Federal Prevailing Rate Advisory Committee
New Orleans, LA, FWS Survey Area
Redefinition Proposal

Submitted By:

The Joint Labor/Management Committee for Improving
New Orleans, LA, FWS Appropriated Fund Wages

January 2008
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Summary

In order to adjust for current Metropolitan Statistical Area (MSA) definitions, and to account for Hurricane Katrina’s impact on the population and economy, we request that, after a review of this proposal and a study of supporting data, the Federal Prevailing Rate Advisory Committee (FPRAC) recommend that the Office of Personnel Management (OPM) redefine the New Orleans, LA, FWS appropriated fund wage survey area in preparation for the 2008 Full Scale Wage Survey.

Local Agencies & Labor Organizations ask that the FPRAC give this request emergency consideration, and that you sponsor placing this proposal for review on the FPRAC’s agenda at the scheduled January 17th, 2008 meeting in Washington, D.C.

We request the following proposals are given consideration:

1. Redefine the New Orleans, LA, FWS Survey Area boundary to include all seven parishes which comprise the New Orleans, LA MSA as defined in the Office of Management and Budget (OMB) Bulletin No. 08-01. This would result in the addition of St. Charles & St. John the Baptist Parishes to the current New Orleans, LA, FWS Survey Area.

2. Request special consideration is given to the fact that there is more than one recognized MSA within the boundaries of the New Orleans, LA, FWS wage area, (these being the Baton Rouge and Houma MSA’s) and that, at a minimum, St. James, Ascension, Livingston, East Baton Rouge, West Baton Rouge, and Iberville Parishes be added to the survey area.

3. Grant a one-time lifting of the pay cap in CY2009, as an exception, for the New Orleans, LA, FWS Appropriated Fund Wage Area, in order to ease the current and foreseen recruitment and retention difficulties faced by local Federal agencies in the aftermath of Katrina.

4. Should proposals 1 & 2 be adopted, we request that the New Orleans, LA, FWS appropriated fund wage area be renamed with the more accurate designation of New Orleans – Baton Rouge, LA, FWS appropriated fund wage area.

Legal/regulatory justification, supporting data, and factual evidence are provided for the above requests in the body of the proposal.

Respectfully,

The Joint Labor/Management Committee for Improving New Orleans, LA, FWS Appropriated Fund Wages
New Orleans, LA, FWS Concerns

Introduction

The state of blue-collar wages in the New Orleans, LA, FWS wage area has been a long-time concern for both the agencies and labor organizations that employ and represent Federal workers in Louisiana. Today, Federal blue-collar pay in the New Orleans, LA, FWS wage area trails its private sector counterparts by a margin greater than 7%. In terms of hourly wages, New Orleans is also the lowest among the three FWS wage areas located in Louisiana, trailing the Lake Charles-Alexandria, LA, FWS wage area by a staggering 30%. This is in light of the fact that the average cost-of-living in the New Orleans Metropolitan Statistical Area (MSA) is approximately 14-15% higher than in either the Lake Charles MSA or the Alexandria MSA.

Background

The 2005 hurricane season had severe effects on the New Orleans, LA, FWS wage area. However, before 2005, concerns about current survey area boundaries had been voiced to OPM. The belief has been that limiting the current survey area to boundaries established in the 1970’s has prevented survey teams from collecting data that portrays an accurate picture of private blue-collar prevailing wage-setting practices in the New Orleans, LA, FWS wage area. As far as we can tell, the New Orleans, LA, FWS survey area has remained unchanged since 1972. However, in the last 35 years, population trends and economic factors in southeast Louisiana have changed numerous times. Some of these changes were driven by severe weather events; others were the result of certain sectors of the economy growing or shrinking (e.g., the oil boom/bust of the late 70’s/early 80’s). In any event, for the last 35 years a significant portion of the private companies that employ a majority of the skilled blue-collar labor force in the New Orleans, LA, FWS wage area, have trended westward towards Baton Rouge, LA, along what is locally known as the Mississippi River/I-10 Corridor.

The result is that FWS employees in the New Orleans, LA, wage area have suspected for years that wage schedules for this area are not adequate. The chart below lends weight to those concerns using the Consumer Price Index as a guide for comparing actual versus inflation adjusted wage figures from the last decade to measure those shortfalls.

New Orleans, LA, FWS Multi-Year Pay Comparison for a WG-10 Step 5 Employee

<table>
<thead>
<tr>
<th>Multi-Year Pay Comparison</th>
<th>1996 WG-10/5</th>
<th>1997 WG-10/5</th>
<th>1998 WG-10/5</th>
<th>1999 WG-10/5</th>
<th>2000 WG-10/5</th>
<th>2007 WG-10/5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>$16.19</td>
<td>$16.54</td>
<td>$16.80</td>
<td>$17.23</td>
<td>$17.71</td>
<td>$22.16</td>
</tr>
<tr>
<td>Inflation adjusted</td>
<td>$20.72</td>
<td>$20.55</td>
<td>$20.52</td>
<td>$20.72</td>
<td>$20.74</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Comments

- Adjusted for inflation, FWS Wages in the New Orleans Area actually dropped 20 cents per hour (about 1%) from 1996 to 1998.
- In 1999, wages returned to 1996 levels. This is the equivalent of not having received a pay increase in a three year span.

