



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

ASSISTANT SECRETARY FOR
ADMINISTRATION

MAR 14 2006

MEMORANDUM FOR: The Deputy Secretary
FROM: Keith A. Nelson, Assistant Secretary for Administration, A
SUBJECT: ACTION-Authorization to Grant Performance Awards for the
2005 Performance Appraisal Cycle

ISSUE:

This memorandum requests your approval of performance awards for the 2005 performance appraisal cycle for bargaining unit and non-bargaining unit employees.

BACKGROUND:

Performance awards are based on the ratings individual employees receive for the appraisal cycle. These are monetary awards, which can be granted either as a one-time lump sum cash payment (lump sum) or, in the case of employees who receive Outstanding ratings, a Quality Step Increase (QSI).

For the past five years, the Department has recognized employee performance with monetary awards as follows:

<u>Cycle</u>	<u>Outstanding Rating</u>	<u>Highly Successful Rating</u>
2000	2.0 percent lump sum	1.5 percent lump sum
2001	3.0 percent lump sum	2.0 percent lump sum
2002	1.5 percent lump sum	1.0 percent lump sum
2003	1.5 percent lump sum	1.0 percent lump sum
2004	1.5 percent lump sum	1.0 percent lump sum

The policy on performance award payments is affected by the Department's bargaining unit agreements. The Agreement between the Department and the American Federation of Government Employees mandates that bargaining unit employees receive performance recognition if funds are available in the Department's appropriated budget. The National Federation of Federal Employees Local 1450 encourages, but does not mandate, that managers and supervisors grant recognition for Outstanding ratings. In recent years, the Department has come under criticism by Congress, the Office of Management and Budget, and the Office of Personnel Management (OPM) for what they deemed to be an overly generous awards program. In particular, the granting of numerous QSIs as

performance awards. Additionally, QSI's can prove to be costly and increase the Department's financial obligations over a period of years since the QSI increases an employee's base level of pay for the remainder of the fiscal year and continues in future years.

RECOMMENDATION:

For the 2005 performance cycle, I recommend monetary awards in the form of lump sum payments for all eligible employees who receive Outstanding and Highly Successful performance ratings. I also recommend that QSI's not be granted as performance awards for this performance appraisal cycle.

I recommend the following:

- Outstanding rating – recommended amount is 1.5 percent of step 1 of the employee's grade, excluding locality pay; and
- Highly Successful rating – recommended amount is 1.0 percent of step 1 of the employee's grade, excluding locality pay.

The Office of Budget estimates that this recommendation will cost the Department approximately \$4.5 million and has advised us that funds are available for these awards. Attachment A lists the dollar amount payouts for each rating and grade.

A discussion paper containing labor-management agreement information and other historical data as it relates to the Department's authorization to grant performance awards over the past five years is provided as Attachment B.

DECISION:



Approve

Disapprove

MAR 17 2006

Date

Attachments

**2005 Performance Awards Payout Amounts for
Outstanding and Highly Successful Ratings for
Employees Under Employee Performance Planning
and Evaluation System (EPPES)**

Grade	Step 1	1.5%	1.00%
GS-1	\$16,352	\$250	\$165
GS-2	\$18,385	\$280	\$185
GS-3	\$20,060	\$305	\$205
GS-4	\$22,519	\$340	\$230
GS-5	\$25,195	\$380	\$255
GS-6	\$28,085	\$425	\$285
GS-7	\$31,209	\$470	\$315
GS-8	\$34,563	\$520	\$350
GS-9	\$38,175	\$575	\$385
GS-10	\$42,040	\$635	\$425
GS-11	\$46,189	\$695	\$465
GS-12	\$55,360	\$835	\$555
GS-13	\$65,832	\$990	\$660
GS-14	\$77,793	\$1,170	\$780
GS-15	\$91,507	\$1,375	\$920

**Based on Step 1 of the non-locality GS pay scale.
Amounts are rounded to the nearest five dollars, per AFGE agreement.**