

OFFICE OF PERSONNEL MANAGEMENT

5 CFR Part 591

RIN 3206-AL37

Nonforeign Area Cost-of-Living Allowance Rates; Alaska

AGENCY: U.S. Office of Personnel Management.

ACTION: Proposed rule.

SUMMARY: The U.S. Office of Personnel Management (OPM) is proposing to change the cost-of-living allowance (COLA) rates received by certain white-collar Federal and U.S. Postal Service employees in Anchorage, Fairbanks, and Juneau, Alaska. The proposed rate changes are the result of living-cost surveys conducted by OPM in 2006 and interim adjustments OPM calculated based on relative Consumer Price Index differences between the cost-of-living allowance areas and the Washington, DC, area. The proposed rate changes would reduce the COLA rates in Anchorage, Fairbanks, and Juneau from 24 percent to 23 percent. OPM is also proposing a minor clarification to the Alaska COLA area boundaries to make clear the 50-mile radius is by the shortest route using paved roads.

DATES: We will consider comments received on or before March 3, 2008.

ADDRESSES: Send or deliver comments to Charles D. Grimes III, Deputy Associate Director for Performance Management and Pay Systems, Strategic Human Resources Policy Division, U.S. Office of Personnel Management, Room 7300B, 1900 E Street, NW., Washington, DC 20415-8200; fax: (202) 606-4264; or e-mail: COLA@opm.gov.

FOR FURTHER INFORMATION CONTACT: J. Stanley Austin, (202) 606-2838; fax: (202) 606-4264; or e-mail: COLA@opm.gov.

SUPPLEMENTARY INFORMATION: Section 5941 of title 5, United States Code, authorizes Federal agencies to pay cost-of-living allowances (COLAs) to white-collar Federal and U.S. Postal Service employees stationed in Alaska, Hawaii, Guam and the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. Executive Order 10000, as amended, delegates to the U.S. Office of Personnel Management (OPM) the authority to administer nonforeign area COLAs and prescribes certain

operational features of the program. OPM conducts living-cost surveys in each allowance area and in the Washington, DC, area to determine whether, and to what degree, COLA area living costs are higher than those in the DC area. OPM sets the COLA rate for each area based on the results of these surveys.

As required by section 591.223 of title 5, Code of Federal Regulations, OPM conducts COLA surveys once every 3 years on a rotating basis. For areas not surveyed during a particular year, OPM adjusts COLA rates by the relative change in the Consumer Price Index (CPI) for the COLA area compared with the Washington, DC, area. (See 5 CFR 591.224-226.) OPM adopted these regulations pursuant to the stipulation for settlement in *Caraballo et al. v. United States*, No. 1997-0027 (D.V.I.), August 17, 2000. *Caraballo* was a class-action lawsuit which resulted in many changes in the COLA methodology and regulations.

2006 Alaska Survey

OPM conducted living-cost surveys in Anchorage, Fairbanks, Juneau, and the Washington, DC, area in the spring of 2006. We are publishing the results of these surveys in the *2006 Nonforeign Area Cost-of-Living Allowance Survey Report: Alaska and Washington, DC, Areas*, which accompanies this proposed rule.

As described in the 2006 survey report, we compared the results of the COLA area surveys with the results of the DC area survey to compute a living-cost index for each of the Alaska COLA areas. Table 1 shows the final 2006 Alaska survey living-cost indexes. These indexes indicate reductions in the COLA rates for Anchorage, Fairbanks, and Juneau. OPM's regulations at 5 CFR 591.228(c) limit COLA rate reductions to 1 percentage point in a 12-month period; therefore, OPM is proposing to reduce the COLA rates in Anchorage, Fairbanks, and Juneau from 24 percent to 23 percent.

TABLE 1.—2006 ALASKA SURVEY INDEXES

Allowance area	Index
Anchorage	109.81
Fairbanks	118.90
Juneau	120.08
Rest of the State of Alaska	132.82

2005 Interim Adjustments

On October 27, 2006, OPM published a notice on the 2005 interim adjustments for the Alaska and Pacific COLA areas in the *Federal Register* at 71 FR 63178. OPM also published a proposed rule at 71 FR 63176 to reduce the COLA rates for Anchorage, Fairbanks, and Juneau based on the interim adjustments. In the notice, the adjustment for Alaska used CPI changes for a 30-month period and the adjustment for the Pacific used CPI changes for an 18-month period. As specified at 5 CFR 591.224(a), the adjustment for the Alaska areas should have been based on a 24-month period and the adjustment for the Pacific areas should have been based on a 12-month period. Tables 2 and 3 show corrected CPI changes for Anchorage and Honolulu.

