119TH CONGRESS
2D SESSION

S. _____

To require the Director of the Office of Personnel Management to carry out a research program and demonstration project to study and test modernized methods of classifying positions and compensating employees of the Federal Government, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. CURTIS introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To require the Director of the Office of Personnel Management to carry out a research program and demonstration project to study and test modernized methods of classifying positions and compensating employees of the Federal Government, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Locality Pay Fairness and Improvement Act''.

SEC. 2. DEFINITIONS.

In this Act:

(1) ACADEMY.—The term ''Academy'' means the National Academy of Public Administration.

(2) AGENCY; EMPLOYEE; DEMONSTRATION PROJECT; RESEARCH PROGRAM.—The terms ''agency'', ''employee'', ''demonstration project'', and ''research program'' have the meanings given those terms in section 4701(a) of title 5, United States Code.

(3) APPROPRIATE COMMITTEES OF CONGRESS.—The term ''appropriate committees of Congress'' means—

(A) the Committee on Homeland Security and Governmental Affairs of the Senate; and

(B) the Committee on Oversight and Government Reform of the House of Representatives.

(4) CAREER LEVEL.—The term ''career level'' means a cluster of positions within a job family that—

(A) reflects a distinct level of work within the job family, as indicated by—

(i) the duties of the positions in the cluster; and

(ii) the acquired skills, knowledge, and experience necessary for employees to fulfill the duties described in clause (i); and

(B) relative to other clusters of positions, is distinguished by characteristics such as the scope of responsibility, degree of independence, and nature of contribution expected of employees occupying positions within the cluster.

(5) COMPTROLLER GENERAL.—The term ''Comptroller General'' means the Comptroller General of the United States.

(6) COVERED DEMONSTRATION PROJECT.—The term ''covered demonstration project'' means the demonstration project described in section 3(a), the structure and implementation with respect to which are established under section 3(d).

(7) DIRECTOR.—The term ''Director'' means the Director of the Office of Personnel Management.

(8) FEDERAL SALARY COUNCIL.—The term ''Federal Salary Council'' means the Federal Salary Council established under section 5304(e) of title 5, United States Code.

(9) JOB FAMILY.—The term ''job family'' means a grouping of occupations in which—

(A) the occupations are commonly understood to be similar in the relevant industry, to the extent practicable; and

(B) the grouping consists of a broad pool of comparable jobs that may not be interchangeable but that share similar tasks, competencies, and knowledge bases.

(10) PAY COMPRESSION.—The term ''pay compression'' means a situation in which the application of a salary ceiling or floor leads to no, or a small, relative difference in compensation between workers despite substantial differences in the experience, tenure, or abilities of those workers or the market rate for the labor of those workers.

(11) PAY DISPARITY.—The term ''pay disparity'' means the extent to which rates of pay for work under a Federal pay system are generally lower than the rates of pay for similar and commensurate non-Federal work in the same labor market, including with respect to career level, geographic area, and job family characteristics.

SEC. 3. RESEARCH PROGRAM AND DEMONSTRATION PROJECT TO MODERNIZE FEDERAL EMPLOYEE COMPENSATION.

(a) IN GENERAL.—Subject to subsection (e), the Director shall use the authorities under chapter 47 of title 5, United States Code, to carry out a research program and a demonstration project to study and test modernized methods of classifying positions and compensating employees, each of which shall be designed, implemented, and evaluated in a manner that advances the goals described in subsection (b).

(b) GOALS OF THE RESEARCH PROGRAM AND DEMONSTRATION PROJECT.—The goals described in this subsection are to improve the ability of the Federal Government to—

(1) recruit and retain individuals who have the knowledge, skills, and abilities to—

(A) faithfully execute statutes;

(B) efficiently achieve Government priorities; and

(C) effectively deliver services to the public;

(2) compete in every relevant labor market in the United States for talent, including by reducing pay disparities;

(3) take advantage of leading compensation management practices;

(4) calibrate Federal compensation offerings to the labor markets in which agencies operate, the methods of which—

(A) shall include the use of cost-of-labor indicators provided by the Bureau of Labor Statistics; and

(B) may include the use of cost-of-living indicators provided by the Bureau of Labor Statistics;

(5) effectively navigate personnel classification and compensation systems that are—

(A) coherent across agencies and job families; and

(B) adaptable to changing labor markets and evolving human resources best practices;

(6) ensure similar and consistent compensation for similar and commensurate work that occurs across the Federal Government, the private sector, and the non-Federal public sector;

(7) ensure that processes for setting compensation under a Federal pay system factor in labor market variation, including with respect to geographic area and job family characteristics; and

(8) alleviate pay compression within Federal pay systems.

