

**OFFICE OF PERSONNEL
MANAGEMENT**

2005 Nonforeign Area Cost-of-Living Allowance Survey Report: Alaska and Pacific Interim Adjustments

AGENCY: Office of Personnel Management.

ACTION: Notice.

SUMMARY: This notice publishes the interim adjustments for the Alaska and Pacific Nonforeign Area Cost-of-Living Allowance (COLA) areas. The Federal Government conducts COLA surveys in Alaska, Hawaii, Guam, Puerto Rico, and the U.S. Virgin Islands to set COLA rates. These surveys are conducted once every 3 years on a rotating basis. In between COLA surveys, the Government adjusts COLA rates for the areas not surveyed using the relative change in the Consumer Price Index (CPI) for the COLA area compared with the Washington-Baltimore CPI. The Alaska and Pacific COLA areas were not surveyed in 2005. Therefore, OPM is calculating and publishing interim adjustments for these COLA areas.

DATES: We will consider comments received on or December 26, 2006.

ADDRESSES: Send or deliver comments to Jerome D. Mikowicz, Acting Deputy Associate Director for Pay and Performance Policy, Strategic Human Resources Policy Division, Office of Personnel Management, Room 7H31, 1900 E Street, NW., Washington, DC 20415-8200; fax: (202) 606-4264; or e-mail: COLA@opm.gov.

FOR FURTHER INFORMATION CONTACT: Donald L. Paquin, (202) 606-2838; fax: (202) 606-4264; or e-mail: COLA@opm.gov.

SUPPLEMENTARY INFORMATION: Subpart B of part 591 of title 5, Code of Federal Regulations, requires the Office of Personnel Management (OPM) to set nonforeign area cost-of-living allowance (COLA) rates that are paid to U.S. Postal Service and white-collar Federal employees in Alaska, Hawaii, Guam and the Northern Mariana Islands, Puerto

Rico, and the U.S. Virgin Islands. Section 591.223(a) prescribes that we conduct these surveys on a rotating basis, once every 3 years. Section 591.224 requires we adjust the previous COLA survey price indexes for the areas not surveyed by using the relative change in the Consumer Price Index (CPI) for the COLA area compared with the change in the Washington, DC area CPI.

In 2005, we surveyed Puerto Rico and the U.S. Virgin Islands. We did not survey the Alaska or Pacific COLA areas. Therefore, we are adjusting the previous Alaska and Pacific survey price indexes using the relative change in the CPIs. As required by § 591.225, we used the CPI, All Urban Consumers (CPI-U's), as published by the Bureau of Labor Statistics (BLS) for Anchorage, Honolulu, and the Washington-Baltimore area.

2003 Alaska Survey Results and Interim Adjustments

The first step is to compute the change in prices for the COLA area compared with the change in prices in the Washington-Baltimore area using the CPI-U's for each area. Table 1, below, shows this process. It also shows prices have increased slightly faster in the Washington-Baltimore area than in Anchorage since the first half of 2003.

TABLE 1.—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 second half	174.1
Anchorage change in percent ..	8.0695%
DC-Baltimore 2003 CPI-U first half	115.6
DC-Baltimore 2005 CPI-U second half	125.8
DC-Baltimore change in percent	8.8235%

The second step is to multiply the price indexes from the four 2003 Alaska

surveys (Anchorage, Fairbanks, Juneau, and Rest of the State of Alaska) by the change in the Anchorage CPI-U and divide that by the change in the Washington-Baltimore CPI-U. The price index is the COLA survey index before the addition of the adjustment factor as specified in § 591.227. The adjustment factor reflects differences in need, access to and availability of goods and services, and quality of life in the COLA area relative to the DC area and is a constant amount throughout time. Therefore, it is not adjusted by the change in the CPI.

OPM published the 2003 Alaska survey report in the **Federal Register** on March 12, 2004, at 69 FR 12002. The report included the survey price indexes for each of the Alaska COLA areas. However, OPM revised these price indexes, incorporating methodological changes that OPM adopted pursuant to comments it received. The revised indexes were published recently in the **Federal Register** in a final rule that implemented COLA rate changes. Subsequently, OPM discovered it made a mathematical error in calculating Anchorage utility prices for the 2003 survey. This changed the Anchorage shelter and utilities index from 101.96 to 95.20 and changed the overall index from 113.64 to 111.40. OPM is using the corrected overall index to calculate the interim adjustment for Anchorage.

Table 2 shows the interim adjustment process. For example, the 2003 Fairbanks COLA survey adjusted index, as published in the **Federal Register**, is 115.62. The Fairbanks adjustment factor is 9 points. Therefore, the price index from the 2003 survey is 106.62. We increased this price index by 8.0695% (*i.e.*, multiplied by 1.080695), the change in the Anchorage CPI-U, and reduced it by 8.8235% (*i.e.*, divided by 1.088235), the change in the Washington-Baltimore CPI-U, to give a new price index of 105.88. We then added the 9 point adjustment factor to the new price index, which yields a 2005 Fairbanks Interim Adjustment COLA rate of 114.88.