Source: Inflation data is based on the Consumer Price Index generated by the US Department of Labor.

Since 2000, FWS Wages in New Orleans have increased by 6.8%.
- The US average cost of living has increased by 17% in the same period.
Hurricane Katrina and the New Orleans, LA, FWS Wage Area

Katrina’s Impact on Wage Survey Data

Past concerns notwithstanding, on August 29th, 2005, Hurricane Katrina’s landfall and subsequent devastation changed the social and economic fabric of southeast Louisiana, permanently. The damage is so far reaching, it is hard to describe in words, and almost impossible to quantify using accepted economic analytical methods, statistics, or metrics, even three years afterward. During public hearings held prior to the 2006 Full Scale New Orleans FWS Wage Survey, local blue-collar Federal workers packed into a tiny room to voice their concerns and hardships to members of the Local Wage Survey Committee (LWSC), and representatives from the Defense Civilian Personnel Management Service (DCPMS) Wage and Salary Division-Western Region. Ms. Phyllis Flemings, Regional Representative for DCPMS, addressed approximately 45 concerned employees, primarily from the Louisiana National Guard. The primary, over-arching concerns of all employees dealt with the area’s sharply escalating cost of living post-Katrina, especially real estate, dislocation and relocation, home insurance and commuting expenses; and the wage disparity between New Orleans and other contiguous wage areas in Louisiana.

The employee’s concerns were well founded, and were echoed by the LWSC. The fear was that, due to the effects of Hurricane Katrina on the local economy, the data pool would be inadequate. In their Report of Hearings and Survey Specification Recommendations for the New Orleans, Louisiana Wage Area, the LWSC recommended that “in addition to currently surveyed parishes of Orleans, Jefferson, St. Bernard, Plaquemines, and St. Tammany, that parishes comprising the Baton Rouge metropolitan area, as well as additional parishes contiguous to New Orleans, to include St. Charles, St. John the Baptist, St. James, Ascension, Livingston, East Baton Rouge, and West Baton Rouge Parishes, be surveyed.”

The concerns of the LWSC were factually justified. Of the 130 companies surveyed in the 2004 Full Scale Survey, only 52 (or 40%) provided useable survey samples. Of those 52 contacted post-Katrina, less than 20% (approximately 10) could be reached during the November 2005 Wage Change Survey. This raised grave concerns about the viability of conducting the survey in the hurricane devastated area, and the validity of the data, even if obtainable. Nonetheless, the LWSC’s requests were not granted. The 2006 New Orleans Full Scale Wage Survey proceeded “as usual” without any adjustments or special consideration being given by the lead agency (DoD), or OPM. They, collectively, decided to take a “wait and see” approach.

DCPMS Wage and Salary Division-Western Region generated a list of 178 companies to be contacted during 2006. Of these 178 companies: only 55 (or 30%) provided usable samples; 24 were out of business; 46 refused to participate; and 36 did not have the sufficient 50 employees to participate, or were listed twice. The key factor here is that even though the sample pool was increased by 36%, or 48 companies, only 3 more companies were able to provide useable samples in 2006 than in 2004. In fact, in a two year period, the overall usable sample pool decreased by 10%. But, even with the
diminished pool of usable samples in the New Orleans, LA, FWS survey area, the survey results yielded an unrestricted increase to the payline of 10.02%. And, although adequate data was collected (during the 2006 Full Scale New Orleans FWS Wage Survey) to satisfy minimum FWS requirements for pay setting purposes, we felt then, and still feel today, that a broader-based, more equitable, and more representative pay line would result if the survey boundaries were extended; and that our request for a redefinition of the New Orleans FWS survey is justified. A redefinition would allow local agencies and labor organizations to attain an accurate, long term, picture of prevailing wages in the New Orleans, LA, FWS wage area.

Katrina’s Impact on Population

The next factor that should be considered when evaluating the New Orleans, LA, FWS, wage area is Hurricane Katrina’s impact on population concentrations and commuting patterns in the area. The hardest hit parishes were Orleans and St. Bernard, with an estimated combined loss of 278,000 residents. Both parishes lost over 50% of their respective population according to July 2006 estimates of the U.S. Census Bureau. Displaced residents from these Parishes tended to migrate north and northwestward to Jefferson, East Baton Rouge, and St. Tammany Parishes.

