

'Hard sell' on the Hill

California execs hone strategy to get support on pay proposal

By [AIMEE CURL](#)

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A group of California federal executives are in Washington this week to brief lawmakers on their proposal to give hard-hit federal employees a housing allowance — and they know they face long odds.

“It’s a hard sell. Lawmakers look for short-term, cheap solutions. This is a long-term, expensive solution, but it’s a viable solution if there’s enough political will to implement it,” said Kathrene Hansen, executive director of the Greater Los Angeles Federal Executive Board.

Senior federal executives from Los Angeles and San Francisco are proposing to trade in the current locality pay system for a military-like housing allowance. As part of the idea, the Rest of the U.S. locality pay zone would become the new base pay. The housing allowance, which would be tax free, wouldn’t count toward retirement or the salary cap.

Henry Romero, who oversaw compensation and performance programs at the Office of Personnel Management in the Clinton administration, said one giant obstacle is that the proposal would mean a wholesale change to the 1990 Federal Employees Pay Comparability Act.

“You’re basically upsetting a decades-old pay principle,” he said. “It would take some doing to change the law.”

Ed Stephenson, senior adviser for human capital programs at the National Academy of Public Administration, warned the plan could also get hung up because of proposed changes to tax law.

“Anytime you start talking about it being tax free, would make it more complicated on the Hill,” he said.

While there’s no price tag for the proposal because it doesn’t specify which metropolitan areas would be eligible for the housing allowance, both advocates and observers agree it would be more expensive than the current system.

“The bottom line is, how much will it cost?” Romero said. “If it’s not taxable, then that’s a big chunk of receipts not going to the U.S. Treasury. Another factor would be that most of the money would go to high-cost urban areas. Every tweaking is going to have a vested interest that’s going to howl.”

The California Federal Executive Boards convened a task force more than a year ago to come up with recommendations for how to fix the predicament that federal employees face in high-cost regions — and that locality pay is not solving. The executives say they want policy makers to understand their plight and address it now — before their recruitment and retention challenges worsen as hundreds of thousands of federal managers and employees retire over the next decade. Some also say the timing is good because policy makers are already beginning to redesign compensation programs for feds across government, starting with the Defense and Homeland Security departments.

Defense's new pay plan, called the National Security Personnel System, will peg pay raises to job performance. But it also envisions a pay component, similar to locality pay, that aims to make compensation more "market sensitive." To do this, the department intends to calculate a portion of employees' pay using variables such as mission requirements, labor costs, and other relevant factors — a category that could include things like housing and transportation, observers say.

"It's timely that we bring this up now before they change everything," said Diana Louie, executive director of the San Francisco Bay Area Federal Executive Board.

She said the point of the housing allowance proposal is to make sure decision makers understand the challenges faced by managers in high-cost areas.

"Washington might not even know how critical this is because they're not looking at it like we do," she said.

"In Washington, they're far removed from the human toll," Hansen added.

During their visit to Washington, Hansen, Louie and other proponents will brief their proposal to members of the California congressional delegation.

While a grassroots effort is a good way to start, NAPA's Stephenson said it's critical that advocates find people in Washington to take up their cause.

"They need to find a sponsor back here on the Hill" as well as at the Office of Personnel Management or the Office of Management and Budget, he said. "There's tremendous interest in reforming personnel rules in this administration right now."

OPM declined to comment publicly on the proposal, but officials familiar with the idea say privately that the administration is unhappy about the Federal Executive Boards bringing their plan directly to lawmakers.

Romero, now a senior consultant at Federal Management Partners in Alexandria, Va., said this conflict is to be expected because of the natural tension that exists between the Federal Executive Boards and OPM.

“OPM’s interest is going to be a political one. The FEBs have an interest in what’s best for employees. They are going to be at odds,” he said. “The FEBs could’ve done the right protocol and briefed OPM two months ago, but the proposal would’ve been dead on arrival. The FEB folks know that. That’s why they’re doing it differently.”

Hansen said the California executive boards informed OPM about their efforts when they convened the task force.

Romero said the only way change will occur is if the movement gains broad appeal.

“There has be a groundswell of interest in making changes to the system as a whole because people outside of L.A. and San Francisco decide [locality pay] is not doing the job,” he said. “Everybody must rise up and say the whole system is not only flawed, but here is the impact.” Spokesmen for California Democratic Sens. Barbara Boxer and Dianne Feinstein declined to comment on the proposal until they speak with its proponents.

Hansen said she hopes the meetings with lawmakers will be a starting point.

Louie called them “just the beginning.”

“We hope to start the dialogue, get the information out there, and make lawmakers and their constituents aware,” Louie said.

“It may not be the perfect solution,” added Hansen. “The idea is to raise the awareness of lawmakers. The real solution will likely be a compromise.”