

FEDERAL-POSTAL COALITION

October 20, 2011

The Honorable Patty Murray
Co-Chair
Joint Select Committee on Deficit Reduction
448 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on Deficit Reduction
129 Cannon House Office Building
Washington, D.C. 20515

Dear Senator Murray and Congressman Hensarling:

On behalf of the 4.6 million federal and postal workers and annuitants represented by the national member organizations of the Federal-Postal Coalition, we are writing to respond to two proposals from members of the House Oversight and Government Reform (OGR) Committee, as well as two proposals from members of the Senate Homeland Security and Governmental Affairs Committee. In general, we strongly urge you to reject any proposals which would further harm the livelihoods of federal employees.

Not only are federal employees facing layoffs and downsizing due to shrinking agency budgets, they are also currently subject to compensation cuts. This past November, the President called upon federal workers to help right the nation's fiscal ship by imposing a congressionally-supported two-year federal pay freeze. Despite popular opinion, federal employees are not immune to the economic woes of this country. Similar to their private sector counterparts, federal workers are confronting financial hardships due to unemployed spouses, rising health care costs and general living expenses. Many are responsible for supporting their families on a single paycheck.

Federal workers have already contributed \$60 billion in deficit reduction.

The pay freeze is a steep price for federal employees to pay in these challenging economic times. It will save an estimated \$2 billion by the end of 2011 and more than \$60 billion over the next decade. The fact that the pay freeze originated before the passage of the Budget Control Act of 2011 should not prevent its recognition as a price already paid by federal workers toward deficit reduction. The freeze was enacted in late 2010 as an initial step toward deficit reduction targets. The Joint Committee's deliberations should take this into account in the balancing of sacrifices and their consequences.

Senators Lieberman-Collins proposal¹

The letter sent on October 14th to the Committee by Senators Joe Lieberman (I-CT) and Susan Collins (R-ME), the Chairman and Ranking Member of the Senate Homeland Security and Governmental Affairs Committee, includes many damaging proposals to the compensation of the federal workforce. Their proposal would extend the two-year pay freeze on federal employees for another year, force federal employees to contribute another 1.2 percent of their salaries toward retirement, reduce the salary used to determine an employee's monthly retirement payments (from a high 3 calculation to a high 5), bar employees from counting any unused sick leave toward retirement calculations, and reduce workers' compensation benefits for employees injured on the job. The total amount of these cuts would approximate \$60 billion over ten years. That is in addition to the \$60 billion for the two year pay freeze that federal employees have already sacrificed.

Meanwhile, Senators Lieberman and Collins recommended only \$11 billion in cuts to the \$320 billion spent each year on government service contractors. Additionally, they decided to leave in place a policy that allows government contractors to charge taxpayers up to \$700,000 for each contractor employee.

Senator Akaka and House Democratic OGR proposals

Conversely, Senator Daniel Akaka (D-HI), Chairman of the Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, as well as all of the Democratic Members of the House Oversight and Government Reform Committee have urged your committee to reject all proposals which would make further cuts to the earned pay and benefits of federal workers, and recognize the \$60 billion sacrifice already made by federal employees.

In addition, Senator Akaka and the House OGR Democratic Members all agree that government contractors should do their fair share, and they endorse President Obama's proposal to lower the cap on contractor compensation to \$200,000, but recommend applying it government-wide to all federal contractor employees, rather than just the top five contractor executives. Federal employees and contractors routinely work side-by-side, doing similar jobs in support of the same projects. If \$200,000 is enough for cabinet secretaries, Nobel Prize-winning scientists at NIH and NASA, and other dedicated professionals who protect the public interest, then it is good enough for the government's contractors. A former senior Defense Contract Audit Agency executive estimates that a \$200,000 cap on all contractor employees would save at least \$50 billion over ten years. (Even capping all government contractor employees at the outrageous \$700,000 level would save \$7 billion over ten years.)

¹ Representative Darrel Issa (R-CA), Chairman of the House OGR Committee, sent a letter October 14th to the Joint Committee on behalf of himself regarding federal workers. His proposal is so draconian that it would completely destroy the civil service as we know it. His proposal would: extend the current pay freeze through 2015; eliminate all within-grade increases; increase employee contributions to retirement by 6.2% for FERS employees, and 3% for CSRS employees; change the annuity benefit calculation from a high-3 to high-5 average salary; eliminate the FERS social security supplement for those who retire before age 62 (except mandatory early retirees); cut the federal workforce 10% through a hiring freeze and attrition; and, eliminate FERS for those with fewer than five years of service, replacing it with only a defined contribution system. The Federal-Postal Coalition vehemently opposes all of the Congressman's recommendations.