East Baton Rouge Parish alone, which is approximately 80 miles west of New Orleans via Interstate-10, experienced the single largest net population gain of any parish at approximately 19,200 more residents than before the storm. In all, it is estimated that the Capital Area (East Baton Rouge, Ascension, Livingston, and St. Helena Parishes) received 74,257 post-Katrina migrants. 44% of these, or 32,790 residents, were from the three hardest hit Parishes of Orleans, St. Bernard, and Plaquemines. 23,158 residents, or 31%, are estimated to have come from Orleans Parish alone. In all, it is estimated that 495,000 Louisiana citizens moved from one location to either another parish or out of state (mostly to Texas and Mississippi). 80% of these moves were directly related to the hurricanes.

New Orleans MSA Migration Figures (estimates)

<table>
<thead>
<tr>
<th>Katrina</th>
<th>Orleans</th>
<th>St Bernard</th>
<th>Plaquemines</th>
<th>Jefferson</th>
<th>St Tammany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre</td>
<td>452,170</td>
<td>65,147</td>
<td>28,903</td>
<td>451,049</td>
<td>219,814</td>
</tr>
<tr>
<td>Post</td>
<td>223,388</td>
<td>15,514</td>
<td>22,512</td>
<td>431,361</td>
<td>230,605</td>
</tr>
<tr>
<td>+/-</td>
<td>-228,782</td>
<td>-49,633</td>
<td>-6,391</td>
<td>-19,688</td>
<td>+10,791</td>
</tr>
<tr>
<td>%</td>
<td>-50.6%</td>
<td>-77.2%</td>
<td>-22.2%</td>
<td>-4.4%</td>
<td>+4.7%</td>
</tr>
</tbody>
</table>

Comments

<table>
<thead>
<tr>
<th>Orleans</th>
<th>Orleans parish had the largest storm-related net-migration of any parish.</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Bernard</td>
<td>18% to Jefferson 9% to Capital Area 4% to North Shore 66% out of State</td>
</tr>
<tr>
<td>Plaquemines</td>
<td>38% to North Shore 30% to Capital Area St. Bernard had a much larger percentage go to the North Shore (about one-third) rather than west to Jefferson Parish or the Capital Area.</td>
</tr>
<tr>
<td>Jefferson</td>
<td>Largest destination of displaced residents was north within the parish itself. Majority that left the parish went elsewhere in Louisiana with a large number also going out of state. Over half ended up in Texas. Out-migration of about 85,000, but in-migration of about 63,000. Mostly migrant alien workers from Texas or other countries, primarily Mexico and Central America.</td>
</tr>
<tr>
<td>St Tammany</td>
<td>St. Tammany actually had a net gain in population despite losing a number of residents, mostly from Slidell and other towns in the eastern most parts of the parish. Most new residents came from St. Bernard Parish.</td>
</tr>
</tbody>
</table>

Source: Louisiana Recovery Authority (LRA)
We could not find recent studies or reports that quantify post-Katrina worker-flow patterns. However, it would be safe to assume that the sudden and massive north and westward population shift caused by Katrina would lend support to a conclusion that large portions of the work force in the New Orleans, LA, FWS wage area have experienced permanent commuting distance increases. We are also confident that when a study of commuting patterns does emerge, it will only prove what we suspect based on the above migration figures, and the first hand accounts of our own Federal work force.

**Katrina’s Impact on Cost-of-Living**

Understanding that cost-of-living is not usually considered when setting blue-collar wages for Federal employees, it is impossible to ignore the impact Hurricane Katrina has had on the economic conditions of southeast Louisiana. Almost every aspect of day-to-day living has experienced a marked increase in cost.

Consider the price a gallon of gasoline. While the increased cost of petroleum based products has impacted the entire nation, the increase in commuting distances and gasoline has had a double negative impact on the residents of southeast Louisiana. In 2006, drivers could expect to pay $2.91 for a gallon of regular unleaded gasoline in the New Orleans metropolitan area, according to the auto club AAA, up from $2.49 the previous year -- an increase of 17%. With crude oil now hitting the $100 per barrel, prices are further expected to increase. Experts predict the price of a gallon of gasoline to reach $3.75 by the end of 2008. This would be a 50% increase over 2005.

With double-digit percentage cost increases since Katrina, temporary housing remains unaffordable for many, with some rents 46% higher than before the storm. According to the U.S. Department of Housing and Urban Development’s estimate of fair market rents, storm victims experienced average rent prices that were higher by 39% in 2006 than they were in 2005. Also, according to *The New Orleans Index*, the Greater New Orleans Community Data Center is forecasting that in 2008, a typical two-bedroom apartment in the region is expected to rent for $990, up slightly from $978 last year, but up dramatically from $676 in 2005.

According to Real Property Associates, a consulting firm headed by Wade Ragas, former director of the Real Estate Market Data Center at the University of New Orleans, those who have had to purchase homes in the post-Katrina metropolitan area will pay about 26% more than they would have in 2005 for a non-flooded property. Home prices in many other areas of the country have been stagnant or falling.

