



AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

John Gage
National President

J. David Cox, Sr.
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Dear Representative:

On behalf of the more than 650,000 federal employees represented by the American Federation of Government Employees, AFL-CIO, I strongly urge you to reject any proposal which would pay for a one-year extension of the Social Security payroll tax cut by extending the current pay freeze for federal workers, by requiring additional reductions in staffing for federal agencies, or by cutting federal employee health insurance or pension benefits.

Not only are federal employees facing layoffs and downsizing due to shrinking agency budgets, they have already been subjected to a two-year pay freeze. Federal employees have not been immune to the economic woes of this country. Similar to their private sector counterparts, federal workers are confronting financial hardships due to unemployed spouses, major declines in the values of their homes, 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 through the current two-year pay freeze. The Obama Administration estimated savings from the two-year freeze to be more than \$60 billion over the next decade.

Across-the-Board Workforce Cuts

The Senate Republican leadership proposal soundly defeated last Thursday (20-78) would have arbitrarily downsized the federal civil service by establishing across-the-board workforce cuts without regard to workload or mission. Arbitrarily downsizing 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.” It defies belief that any Member of Congress would promote proposals that would inevitably lead to more wasteful privatization.



Now it is time for contractors to make some sacrifices. The size of the service contractor workforce is unknown, but we do know it is immense. For example, in the Defense Department, total civilian personnel funding increased from \$41 billion in 2001 to \$69 billion in 2010; during that same period, total service contract funding increased from \$104 billion to \$181 billion.

We also know that ***contractors can charge taxpayers up to \$693,000 annually for the compensation of a single employee.*** This statutory compensation limit is based on the average level of compensation received by the top five employees of all Securities and Exchange Commission-registered corporations with sales in excess of \$50 million per year. This averaging results in a number that is applied as a compensation cap, but only for the five most highly compensated executives at each contractor or contractor segment. ***Other contractor employees can be – and are – frequently reimbursed by taxpayers for more than \$693,000.^[i]***

Since 1998, the compensation cap applicable to government contracts has more than doubled, from an egregious \$340,650 in 1998 to an unconscionable \$693,951 in 2010. Of course, contractor executives often make millions of dollars per year because their firms richly supplement the already generous salaries provided by taxpayers with fees and profits earned on federal contract.

AFGE has proposed applying a **cap of \$200,000 to all contractor employees.** Contractors, naturally, complain about having to make the same sacrifices that are being made by working class and middle class federal employees. But if \$200,000 is enough for cabinet secretaries, Nobel Prize-winning scientists at NIH and NASA, and other federal employee professionals who work to protect the public interest, it's enough for the government's contractors, as well.

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. I strongly urge you to oppose any proposal to pay for the Social Security tax cut extension by continuing the assault on federal employees and urge you to reject any further cuts to the compensation of federal employees and retirees, as well as arbitrary cuts to the size of the federal workforce.

Sincerely yours,



Beth Moten
Legislative and Political Director

^[i] Per House NDAA Section 803 Report language: “The committee is aware that the Defense Contract Audit Agency has shown that there are lower-level executives not subject to the cap and non-executive employees who receive compensation in excess of the benchmark compensation amount. The committee believes that this section would reduce the risk of excessive individual compensation charged to defense contracts.”