(c) CONTRACT TO PRODUCE REPORTS; RESEARCH PROGRAM.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this Act, the Director shall enter into a contract with the Academy under which the Academy shall submit the initial report described in paragraph (4) and the subsequent report described in section 4(c).

(2) CONSULTATION.—While developing each report described in paragraph (1), the Academy shall consult with the Director and the Federal Salary Council.

(3) DATA ACCESS.—The Director, the Director of the Office of Management and Budget, and the Secretary of Labor shall grant the Academy access to relevant data needed for the Academy to produce the reports described in paragraph (1).

(4) INITIAL REPORT.—

(A) DRAFT VERSION.—Not later than 335 days after the date on which the Director enters into a contract with the Academy under paragraph (1), the Academy shall submit to the Director, the appropriate committees of Congress,

and the Comptroller General a draft version of the report required under this paragraph, which shall—

(i) review modern methodologies and leading human resources practices for classifying positions and establishing compensation for employees based on a principle of labor market comparability between positions in the Federal Government and positions outside of the Federal Government;

(ii) assess the tradeoffs associated with the various methodologies and practices reviewed under clause (i), including potential tradeoffs if applied to classifying Federal positions and establishing compensation for employees so as to be comparable with non-Federal employment;

(iii) include a comprehensive list of relevant indices or other measurable labor market factors and data to inform strategies for classifying Federal positions and establishing compensation for employees;

(iv) in accordance with the requirements of paragraph (5), recommend the

design of the covered demonstration project, and an ongoing research program (which shall begin with the report required under this paragraph and continue with efforts by the Director to continue to analyze the matters to which that report applies), in support of the goals described in subsection (b); and

(v) describe how the recommendations under clause (iv) will use labor market measures and advance the goals described in subsection (b).

(B) FINAL VERSION.—Not later than 30 days after the date on which the Academy submits the draft report under subparagraph (A), the Academy shall submit to the appropriate committees of Congress, the Director, and the Comptroller General, and shall make publicly available on the website of the Academy, the final version of the report required under this paragraph, which shall contain an analysis of all of the matters described in subparagraph (A).

(5) REQUIREMENTS OF DEMONSTRATION PROJECT RECOMMENDATIONS.—The Academy, to

develop the recommendations described in paragraph (4)(A)(iv), shall assess and discuss within each version of the report required under paragraph (4)—

(A) whether the covered demonstration project should involve a job classification scheme that—

(i) organizes occupations into job families;

(ii) determines the appropriate number and types of career levels within each job family;

(iii) establishes pay tables specific to each job family that factor in relevant labor market measures, such as cost-of-labor or cost-of-living indices; and

(iv) considers variations of labor market measures across geographic areas and different categories of occupations;

(B) the appropriate sites, agencies, occupations, and positions for the covered demonstration project in order to—

(i) prioritize States, regional markets, or geographic areas in which—

(I) pay disparities are compounded by rapid growth in private sector compensation; and

(II) there have been demonstrated sustained difficulties in recruiting or retaining employees in defense or technical positions despite the use of existing compensation flexibilities; and

(ii) ensure that all agencies, occupations, and positions within a given geographic area are included in the site for the covered demonstration project;

(C) whether any sites in addition to the sites described in subparagraph (B) should be incorporated into the covered demonstration project in order to—

(i) make the covered demonstration project more representative of the Federal workforce as a whole; or

(ii) better inform future expansion of the methods featured in the covered demonstration project; and

(D) whether the covered demonstration project would significantly benefit from an ad-

justment to the limitation under section 4703(d)(1)(A) of title 5, United States Code, in order to obtain meaningful results from the covered demonstration project, including—

(i) the minimum level of such an adjustment; and

(ii) the ideal level of such an adjustment.

(6) ADDITIONAL RESEARCH.—As part of the research program described in subsection (a), the Director may conduct such additional research as the Director determines necessary to carry out the responsibilities of the Director under section 4(b).

(d) STRUCTURE AND IMPLEMENTATION OF DEMONSTRATION PROJECT.—

(1) IN GENERAL.—Not later than 180 days after the date on which the Academy submits the report required under subsection (c)(4)(B), the Director shall, subject to paragraph (2), and in consultation with the Academy and the Federal Salary Council—

(A) develop a proposed project plan for the covered demonstration project, which shall be consistent with the requirements under section 4703(b)(1) of title 5, United States Code;

(B) with respect to the proposed project plan developed under subparagraph (A)—

(i) publish that proposed project plan in the Federal Register, as required under section 4703(b)(2) of title 5, United States Code; and

(ii) submit to the Comptroller General the proposed project plan, along with any additional materials requested by the Comptroller General, so that the Comptroller General may conduct the assessment required under paragraph (3); and

(C) provide the notifications required under section 4703(b)(4) of title 5, United States Code.