It’s not as easy to calculate how the storm has impacted food prices, but random grocery store lists provided to Information Resources Inc., a local market research firm, show that prices have gone up in the storm affected region more than they have across the rest of the country. For example, a pack of hot dogs cost, on average, about $2.89 in July 2006, a 20.1% increase over the previous summer, while the price of hot dogs in the rest of the country increased by only 0.9%.
OPM has recognized this harsh reality. The Federal Salary Council noted that since 2005, employees and agencies in the New Orleans area have contacted OPM hoping “locality pay would be increased in New Orleans in consideration of hardships and large increases in livings costs that occurred after the storm.” The Council also mentions that OPM has received similar contacts from other areas, including Baton Rouge and Biloxi. However, aside from providing guidance on what “other” pay boosting options are available to Federal agencies, they have remained “hands-off” in regards to taking decisive action to seriously adjust the pay of Federal employees in the region. OPM has left it up to local agencies to find a solution to their Katrina related problems. In a memorandum issued on December 18, 2006, OPM Director Linda M. Springer, acknowledged that:

“More than a year after Hurricane Katrina devastated communities in the Gulf Coast region, many Federal employees living and working in these areas continue to struggle with rebuilding their homes and neighborhoods. A number of sources, including the New Orleans Federal Executive Board, local agencies, and individual employees have expressed concerns about the personal hardships caused by sharp increases in the cost-of-living and difficult living and working conditions. Agencies remain concerned about their current and future ability to recruit and retain a high-quality workforce.”

CPM 2006-21
December 18, 2006
Memorandum for Chief Human Capital Officers
From: Linda M. Springer, Director (OPM)
Subject: Recruitment and Retention Flexibilities for Gulf Coast Employees

Director Springer continues on to say that “some agencies and organizations desire a simple, broad solution—i.e., an across-the-board pay increase for all employees in the area to offset the higher cost of living in the Gulf Coast area, (however) we (OPM) believe a more strategic approach is both necessary and appropriate,” and suggests using bonuses, especially, to retain employees who are close to retirement and might move.

Katrina’s Impact on Housing

Another issue affecting those trying to make a living in the New Orleans, LA, FWS wage area is the ability to find adequate and affordable housing. According to an August 2006 article published in The Times Picayune, Kurt Usowski, associate deputy assistant secretary for economic affairs at the U.S. Department of Housing and Urban Development (HUD) said “economists and others studying the recovery say that housing costs and other living expenses will remain elevated for the foreseeable future. That's a big change for New Orleans, which was always one of the least expensive major cities in the country and now has fair market rents on par with Baltimore, Md.; Portsmouth, N.H.; Burlington, Vt.; and Newport, R.I. Because so much of the housing stock is going to be replaced, it's likely to become a more expensive city.”
An example of this “housing stock replacement” is St. Bernard Parish. Hurricane Katrina damaged, in some way or another, 100% of the structures in St. Bernard. Every building, whether public, private, residential, or commercial, was damaged to some degree by the storm. Not to mention vehicles, personal belongings, and all other types of property imaginable. Over 50% of the structures in St. Bernard were completely damaged beyond repair. On November 3, 2006, the Federal Reserve Bank (FRB) of Atlanta reported that the Federal Emergency Management Agency (FEMA) estimated 426,773 Louisiana residences suffered damage from Katrina. Of those, 283,838 were completely destroyed. The result has been a reduced market of livable dwellings, thus increasing the average price of non-damaged single-family housing units in the New Orleans, LA MSA (including Tangipahoa Parish) by 19%. The highest prices are in Orleans Parish, where non-damaged homes are up 25%.

To visually represent this increase in housing costs means that at 25% above pre-Katrina prices, the average cost of a livable home in Orleans Parish is now approximately $149 per sq/ft. The average Federal blue collar worker, a WG-10 Step 5 employee earning $22.16/hr, or $46,000/yr, can expect to pay approximately $245,850 for a 1650sq/ft home if he/she wants to reside in the New Orleans area. Pre-Katrina, the same home would have cost approximately $197,000. These figures do not take into account the marked increase in homeowners (covered in next section) and flood insurance premiums. Although companies requested a 12% average increase, statewide, that figure masks the reality in the New Orleans area, because many companies have been giving breaks to people in the northern part of the state while drastically increasing premiums south of I-10. In certain areas premiums have increased by greater than 25%. In some extreme cases, homeowners are faced with paying monthly escrow amounts for insurance that equal or surpass their combined principal/interest mortgage payment. This further assumes that a person can even find an insurance company that is willing to underwrite a policy in an area that was affected by the storm. The reality is that for most Federal blue-collar workers, home ownership in the Greater New Orleans Area is out of reach.

The skyrocketing housing costs, coupled with the overall increase of goods and services, create a situation where employees have to make a choice to either move farther away, trading affordability for longer commuting times, or find work elsewhere. If they choose the latter, it causes a domino effect for their Federal employer. The employee’s resignation creates a vacancy for their respective agency. That agency is now faced with the tough job of recruiting a new, hopefully qualified employee into a job that, based on the compensation and the surrounding economic conditions, is not very attractive. The other problem is that the employees who are leaving are typically highly qualified and experienced. Not only does the agency have to fill a vacancy, chances are that, if they do, they will replace that experienced employee with one less experienced, or not experienced at all and in need of training.

