

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 17, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #17: PROPOSED FEDERAL COST OF LIVING RATE

This information is supplied in response to Councilman Krupicka's request regarding the proposed federal cost of living rate.

The Executive Branch of the federal government has over 100 different pay systems. The information provided in this memo covers the General Schedule (GS) employees, which is the main white-collar pay system, covering about 71 percent of federal employees.

Pay increases for GS employees are not based on living costs, nor are they called COLAs. Under current law, GS employees are to receive a two-part increase each January, an across-the-board increase tied to the change in the Employment Cost Index (ECI)¹ less 0.5%, and a locality pay raise. Locality pay rates are established by comparing federal and non-federal salaries for the same levels of work in each locality pay area².

In January 2006, GS employees in the Washington-Baltimore locality pay area received a 3.44 percent overall increase, which included a 2.1 percent across-the-board raise and a 1.34 percent locality pay adjustment.

The President's budget proposal for 2007 included a 2.2 percent overall average increase but proposed allocating that between an across-the-board increase and locality pay adjustment. It is unknown at this time what increase will occur in January 2007 as increases for GS employees are also affected by budget deliberations between Congress and the President and final decisions are often not made until December of the year before the increase.

¹The Employment Cost Index (ECI) measures the changes in the cost of labor, free from the influence of employment shifts among occupations and industries, and is considered a measure of the rate of change over time in private sector salaries.

² The "Washington-Baltimore area" is officially the Washington-Baltimore-Northern Virginia (DC,MD,VA,WV) Combined Statistical Area, plus the Hagerstown-Martinsburg (MD,WV) Metropolitan Statistical Area, the York-Hanover-Gettysburg, PA Combined Statistical Area, Culpeper County, VA and King George County, VA.