 budget.

For the reasons described below, I have determined that it is appropriate to exercise my statutory alternative plan authority to limit the January 2005 GS locality pay increase.

A national emergency has existed since September 11, 2001, which now includes Operation Enduring Freedom (in Afghanistan) and Operation Iraqi Freedom. Full statutory civilian locality pay increases averaging 10.6 percent in 2005 would divert resources from and interfere with our Nation's ability to fight the war on terror, with respect to which a national emergency is in effect under the law. Such increases would cost about \$9.8 billion in fiscal year 2005 alone and would build in later years.

Accordingly, I have determined that under the authority of section 5304a of title 5, United States Code, the locality pay percentages authorized in 2004 shall remain in effect in 2005.

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. This decision will not materially affect our ability to continue to attract and retain a quality Federal workforce. To the contrary, since the Congress has not funded the cost of a pay raise in excess of the 1.5 percent increase I proposed, 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 are at an all-time low of 1.6 percent per year, well below the overall average quit rate in private enter-

prise. 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.