Katrina’s Impact on Homeowner’s Insurance

Since 2005, homeowner’s insurance premiums have also seen a significant increase as a result of Hurricane Katrina. In a publication titled the Homeowners Rate Comparison...
**Guide,** the Louisiana Department of Insurance provides information on the premiums offered by about 30 different insurance companies in the State. The companies listed are some of the top carriers of homeowners insurance in Louisiana based on premium volume. It includes detailed examples of a wide variety of policies, based on specific criteria, such as coverage amounts, dwelling age, and geographic region.

While most premiums have increased since 2005, the guide shows that some residents have experienced reductions in their insurance premiums by more than $100 per year in the cities of Alexandria, Monroe, and Shreveport. In fact, in the Alexandria area, Allstate Insurance Co., reduced their premium for a 5-year-old brick construction home, based on a $500 deductible for $150,000 coverage (category “A”, with smoke detectors, deadbolt locks on all doors and no significant remodeling) from $1082 to $927 per year; a reduction of $155 per year, or 14%.

However, during the same period, Allstate increased their New Orleans Area premiums for the same type of coverage from $1182 to $1474; an increase of $292 per year, or 24.7%. The guide did not include any figures for Chalmette, LA, in 2005, but Allstate’s 2007 premiums for Chalmette, which is located within St. Bernard Parish (just south of New Orleans), are listed at $1555 per year, or 5.5% higher than in Orleans Parishxiv, for the same type coverage.

**Snapshot of Post-Katrina Increases**

<table>
<thead>
<tr>
<th>Cost of Goods</th>
<th>Cost of Housing</th>
<th>Gasoline</th>
<th>Insurance</th>
<th>Federal Wage Lag</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Cost of Goods" /></td>
<td><img src="image2.png" alt="Cost of Housing" /></td>
<td><img src="image3.png" alt="Gasoline" /></td>
<td><img src="image4.png" alt="Insurance" /></td>
<td><img src="image5.png" alt="Federal Wage Lag" /></td>
</tr>
<tr>
<td>20%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>26%&lt;sup&gt;2&lt;/sup&gt;</td>
<td>50%&lt;sup&gt;3&lt;/sup&gt;</td>
<td>12%&lt;sup&gt;4&lt;/sup&gt;</td>
<td>&gt;10%</td>
</tr>
</tbody>
</table>

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<sup>1</sup> US average 3% same period.
<sup>2</sup> New Orleans Metro Area average is 19%. Orleans Parish has experienced increases of 26% or more.
<sup>3</sup> Based on a per gallon cost of $3.75 predicted by the end of 2008.
<sup>4</sup> Statewide average; Orleans and St Bernard Parishes have experienced increases of greater than 25%.
Katrina’s Effect on the Basic Allowance for Housing (BAH) Supplement received by Active Duty Military Personnel in the New Orleans Metro Area

The Basic Allowance for Housing (BAH) supplement to basic pay is paid to members of the military departments based on geographic duty location, pay grade, and dependency status of Title 10 and Title 32 active duty personnel. The intent of BAH is to provide uniformed service members on active duty within the 50 United States an accurate and equitable housing compensation based on housing costs in local civilian housing markets. It is payable when government quarters are not provided. BAH replaced the Variable Housing Allowance (VHA) program on January 1, 2000.

DoD and the military services developed BAH to improve and enhance housing allowances for all military members, taking into account complaints with the old Variable Housing Allowance (VHA) program. BAH payments are non-taxable income. This means that active duty members who receive BAH are entitled to keep the entire amount, as stated on their Leave and Earning Statement (LES).

Since it is based on local housing markets, BAH determinations for a particular region can decrease from one year to the next. However, in areas where the published BAH rate for a grade is lower than the previous year, individuals continue to receive the higher amount, indefinitely, until an interruption in eligibility occurs, such as a Permanent Change of Station (PCS) move, or a change in dependency status. This ensures a member’s quality of life is not affected by a reduction in overall pay.

DoD and the military departments recognized the post-Katrina increase in housing costs, and in January 2006, increased BAH payments to active duty personnel in the New Orleans Metro Area by an average of more than 20%\textsuperscript{xv}. In 2005, an active duty E-5 enlisted member (with dependents) in the New Orleans area could expect to receive a monthly BAH payment of $897. In 2006, the allowance increased by $199 (or 22%), to $1096 per month. In comparison, 2006 BAH payments for a similar active duty E-5 enlisted member (with dependents) in Alexandria, LA, increased by only $39 (or 5.56%), from $701 per month to $740 per month.