(2) PLAN DESIGN.—The proposed project plan developed under paragraph (1) shall—

(A) align with—

(i) the recommendations for the design of the covered demonstration project provided by the Academy in the report submitted under subsection (c)(4)(B); and

(ii) the goals described in subsection (b); and

(B) include a description of how the proposed project plan aligns with the recommendations and goals described in subparagraph (A).

(3) REVIEW AND ASSESSMENT.—Not later than 120 days after the date on which the Director submits the proposed project plan developed under paragraph (1) to the Comptroller General, as required under subparagraph (B)(ii) of that paragraph, the Comptroller General shall—

(A) assess the extent to which the proposed project plan—

(i) aligns with recommendations in the report submitted by the Academy under subsection (c)(4)(B); and

(ii) follows the principles of effective pilot project design; and

(B) submit to the appropriate committees of Congress a report, and brief the appropriate committees of Congress, regarding the assessment conducted under subparagraph (A).

(4) FINALIZATION AND IMPLEMENTATION.—Not later than 270 days after the date on which the Director submits the proposed project plan developed under paragraph (1) to the Comptroller Gen-

eral, as required under subparagraph (B)(ii) of that paragraph, the Director shall—

(A) finalize the project plan for the covered demonstration project, including by completing all requirements for a demonstration project, as established under section 4703 of title 5, United States Code, and part 470 of title 5, Code of Federal Regulations, or any successor regulations; and

(B) begin carrying out the covered demonstration project.

(e) AUTHORITIES AND LIMITATIONS.—

(1) LIMITATION ON SCOPE OF DEMONSTRATION PROJECT.—Notwithstanding section 4703(a) of title 5, United States Code, the Director, in carrying out the covered demonstration project, may only take an action for which authority is lacking under that title, or that is inconsistent with a provision of that title (or a regulation prescribed under that title), if—

(A) that action—

(i) is directly related to the methods of classifying positions and compensating employees; or

(ii)(I) relates to—

(aa) the methods of providing incentives to employees, including the provision of a group of individual incentive bonuses or pay;

(bb) the methods of establishing qualification requirements for a position; or

(cc) the hours of work per day or per week; and

(II) will significantly affect the ability of the Director to assess a method of classifying positions and compensating employees; and

(B) the Director briefs the appropriate committees of Congress regarding, and makes public, the reasons why that action is necessary to carry out the covered demonstration project.

(2) ADJUSTMENT TO SIZE OF DEMONSTRATION PROJECT.—The Director may adjust the number of individuals described in section 4703(d)(1)(A) of title 5, United States Code, with respect to the covered demonstration project, if the report submitted under subsection (c)(4)(B) specifically recommends such an adjustment.

(3) EXCLUSION FROM LIMITATION ON NUMBER OF DEMONSTRATION PROJECTS.—The covered demonstration project shall be excluded from the total number of allowed demonstration projects under section 4703(d)(2) of title 5, United States Code.

(4) TERMINATION.—

(A) IN GENERAL.—Notwithstanding section 4703(d)(1)(B) of title 5, United States Code, the covered demonstration project shall terminate on a date—

(i) that is not earlier than 5 years after the date on which the Director begins implementing the plan for the covered demonstration project under subsection (d)(4)(B); and

(ii) that the Director determines is appropriate in order to validate the results of the covered demonstration project.

(B) NOTIFICATION OF DATE.—With respect to the termination date determined appropriate by the Director under subparagraph (A), the Director shall—

(i) brief the appropriate committees of Congress regarding that date; and

(ii) release to the public the reasons for making that determination.

(5) PROHIBITION OF COMPENSATION DECREASES DURING CONVERSION INTO AND OUT OF THE DEMONSTRATION PROJECT.—

(A) IN GENERAL.—The covered demonstration project may not result in a decrease of the rate of pay for any employee involved in the covered demonstration project compared to what the rate of pay for the employee would be if the employee continued to be classified and compensated under the applicable pay and classification system in place at the time of transition to the covered demonstration project.

(B) TERMINATION OF DEMONSTRATION PROJECT.—Upon the termination of the covered demonstration project, the rate of pay for an employee may not be reduced as a result of conversion of the position of the employee to a prior pay and classification system.

(6) CONSULTATION WITH LABOR ORGANIZATION.—Employees within a unit with respect to which an agency had, as of March 26, 2025, granted exclusive recognition to a labor organization under chapter 71 of title 5, United States Code, shall not

be included within the covered demonstration project unless the head of that agency and that labor organization enter into a written agreement allowing for the inclusion of those employees.

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $3,000,000 to the Director to carry out this section, which shall remain available until expended.