TABLE 2.—CHANGE IN ANCHORAGE AND IN THE WASHINGTON-BALTIMORE CPI-US 2003 TO 2005

Survey area	CPI-U
Anchorage 2003 CPI-U first half	161.1
Anchorage 2005 CPI-U first half	169.6
Anchorage change in percent	5.2762
DC-Baltimore 2003 CPI-U first half	115.6
DC-Baltimore 2005 CPI-U first half	122.8
DC-Baltimore change in percent	6.2284

TABLE 3.—CHANGE IN HONOLULU AND IN THE WASHINGTON-BALTIMORE CPI-US 2004 TO 2005

Survey area	CPI-U
Honolulu 2004 CPI-U first half	189.2
Honolulu 2005 CPI-U first half	195.0
Honolulu change in percent	3.0655
DC-Baltimore 2004 CPI-U first half	118.3
DC-Baltimore 2005 CPI-U first half	122.8
DC-Baltimore change in percent	3.8039

Correcting the adjustments for the appropriate period changed the indexes for the Alaska and Pacific areas as shown in Tables 4 and 5. Because the corrected Alaska area indexes are now superseded by the 2006 Alaska survey indexes and the corrected Pacific indexes have been superseded by 2006 interim adjustment indexes, OPM plans no further action based on the 2005 interim adjustments.

TABLE 4.—ALASKA 2005 CPI-U PRICE INDEX ADJUSTMENTS

	Anchorage	Fairbanks	Juneau	Kodiak
2003 COLA Survey Indexes	111.40	115.62	118.09	135.84

TABLE 4.—ALASKA 2005 CPI-U PRICE INDEX ADJUSTMENTS—Continued

	Anchorage	Fairbanks	Juneau	Kodiak
Adjustment Factors	7	9	9	9
2003 COLA Survey Price Indexes	104.40	106.62	109.09	126.84
2005 CPI Adjusted Price Indexes	103.46	105.66	108.11	125.70
2005 COLA Indexes with Adj. Factors	110.46	114.66	117.11	134.70

TABLE 5.—PACIFIC 2005 CPI-U PRICE INDEX ADJUSTMENTS

	Honolulu	Hawaii Co	Kauai	Maui	Guam
2004 COLA Survey Indexes	125.80	117.25	127.63	131.50	127.40
Adjustment Factors	5	7	7	7	9
2004 COLA Survey Price Indexes	120.80	110.25	120.63	124.50	118.40
2005 CPI Adjusted Price Indexes	119.94	109.47	119.77	123.61	117.56
2005 COLA Indexes with Adj. Factors	124.94	116.47	126.99	130.61	125.56

Area Boundary Clarification

OPM is also proposing a clarification to the Alaska COLA area boundaries in 5 CFR 591.207 to make clear the 80-kilometer (50-mile) radius is by the shortest route using paved roads when available, as measured from the Federal courthouse to the official duty station. OPM believes the current regulations should not be interpreted differently, but proposes this clarification to assist agencies when alternate interpretations are presented.

Executive Order 12866, Regulatory Review

This rule has been reviewed by the Office of Management and Budget in accordance with Executive Order 12866.

Regulatory Flexibility Act

I certify that this regulation will not have a significant economic impact on a substantial number of small entities because the regulation will affect only Federal agencies and employees.

List of Subjects in 5 CFR Part 591

Government employees, Travel and transportation expenses, Wages.

Office of Personnel Management.

Linda M. Springer,

Director.

Accordingly, OPM proposes to amend subpart B of 5 CFR part 591 as follows:

PART 591—ALLOWANCES AND DIFFERENTIALS

Subpart B—Cost-of-Living Allowance and Post Differential—Nonforeign Areas

1. The authority citation for subpart B of 5 CFR part 591 continues to read as follows:

Authority: 5 U.S.C. 5941; E.O. 10000, 3 CFR, 1943–1948 Comp., p. 792; and E.O. 12510, 3 CFR, 1985 Comp., p. 338.

2. In § 591.207, revise paragraphs (a), (b), and (c) to read as follows:

§ 591.207 Which areas are COLA areas?

* * * * *

(a) City of Anchorage, AK, and 80-kilometer (50-mile) radius by shortest route using paved roads when available, as measured from the Federal courthouse to the official duty station;

(b) City of Fairbanks, AK, and 80-kilometer (50-mile) radius by shortest route using paved roads when available, as measured from the Federal courthouse to the official duty station;

(c) City of Juneau, AK, and 80-kilometer (50-mile) radius by shortest route using paved roads when available, as measured from the Federal courthouse to the official duty station;

* * * * *

3. Revise appendix A of subpart B to read as follows:

Appendix A to Subpart B of Part 591—Places and Rates at Which Allowances Are Paid

This appendix lists the places approved for a cost-of-living allowance and shows the authorized allowance rate for each area. The allowance rate shown is paid as a percentage of an employee's rate of basic pay. The rates are subject to change based on the results of future surveys.

Geographic coverage	Allowance rate (percent)
State of Alaska:	
City of Anchorage and 80-kilometer (50-mile) radius by road	23
City of Fairbanks and 80-kilometer (50-mile) radius by road	23
City of Juneau and 80-kilometer (50-mile) radius by road	23
Rest of the State	25
State of Hawaii:	
City and County of Honolulu	25
Hawaii County, Hawaii	18
County of Kauai	25
County of Maui and County of Kalawao	25
Territory of Guam and Commonwealth of the Northern Mariana Islands	25
Commonwealth of Puerto Rico	13
U.S. Virgin Islands	25