Streamlining the FEHBP Pharmacy Benefit Program

The committee could save \$1.6 billion over ten years by streamlining the pharmacy benefit program under the Federal Employees Health Benefits Program (FEHBP). The current system is overly complex, non-transparent and results in the government paying more for prescription drugs under FEHBP than other federal programs. The proposal would allow the Office of Personnel Management (OPM) to contract with a single Pharmacy Benefit Manager (PBM) to negotiate prescription drug prices rather than through multiple contracts. Modeled after the TRICARE plan, it would combine the purchasing power of eight million FEHBP participants, resulting in greater leverage in setting prices. This proposal is supported by the President, Senators Lieberman, Collins, Akaka, and the House OGR Democrats as well as the Federal-Postal Coalition.

Across-the-Board Workforce Cuts

Many budget proposals circulating on Capitol Hill include recommendations for arbitrary downsizing of the federal civil service by proposing across-the-board workforce cuts without regard to agency mission. Neither the President's proposal nor the letter by Senators Lieberman and Collins included such a damaging recommendation, and Senator Akaka specifically proposed, instead, a 15 percent reduction overall in civilian and defense service contracts. Downsizing of the federal workforce has historically led to wasteful privatization and the use of contractors to perform functions that are too important or sensitive to be outsourced at a much higher price. The federal government, consistent with the law, should continue to rebalance its overall federal workforce, taking advantage of opportunities to use federal employees in lieu of contractors for reasons of cost and performance.

According to a report released in September by the Project on Government Oversight (POGO), *Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors*, "on average, contractors charge the government almost twice as much as the annual compensation of comparable federal employees. Of the 35 types of jobs that POGO looked at in its new report—the first report to compare contractor billing rates to the salaries and benefits of federal workers—it was cheaper to hire federal workers in all but just 2 cases."

Strengthening Tax Enforcement and Compliance

The President's deficit reduction plan also calls for providing the Internal Revenue Service (IRS) with additional funding for new tax enforcement and compliance initiatives. These programs play a critical role in preserving the fairness and integrity of the U.S. tax system and generate a positive return on investment for taxpayers of roughly seven to one. According to the Congressional Budget Office (CBO), the plan, which calls for incremental funding increases for new revenue generating tax enforcement activities beginning in FY2012, is expected to reduce the deficit by \$3.2 billion over ten years. However, the Office of Management and Budget (OMB) has stated the additional funding will have a significantly larger effect, saving an estimated \$30 billion or more.

Department of Defense funding

We urge you to reiterate the long-held view of Congress that it is essential to U.S. national security that the Department of Defense (DoD) retain an organic capability to maintain military readiness and resist additional cuts in the civilian personnel accounts of DoD. The civilian employees of DoD operate as an integral part of the readiness of our armed forces, serving alongside and providing support to each of the military services and the defense agencies in the U. S. and abroad. Under the initiatives *already* approved by Congress and the Administration, civilian personnel are being targeted for a disproportionate percentage of cuts, reducing jobs and economic activity since many of these positions return taxpayer dollars to the community as economic multipliers almost double those for other sectors, creating on average three jobs for every one – certainly a priority in this economic climate. Further defense cuts would decimate the civilian workforce, which has proven to be the most efficient and cost-effective in history, and devastate the economies of communities across the nation.

In conclusion, more than anyone, our nation's civil servants understand the constraints of the federal budget. They are already doing their part to lower government costs. During these tough economic times, when citizens are demanding more from the federal government, America cannot afford a second-class civil service. The undersigned organizations urge you to reject any further cuts to the compensation of federal employees and retirees, as well as arbitrary cuts to the federal workforce. Thank you for your time and attention to our views.

Sincerely,

American Federation of Government Employees
American Federation of State, County, and Municipal Employees
American Foreign Service Association
Federal Aviation Administration Managers Association
Federally Employed Women
Federal Managers Association
International Association of Fire Fighters
International Federation of Professional and Technical Engineers
National Active and Retired Federal Employees
National Air Traffic Controllers Association
National Association of Assistant United States Attorneys
National Association of Federal Veterinarians
National Association of Postal Supervisors
National Association of Postmasters of the U.S.
National Council of Social Security Management Associations
National Federation of Federal Employees
National League of Postmasters
National Treasury Employees Union
Professional Aviation Safety Specialists
Professional Managers Association

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cc: Members of the Joint Select Committee on Deficit Reduction