In 2007, while FWS employees in the Lake Charles-Alexandria, LA, wage area earned an average of 30% more than their fellow New Orleans, LA, FWS counterparts, active duty members in the New Orleans Metro Area were receiving approximately 36.25% more in BAH payments than their fellow service members in Alexandria, LA\textsuperscript{xvi}. For 2008, BAH payments for an active duty E-5 enlisted member (with dependents) in the New Orleans Metro Area will total $1242 per month. This is an increase of 38% since 2005.
Conclusion

It has been more than two years since Hurricane Katrina made landfall. However, the issues faced by Federal agencies and employees in southeast Louisiana still require serious attention. Based on funding figures, FEMA ranks Hurricane Katrina as the top disaster of all time with $30 billion spent on recovery efforts in Louisiana alone. The second costliest disaster, based on FEMA figures, was the September 11th, 2001 terrorist attacks at $9 billionxvii.

The case can be made that for the first time in American history a major region of the United States has been destroyed by a natural disaster, permanently affecting every citizen’s efforts to make a living and restore basic necessities of life. These issues are not temporary. We feel a different approach is needed than the standard “Recruitment and Retention Flexibilities” that are available to all other Federal agencies. These “flexibilities” are not easily implemented, and often rely on internal funding by agencies that are already stretching their budgets due to mission demands such as the Global War on Terror (GWOT), homeland defense, or natural disasters. These “flexibilities” were never intended to deal with the types of difficulties present as a result of Hurricane Katrina. The effects of Katrina have magnified what we feel is the inadequacy of the current New Orleans, LA, FWS survey area to yield accurate prevailing rate data for constructing a wage schedule representative of post-Katrina compensation practices in the private sector. No one has described the situation in southeast Louisiana more clearly than the Bureau of Labor Statistics (BLS). In June 2007, the BLS reportedxviii that “the two most significant effects of Katrina were a massive loss of jobs and a significant rise in the city’s average weekly wage. On an over-the-year basis (ending 2nd quarter 2006), average weekly wages increased 28.2 percent.” Federal sector pay in New Orleans has yet to catch-up.

The issue of substandard Federal sector pay in southeast Louisiana can no longer be ignored. In an August 29th, 2005 memo, OPM Director Linda M. Springer stated that “the Office of Personnel Management (OPM) is extremely concerned about the health and safety of individuals whose lives may be affected by Hurricane Katrina.” We urge the FPRAC and OPM to make examining the effects of Katrina their top priority. Unless a serious effort is made by OPM to deal with the storm’s aftermath, Federal sector pay will never catch-up with the private sector. Agencies in our area will continue to experience serious difficulties in retaining, hiring, or attracting qualified employees, and Federal workers will continue to struggle to make ends meet. Recognizing that, in 35 years, the FPRAC has been the sole catalyst for changes to FWS issues, we urge that your committee grant our proposal emergency consideration. We need to make changes now so that we gain the ability to collect proper data in order to construct a wage schedule that not only compensates Federal blue-collar workers adequately and in accordance with the intent of 5 USC 5343(e), but also provides local agencies with the ability to compete in the local job market without resorting to Special Pay programs or bonuses, all of which are short term fixes, and, usually, cannot be funded due to current National wartime commitments.
Request to add St. Charles & St. John the Baptist Parishes to the New Orleans, LA, FWS survey area

According to the Office of Management and Budget (OMB), the New Orleans, LA Metropolitan Statistical Area (MSA) is comprised of seven separate Parishes: Jefferson Parish, LA; Orleans Parish, LA; Plaquemines Parish, LA; St. Bernard Parish, LA; St. Charles Parish, LA; St. John the Baptist Parish, LA; St. Tammany Parish, LA. Title 5 Code of Federal Regulations, Section 532, Subpart B, Appendix C, excludes St. Charles and St. John the Baptist Parishes from the New Orleans, LA, FWS survey area.  

During our research of past FPRAC recommendations for redefinitions of FWS survey areas we have found that, in keeping with the criteria set forth in Title 5 of the Code of Federal Regulations (CFR), Section 532.211, the FPRAC has considered changes in wage area boundaries based on MSA definitions published by the Office of Management and Budget (OMB).

5 CFR 532.211(a)(1) states that “Except in very unusual circumstances, a wage area that includes a Metropolitan Statistical Area shall have the Metropolitan Statistical Area as the survey area or part of the survey area.” Without a clear definition or explanation of the phrase “very unusual circumstances,” when the criteria set forth in 5 CFR 532.211(a)(1) is applied to the New Orleans, LA, FWS survey area, one must conclude that the current survey area is comprised of only “a part” of what the OMB defines as the New Orleans, LA MSA. As a result, we request that the FPRAC review our request for expanding the New Orleans, LA FWS survey area and recommend to the Office of Personnel Management (OPM) to include St. Charles and St. John the Baptist in the New Orleans, LA, FWS survey area.

