



Locality Pay Fact Sheet (January 2023)

COLA/Locality Pay for Federal Workers in Hawaii and other Non-Foreign Areas

Background: The U.S. Government pays cost-of-living allowances (COLAs) to white-collar civilian Federal employees in Alaska, Hawaii, Guam and the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. Section 5941 of title 5, United States Code, and Executive Order 10000 (as amended) authorize the payment of COLAs in non-foreign areas.

The Non-foreign Area Retirement Equity Assurance Act (the Act) as contained in subtitle B (sections 1911-1919) of title XIX of the National Defense Authorization Act (NDAA) for Fiscal Year 2010 (Public Law 111-84, October 28, 2009) transitions the non-foreign area cost-of-living allowance (COLA) authorized under 5 U.S.C. 5941(a) (1) to locality pay authorized under 5 U.S.C. 5304 in the non-foreign areas as listed in 5 CFR 591.205. The Act also extends locality pay to American Samoa and other non-foreign territories and possessions of the United States where no COLA rate applies.

When the NAREA Act in 2010 extended locality pay to non-foreign areas, locality pay for these areas was phased in over three years beginning in January 2010. Unlike COLA, locality pay is credited for salary for retirement purposes, TSP contributions, etc, and is taxable.

COLA is reduced \$0.65 for each \$1.00 increase in locality pay, meaning that locality pay would have to increase to about 38% before COLA is “zeroed out” for federal workers in Hawaii. COLA is not generally taxable by the federal government, but may be subject to income tax for Hawaii state residents.

On December 23, 2022, President Biden issued an Executive Order to implement the January 2023 pay adjustments, and OPM issued the 2023 pay schedules for Federal civilian employees. The Executive Order authorizes a 4.1 percent across-the-board increase for statutory pay systems and locality pay increases costing approximately 0.5 percent of basic payroll, reflecting an overall average pay increase of 4.77 percent for 2022 (before the COLA offset is applied – after the COLA offset is applied the effective pay raise is the across the board GS raise, 4.1%). The 2023 pay schedules are effective the first day of the first applicable pay period beginning on or after January 1, 2023 (January 1, 2022, based on the standard biweekly payroll cycle). Employees in nonforeign areas entitled to cost-of-living allowances (COLAs) – which

includes Hawaii, Guam/CNMI, have corresponding reductions in their COLAs when locality rates increase.

(For Federal Civilian Employees in the City and County of Honolulu)

Year	COLA Rate %	Payable Locality Rate %	Full Locality Rate %
2009	25	0	0
2010	20.94	4.72	14.16
2011	16.07	11.01	16.51
2012	12.25	16.51	16.51
2013	12.25	16.51	16.51
2014	12.25	16.51	16.51
2015	12.25	16.51	16.51
2106	12.05	16.81	16.81
2017	11.32	17.92	17.92
2018	10.99	18.43	18.43
2019	10.64	18.98	18.98
2020	10.28	19.56	19.56
2021	10.28	19.56	19.56
2022	9.75	20.40	20.40
2023	9.28	21.17	21.17

Locality Pay “buy-back” provisions allowed employees who retired between January 1, 2010 and December 31, 2012 to elect to treat part of COLA as if it were locality pay for retired annuity purposes. That opportunity is now closed.

Various models used to estimate salary gaps for Hawaii put locality pay at above the 38% to zero out COLA. However, locality pay is included in the current political deliberations about federal pay and benefits.

The Honolulu-Pacific Federal Executive Board continues to receive inquiries regarding the COLA/Locality Pay “transition” that suggest that there is still some confusion amongst employees and their HR support regarding the status of COLA and Locality Pay in Non-Foreign Areas (which include Hawaii, Guam and the CNMI). One particular issue seems to be people confusing the three year “phase in” of Locality Pay under NAREAA (2010-2012) with the actual increases in Locality Pay required to “zero out” the COLA rates (which could take many years). The following guidance was recently provided by OPM on this issue:

“What is known as the residual COLA will continue in the non-foreign areas until it is completely phased out by locality pay increases. COLA has not been phased out in any of the non-foreign areas.”

“The three-year phase-in period under NAREAA was actually to phase in the relevant locality rate, not to phase out COLA completely. COLA should continue to be paid at the reduced rates indicated on OPM’s website to all otherwise eligible employees, including employees hired after passage of the NAREAA.”

If your agency’s HRO has questions regarding COLA and Locality Pay in Non-Foreign Areas, they should contact OPM (Pay and Leave Services).

The locality and COLA rates in each COLA area are provided here on the OPM website: [Nonforeign Areas \(opm.gov\)](#).

As can be seen, the COLA rates for the State of Hawaii are 9.28 percent for all of the islands except for Hawaii County, which has a residual COLA amount of 3.50 percent.

Links to 2023 Pay Tables

State of Hawaii: [SALARY TABLE 2023-HI \(opm.gov\)](#). Currently, COLA is set at 9.28% for Honolulu, Kauai and Maui counties, and at 3.50 % for Hawaii County.

Guam/CNMI/American Samoa receive Locality Pay at the Rest of US (RUS) rate; the rate for 2022 is 16.50 %. Pay tables are located at [SALARY TABLE 2022-RUS \(opm.gov\)](#). The COLA rate for Guam and CNMI is 12.45% in 2022. There is no COLA currently authorized for American Samoa.

To calculate your annual pay, including locality pay for a given location, you can also use the calculator on the OPM website: [SALARY TABLE 2023-RUS \(opm.gov\)](#). * The COLA rate, set at 9.28 % for Honolulu, Hawaii (or for your specific location if not in Honolulu), would then be applied to this salary for an estimate of total pay for 2022. However, it is important to remember that only your salary (base with locality pay) is used to complete deductions such as for retirement contributions, social security payroll tax, Medicare, employee TSP contributions, federal retirement annuity calculations, etc.

*Special situations such as post differentials, special pay, etc would require a different calculation. Eligible white-collar employees residing in areas where post differentials may be

authorized can find rates under the “Post Differentials” tab here: [Nonforeign Areas \(opm.gov\)](#). Those authorized special pay rates can find them at: [Special Rates - OPM.gov](#).

In response to Congressional language, in 2020 OPM prepared a report on the status of the implementation of locality pay in the non-foreign areas, including Hawaii. That report is available for download on the HPFEB website: [OPM Report to Congress - 2020](#).