2012 Legislative Priority Issues

ALTERNATE SAVINGS

NTEU WORKING FOR A STRONGER AMERICA

REFORM FEDERAL CONTRACTING

NTEU believes that instead of continuously targeting the pay and benefits of federal employees in efforts to reduce the deficit, it is critical for congress to look for other ways to achieve cost savings wherever possible and to root out waste, fraud and abuse. One way in which NTEU believes that the federal government can best accomplish this is to continue efforts to reform the federal contracting process. The Administration has already begun to reform federal contracting by requiring federal agencies to cut wasteful contract spending, reduce overreliance on contractors, and improve oversight and accountability. These efforts were expected to result in $40 billion in annual savings by the end of 2011.

CONTRACTOR REIMBURSEMENT CAPS

NTEU believes further savings can be achieved by capping contractor salary rates. Currently, government contractors can charge taxpayers almost $700,000 for the salaries of each of their top five employees, while employees of government contractors outside of the top five can and do earn taxpayer-funded amounts in excess of that amount. To combat excessive contractor salaries, NTEU supports legislation introduced by Rep. Paul Tonko, H.R. 2980, the "Stop Excessive Payments to Government Contractors Act of 2011," that would institute a cap of $200,000 on salary reimbursement for all contract employees. Recent studies have shown that lowering the cap to $200,000 for all contractor employees would save $50 billion over ten years.

PRESCRIPTION DRUG COSTS

NTEU also believes savings can be found by streamlining pharmacy benefit contracting in the Federal Employees Health Benefits Program (FEHBP). Reforming prescription drug purchasing in the FEHBP would save $1.6 billion over 10 years. NTEU has long called for reform of the current prescription drug pricing method. It is overly complex, non-transparent and results in the government paying more for prescription drugs under FEHBP than in other federal programs. Prescription drug prices are currently negotiated by middlemen, known as pharmacy benefit managers, (PBMs) who obtain drugs at discounted rates and then retain rebates and discounts from the drug manufacturers, instead of returning those savings to FEHBP to keep costs down. If the Office of Personnel Management (OPM) were allowed to contract directly for prescription drugs, it could leverage the large group size and save an estimated $1.6 billion in program costs. That is why NTEU strongly supports legislation introduced by Rep. Stephen Lynch, H.R. 979, the "FEHBP Prescription Drug Integrity, Transparency, and Cost Savings Act," that would ensure program integrity, transparency, and cost savings in the pricing and contracting of prescription drug benefits under FEHBP.

NTEU Urges:

- **Support for legislation capping contractor employee salaries, including co-sponsorship of H.R. 2980**

- **Support for reform of FEHBP prescription drug pricing, including co-sponsorship of H.R. 979**

2012 Legislative Priority Issues

CBP STAFFING

Sufficient Customs and Border Protection (CBP) staffing must be provided to ensure security and mitigate long wait times at the air, sea and land ports of entry. There is perhaps no greater roadblock to legitimate trade and travel efficiency than the lack of sufficient staff at the ports. Understaffed ports lead to long delays, especially in commercial lanes, as cargo waits to enter U.S. commerce. Those delays result in real losses to the U.S. economy.

According to a draft report prepared by the Department of Commerce, border delays in 2008 cost the U.S. economy nearly 26,000 jobs and $6 billion in output, $1.4 billion in wages, and $600 million in tax revenues. According to the same report, by 2017, average wait times could increase to nearly 100 minutes, costing the U.S. more than 54,000 jobs and $12 billion in output, $3 billion in wages and $1.2 billion in tax revenues annually. The cumulative loss in output due to border delays over the next ten years is estimated to be $86 billion.

Unfortunately, the Administration's FY 2013 budget requests no additional funds for CBP Officers, Agriculture Specialists and trade enforcement positions, despite studies that show that CBP is understaffed at ports of entry by thousands of security and inspection employees. In addition to understaffing at the ports, retention of existing CBP employees, particularly those not covered by recent pay and retirement enhancements, such as CBP trade operations specialists, CBP Seized Property Specialists and CBP Technicians needs to be addressed.

According to the U.S. Department of Treasury, more than 50 million Americans work for companies that engage in international trade. If you're for job creation, then you should support improving U.S. trade and travel by mitigating wait times at the ports and enhancing trade enforcement by increasing CBP security, agriculture inspection and commercial operations staffing.