TABLE 2.—ALASKA COLA AREA CPI-U PRICE INDEX ADJUSTMENTS

	Anchorage	Fairbanks	Juneau	Kodiak
2003 COLA Survey Indexes	111.40	115.62	118.09	135.84
Adjustment Factors	7	9	9	9
2003 COLA Survey Price Indexes	104.40	106.62	109.09	126.84
2005 CPI Adjusted Price Indexes	103.68	105.88	108.33	125.96
2005 COLA Indexes with Adj. Factors	110.68	114.88	117.33	134.96

2004 Pacific Survey Results and Interim Adjustments

The process we used to compute the interim adjustments for the Pacific surveys (*i.e.*, Honolulu, Hawaii, Kauai, Maui, and Guam) is identical to the one described above for Alaska except that we used the BLS CPI-U for Honolulu, as specified in § 591.225. Table 3 shows the relative change in the Honolulu CPI-U compared with the Washington-Baltimore CPI-U. Once again, the table shows prices have increased somewhat faster in the Washington-Baltimore area than in Honolulu since the first half of 2004.

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 second half	200.6
Honolulu change	6.0254%
DC-Baltimore 2004 CPI-U first half	118.3
DC-Baltimore 2005 CPI-U second half	125.8
DC-Baltimore change	6.3398%

The second step is to multiply the price indexes from the five 2004 Pacific surveys by the change in the Honolulu

CPI-U and divide that by the change in the Washington-Baltimore CPI-U. OPM published the 2004 Pacific survey report in the **Federal Register** on August 4, 2005, at 70 FR 44989. This report included the survey price indexes for each of the Pacific COLA areas. However, as with Alaska, OPM subsequently revised the Pacific price indexes, incorporating methodological changes that OPM adopted pursuant to comments it received. The revised indexes were published recently in the **Federal Register** in a final rule that implemented COLA rate changes. Table 4 shows the revised indexes, the interim adjustment process, and the final results.

TABLE 4.—PACIFIC COLA AREA 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	120.44	109.92	120.27	124.13	118.05
2005 COLA Indexes with Adj. Factors	125.44	116.92	127.27	131.13	127.05

Interim Adjustments Summarized

In a proposed rule published with this notice, OPM proposes to adjust COLA rates based on the 2005 Caribbean Survey results and the interim adjustments. The interim adjustments show both Alaska and Pacific prices are falling slightly relative to Washington-Baltimore prices. In the Pacific, the results indicate that COLA rates in all of the areas are currently set at the appropriate levels, and no adjustments are necessary. In Alaska, the results indicate that Anchorage, Fairbanks and Juneau COLA rates should continue to be reduced by an additional 1 percentage point in each area, from 24 percent, which is the current COLA rate in each of these areas, to 23 percent. However, § 591.228(c) limits COLA rate reductions to no more than 1 percentage point in a 12-month period.

Linda M. Springer,

Director, Office of Personnel Management.

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OFFICE OF PERSONNEL MANAGEMENT

2005 Nonforeign Area Cost-of-Living Allowance Survey Report: Caribbean and Washington, DC, Areas

AGENCY: Office of Personnel Management.

ACTION: Notice.

SUMMARY: This notice publishes the “2005 Nonforeign Area Cost-of-Living Allowance Survey Report: Caribbean and Washington, DC, Areas.” The Federal Government uses the results of surveys such as these to set cost-of-living allowance (COLA) rates for General Schedule, U.S. Postal Service, and certain other Federal employees in Alaska, Hawaii, Guam and the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. This report contains the results of the COLA surveys conducted by the Office of Personnel Management in Puerto Rico, the U.S. Virgin Islands, and the Washington, DC area during the spring of 2005.

DATES: Comments on this report must be received on or before December 26, 2006.

ADDRESSES: Send or deliver comments to Jerome D. Mikowicz, Acting Deputy Associate Director for Pay and Performance Policy, Strategic Human Resources Policy Division, Office of Personnel Management, Room 7H31, 1900 E Street, NW., Washington, DC 20415-8200; fax: (202) 606-4264; or e-mail: COLA@opm.gov.

FOR FURTHER INFORMATION CONTACT: Donald L. Paquin, (202) 606-2838; fax: (202) 606-4264; or e-mail: COLA@opm.gov.

SUPPLEMENTARY INFORMATION: Section 591.229 of title 5, Code of Federal Regulations, requires the Office of Personnel Management (OPM) to publish nonforeign area cost-of-living

allowance (COLA) survey summary reports in the **Federal Register**. We are publishing the complete “2005 Nonforeign Area Cost-of-Living Allowance Survey Report: Caribbean and Washington, DC, Areas” with this notice. The report contains the results of the COLA surveys we conducted in Puerto Rico, the U.S. Virgin Islands, and the Washington, DC area during the spring of 2005.

Survey Results

Using an index scale with Washington, DC area living costs equal to 100, we computed index values of relative prices in the Puerto Rico and U.S. Virgin Islands COLA areas. Then we added an adjustment factor of 7.0 to the Puerto Rico price index and 9.0 to the U.S. Virgin Islands price index and rounded the results to the nearest whole percentage point. According to the results, the COLA rate for the U.S. Virgin Islands should increase from 23 percent, which is the current rate, to 25 percent; and the COLA rate for Puerto Rico should decrease from 10.5 percent, which is the current rate, to 9.5 percent. Section 591.228(c) limits decreases to 1 percentage point in a 12-month period. In a proposed rule published with this notice, OPM proposes to adjust COLA rate rates based on the results of the 2005 Caribbean surveys.