In addition to requesting that the New Orleans, LA, FWS survey area be brought more inline with the criteria of 5 CFR 532.211, we also request that special consideration be given to the effects of Hurricane Katrina on local labor market conditions within the entire New Orleans, LA, FWS wage area. In their Report of Hearings and Survey Specification Recommendations for the New Orleans, Louisiana Wage Area, the 2006 New Orleans LWSC made “an urgent plea for expeditious implementation of an enlarged, and more representative, survey area” fearing that it was “doubtful that adequate and valid data [could] be obtained within the devastated current survey area.” We renew this plea, and ask that the process be expedited so that any such adjustments become effective prior to the 2008 Full Scale Wage Survey. This will enable data collection teams to survey private companies in each of the seven parishes that comprise the New Orleans, LA MSA.
Request special consideration is given to the fact that there is more than one recognized MSA within the boundaries of the New Orleans, LA, FWS wage area

In relation to the New Orleans, LA MSA, St. Charles and St. John Parishes boast a large concentration of manufacturing and refining industry within the New Orleans MSA boundary. For example, a person can, literally, stand on the city limits of Kenner, LA (one of the western-most points in Jefferson Parish, LA) and stare at the refining towers of companies like Monsanto (workforce: 860 full-time, 450 contract workers; produces: Roundup® herbicides) in Luling, LA, and Shell (workforce: approximately 1600; produces: 242,000 barrels per day of refined petroleum products) in Norco, LA; both are located in St. Charles Parish, not even 10 miles west of Jefferson Parish, LA (the western most parish of the current survey area).

You can follow these types of industries westward on Highways 61 and 90, along the Mississippi River/I-10 Corridor, as they make their way to Baton Rouge, LA. All of them are located within the boundaries of the New Orleans, LA, FWS wage area, and all are located within the boundaries of parishes which comprise the New Orleans and Baton Rouge MSA’s. However, these companies are off-limits to data collectors because they are outside of the boundaries of the current survey area.

Pending FPRAC evaluation of the impact of the three separate MSA’s on the New Orleans, LA, FWS wage area, we request that, at a minimum, St. James, Ascension, Livingston, East Baton Rouge, West Baton Rouge, and Iberville Parishes be added to the survey area. These parishes comprise part of what is referred to as the Capital Area. This geographic region experienced the single largest population growth of any other region, as a result of post-Katrina migrations from the lower lying parishes.
One-time lifting of the pay cap in CY2009, as an exception, for the New Orleans, LA, FWS Appropriated Fund Wage Area, in order to ease the current and foreseen recruitment and retention difficulties faced by local Federal agencies.

The Transportation, Treasury, Housing, and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act of 2006 provided that pay increases for certain prevailing rate employees during CY2007 could not exceed 2.32%. Therefore, even though employees in the New Orleans, LA, FWS wage area merited an unweighted average increase of 10.02% (as a result of the 2006 Full Scale Wage Survey), blue-collar Federal workers in southeast Louisiana only received 2.28% of the increase in CY2007, with the remaining 7.74% set aside.

We anticipate that the 2007 New Orleans Wage Change Survey will show a further upward adjustment to the payline is merited. We also anticipate that pay limitation provisions for CY2008 will be slightly higher than they were for CY2007. However, in spite of the fact that Federal prevailing rate employees stand to receive a higher pay adjustment in CY2008 than they did in CY2007, we can say with certainty that the increase will not be enough to cover the 7.74% amount set aside from CY2007.

In the 35 years that the FWS has been in existence, there have only been 6 years during which pay caps were not imposed. Should our requests for an expansion of the New Orleans, LA, FWS survey area be granted, we fully expect that during the 2008 Full Scale Wage Survey we will collect data that will further increase the amount of the unweighted adjustment applied to the New Orleans, LA, FWS wage area.

We can say, with confidence, that unrestricted pay caps are a rarity. Without an authorization for the payment of unrestricted rates, our fear is that Federal prevailing rates in southeast Louisiana will never catch-up with the private sector. When we consider this fact along with the crippling effects Hurricane Katrina is having on the economy, it is safe to assume that Federal Agencies in southeast Louisiana will continue to experience significant handicaps in the recruitment or retention of well qualified personnel. The negative, long-term effects, on the ability of Federal Agencies in southeast Louisiana to fulfill their mission requirements cannot be take too lightly.

We understand that the provisions of 5 CFR 532.801 and 5 CFR 532.251 apply and must be satisfied. We are also aware that 5 CFR 532.251(b)(1-9) lists many different factors considered by OPM to approve unrestricted rates. However, we feel confident that, collectively, Federal Agencies in southeast Louisiana could meet most, if not all, of the criteria listed, and would submit the required evidence upon request.
Should proposals 1 & 2 be adopted, we request that the New Orleans, LA, FWS appropriated fund wage area be renamed with the more accurate designation of New Orleans – Baton Rouge, LA, FWS appropriated fund wage area.

As part of the research for this proposal, we have studied previous OPM decisions to redefine Appropriated Fund Wage Areas. We have found that, in some cases, after redefining a wage area, OPM will change the name of a wage area to more accurately describe the geographic features of the redefined wage areaxxiii.