SEC. 4. ONGOING RESEARCH, OVERSIGHT, AND REPORTING REQUIREMENTS.

(a) GOVERNMENT ACCOUNTABILITY OFFICE.—

(1) ONGOING BRIEFINGS ON RESEARCH PROGRAM AND DEMONSTRATION PROJECT.—Not later than 180 days after the date on which the Comptroller General submits the report required under section 3(d)(3)(B), and on at least a biannual basis thereafter until the termination of the covered demonstration project, the Comptroller General shall—

(A) provide a briefing to the appropriate committees of Congress on the status of, and findings relating to, the research program described in section 3(a) and the covered demonstration project; and

(B) include within each briefing described in subparagraph (A) each committee of the

Senate and the House of Representatives with jurisdiction over an agency directly involved in the demonstration project.

(2) REPORTS ON THE DEMONSTRATION PROJECT.—

(A) IN GENERAL.—During the fourth year of the covered demonstration project, and every 2 years thereafter until the termination of the covered demonstration project, the Comptroller General shall submit to Congress a report on findings related to the effectiveness of the covered demonstration project in achieving the goals described in section 3(b), the methodologies used in the evaluation by the Director of the covered demonstration project, and the applicability of those findings to additional States, geographic areas, and job families.

(B) UPDATES.—Not earlier than 1 year, and not later than 180 days, before the termination of the covered demonstration project, the Comptroller General shall submit to Congress any updates to findings reported by the Comptroller General under subparagraph (A).

(b) OFFICE OF PERSONNEL MANAGEMENT.—

(1) ONGOING BRIEFINGS.—Not later than 60 days after the date on which the Director enters into the contract required under section 3(c)(1), and on at least a biannual basis thereafter until the termination of the covered demonstration project, the Director shall—

(A) provide a briefing to the appropriate committees of Congress on the status of the development and design of the research program described in section 3(a) and the covered demonstration project; and

(B) include within each briefing described in subparagraph (A) each committee of the Senate and the House of Representatives with jurisdiction over an agency directly involved in the covered demonstration project.

(2) REPORT ON RESEARCH PROGRAM AND DEMONSTRATION PROJECT.—As part of the evaluation requirements associated with the use of the authority under chapter 47 of title 5, United States Code, the Director shall, not later than 4 years after the date on which the Director begins carrying out the covered demonstration project, submit to the appropriate committees of Congress a report, which shall

be made publicly available, that includes analyses and recommendations regarding—

(A) aspects of the covered demonstration project that—

(i) advanced the goals described in section 3(b), with evidence toward that determination; and

(ii) deviated from or failed to advance the goals described in section 3(b), with evidence toward that determination;

(B) whether the covered demonstration project should be extended for additional years and reasons why;

(C) what aspects of the covered demonstration project, if any, should be expanded to other States, geographic areas, or agency positions, including to what extent and on what timeline;

(D) what changes to law, regulation, or agency practice would be necessary to expand successful aspects of the covered demonstration project to additional States, geographic areas, or agency positions; and

(E) what steps the Director is taking or requesting to ensure that the Office of Personnel Management has the necessary capacity

to expand successful aspects of the covered demonstration project to additional States, geographic areas, or agency positions.

(c) ADDITIONAL ACADEMY REPORT.—

(1) IN GENERAL.—During the third year of the covered demonstration project, the Academy shall submit to the appropriate committees of Congress, the Director, and the Comptroller General, and shall make publicly available on the website of the Academy, a report demonstrating how the methods featured in the covered demonstration project could be applied across executive branch positions.

(2) ELEMENTS OF THE REPORT.—The report required under paragraph (1) shall—

(A) include analyses and recommendations demonstrating how the featured approach in the covered demonstration project, if applied toward Government-wide job classification and compensation reform, would—

(i) be consistent with or deviate from the goals described in section 3(b);

(ii) account for geographic variations in labor market characteristics across the United States;

(iii) address pay compression issues;

(iv) require ongoing monitoring of economic indicators across various labor markets;

(v) require additional Office of Personnel Management capacity; and

(vi) consider how to expand the reforms in a way that—

(I) minimizes disruptions to agency capacity and efficiency; and

(II) prevents negative impacts to employees;

(B) identify—

(i) the changes to law, regulation, or agency practices that are necessary to utilize the methods with demonstrated success toward achieving the goals described in section 3(b); or

(ii) any further research programs or demonstration projects that would be necessary before identifying the changes described in clause (i); and

(C) recommend a transition process for implementing any changes to law, regulation, or agency practices identified under subparagraph (C) to prevent unintended—

(i) disruptions to agency capacity or efficiency; and

(ii) disincentives toward Federal employment.