Should our proposal to expand the current survey area be adopted, we feel that renaming the New Orleans, LA, FWS appropriated fund wage area, with the more suitable name of the New Orleans – Baton Rouge, LA, FWS appropriated fund wage area, would more accurately reflect the geographic boundaries, survey area, and the area of application of the FWS wage schedules which cover southeast Louisiana.
Acknowledgement

This proposal was compiled by Mr. Bienvenido Banchs, President, Local 1707 of the Laborer’s International Union of North America (LIUNA). Local 1707 represents General Schedule and Wage Grade Federal Technicians of the Louisiana National Guard throughout south Louisiana. Mr. Banchs is a permanent, full-time, Wage Grade Technician, employed by the Louisiana National Guard, since January 2003.

References

i Based on difference between the averaged unrestricted payline adjustment of 10.02% and the actual averaged restricted payline adjustment of 2.28% received by blue-collar employees as directed by the January 2007 DCPMS report with subject line Release Information for FY 2006 Wage Schedules for: New Orleans, LA

ii Based on a comparison of Federal Wage System Regular and Special Production Facilitating Wage Rate Schedules (http://www.cpms.osd.mil/wage/scheds/af_la.aspx) of the hourly wages received by WG-10 step 5 employee based in Lake Charles-Alexandria ($28.75 per hour), versus a WG-10 step 5 employee based in New Orleans ($22.16 per hour).

iii Sperling’s Best Places to Live (http://www.bestplacetolive.net/col/). There are, indeed, other situations where adjacent FWS wage areas in the same State or geographical region have similar disparities in pay. Take, for example, the Salinas-Monterey, CA, FWS wage area versus the San Francisco, CA, FWS wage area. The pay disparity between the two adjacent wage areas is about 30%. However, unlike the situation described in Louisiana, cost-of-living figures support a higher average wage for employees in the San Francisco, CA, FWS wage area for their cost-of-living is approximately 10% higher.


vi August 2007, Louisiana Health and Population Survey Report 2006, Migration Patterns Estimates of Parish Level Migrations due to Hurricanes Katrina and Rita

vii Federal Register: February 4, 2004 (Volume 69, Number 23), Rules and Regulations, Page 5257-5258, Prevailing Rate Systems; Redefinition of the North Dakota and Duluth, MN, Appropriated Fund Wage Areas AGENCY: Office of Personnel Management. ACTION: Final rule; Page 5258 excerpt: “Because the pay of FWS employees must be based on the local cost of labor rather than the local cost of living, the local cost of living is not a factor OPM considers when defining FWS wage area boundaries.”

viii Jan. 6, 2008, Houston Chronicle, $100 oil will hurt at more than the pump From light bulbs to golf balls, items tied to petroleum may cost you extra, by Brett Clanton


New Orleans, LA, FWS Survey Area Redefinition Proposal

Matters Pertaining to the Locality Pay Program, [http://www.opm.gov/oca/fsc/recommendation06.pdf](http://www.opm.gov/oca/fsc/recommendation06.pdf)


xvi Based on monthly BAH payments received by an active duty E-5 with dependents. 2007 Alexandria, LA, BAH rate of $830 versus New Orleans, LA, BAH rate of $1131 per month. This equals a $301 difference, or 36.26%.


xix November 20, 2007, OMB Bulletin No. 08-01 to the Heads of the Executive Departments and Establishments, *Update of Statistical Area Definitions and Guidance on Their Uses*

xx April 15, 2001, Memorandum for Mary M. Rose, Chair, Federal Prevailing Rate Advisory Committee, *Review of the Narragansett Bay, Rhode Island, Federal Wage System Area*

xii The New Orleans, LA, FWS wage area boundary includes the following MSA’s:

- Baton Rouge, LA Metropolitan Statistical Area
  - Principal City: Baton Rouge, LA
  - Ascension Parish, LA
  - East Baton Rouge Parish, LA
  - East Feliciana Parish, LA
  - Iberville Parish, LA
  - Livingston Parish, LA
  - Pointe Coupee Parish, LA
  - St. Helena Parish, LA
  - West Baton Rouge Parish, LA
  - West Feliciana Parish, LA

- Houma-Bayou Cane-Thibodaux, LA Metropolitan Statistical Area
  - Principal Cities: Houma, Bayou Cane, & Thibodaux, LA
  - Lafourche Parish, LA
- Terrebonne Parish, LA

- New Orleans-Metairie-Kenner, LA Metropolitan Statistical Area
  Principal Cities: New Orleans, Metairie, & Kenner, LA
  - Jefferson Parish, LA
  - Orleans Parish, LA
  - Plaquemines Parish, LA
  - St. Bernard Parish, LA
  - St. Charles Parish, LA
  - St. John the Baptist Parish, LA
  - St. Tammany Parish, LA


xxiii Federal Register: May 5, 2000 (Volume 65, Number 88), Rules and Regulations, Page 26119-26120, *Prevailing Rate* Systems; Redefinition of the Southern and Western Colorado Appropriated Fund Wage Area, Final Rule