NTEU urges:

- **Cosponsoring S. 1604, the "Emergency Port of Entry Personnel and Infrastructure Funding Act of 2011" introduced by Senator John Cornyn (R-TX) and H.R. 1561, the "Putting Our Resources Towards Security (PORTS) Act" introduced by Representative Silvestre Reyes (D-TX) that authorizes significant increases in CBP staffing at the Ports of Entry;**

- **Cosponsoring S. 1673, the "Safeguarding American Agriculture Act of 2011", legislation introduced by Senators Daniel Akaka (D-HI) and Dianne Feinstein (D-CA) that enhances the critical mission of CBP Agriculture Specialists; and**

- **Extending similar pay and retirement benefit recognition to CBP trade operations specialists, CBP Seized Property Specialists and CBP Technicians.**

2012 Legislative Priority Issues

WORKFORCE REDUCTION PROPOSALS

NTEU WORKING FOR A STRONGER AMERICA

Federal employees serve the public by protecting our borders, safeguarding our food supply, overseeing our financial system and providing a wealth of other critical services in towns and communities all across the country. At least 15 bills have been introduced in this Congress that would radically disrupt the ability of the federal government to provide those services to your constituents by slashing the number of federal employees.

The bills include S.178 (DeMint, R-SC), S.1476 (Hatch, R-UT), S.1611 and S.1936 (Johnson, R-WI), S.1931 (Heller, R-NV), S.2065 (Kyl, R-AZ), H.R.235 (Brady, R-TX), H.R.408 (Jordan, R-OH), H.R.657 (Lummis, R-WY), H.R.1779 (Marino, R-PA), H.R.2114 (Issa, R-CA), H.R.3029 (Mulvaney, R-SC), H.R.3487 (Buchanan, R-FL), H.R.3494 (Heck, R-NV) and H.R.3662 (McKeon, R-CA). The Congressional Budget Office (CBO) stated last fall that having fewer federal workers would probably lower the levels of service that federal agencies provide to the public. Your constituents will pay the price in terms of reduced services if there is no one on duty to do the work. In fact, many federal agencies already report being hindered in their efforts to handle rising workloads without sufficient staffing.

According to the Office of Personnel Management, the federal civilian workforce is virtually as small today as it has ever been in the modern era. In 1953, the federal government employed one worker for every 78 residents. In 2009, one worker was employed for every 147 residents. For example, in 1995, the IRS employed 114,018 individuals who administered our tax laws and processed 205 million returns. Today, the IRS has just 94,346 employees and processes approximately 236 million much more complicated tax returns. Study after study shows that cutting the IRS workforce increases, rather than decreases the deficit since every dollar spent returns at least four dollars to the Treasury.

Requiring workforce cuts will likely lead to cost increases rather than savings as agencies turn work over to costly contractors. According to the Project on Government Oversight's (POGO) September, 2011 report, the government pays billions more annually in taxpayer dollars to hire contractors than it would to hire federal employees to perform comparable services. POGO found that federal employees were less expensive than contractors in 33 of 35 occupations they analyzed. Yet, if the downsizing legislation pending before Congress is adopted, expensive federal contracting is bound to increase. Since 2001, spending on government contracting has more than doubled, reaching over $500 billion in 2008. In addition, a recent survey by the National Association of Colleges and Employers found that only 2.3% of current college students across the country plan to pursue a career with the federal government. This warning sign should not be ignored. Bashing the federal workforce leads the future talent the federal government should be pursuing to choose other options. We face serious challenges as a country – our focus should be on recruiting and retaining experienced employees to effectively deal with those challenges.

Federal employees are not responsible for the nation's deficit, yet they are the only group that has already been singled out to contribute $75 billion in savings.

NTEU urges you to oppose legislation that would require across the board workforce cuts or hiring freezes.

2012 Legislative Priority Issues

FEDERAL PAY

The two year freeze on federal employee pay enacted as part of the FY 2011 Omnibus spending bill is now in its second year. According to the Congressional Budget Office, federal employees will have contributed $60 billion toward deficit reduction over ten years as a result of the pay freeze. The President's budget proposal calls for a 0.5% pay increase in 2013, calling a permanent pay freeze "neither sustainable nor desirable." While NTEU believes the proposed raise amount is too low, we are pleased the Administration did not propose continuing the pay freeze. As the accompanying chart from the President's budget shows, federal pay increases have fallen substantially behind the private sector.

Despite the two year pay freeze and the small raise proposed for FY 13, some in Congress continue their efforts to cut federal pay. H.R.3835 (Duffy, R-WI), and S.2079, (Heller, R-NV) seek to extend the federal pay freeze through 2013. S.2065 (Kyl, R-AZ) would extend the federal pay freeze until June 30, 2014, and S.1476 (Hatch, R-UT) would extend the freeze through the end of 2014. S.178 (DeMint, R-SC), H.R.408 (Jordan, R-OH) and S.1931 (Heller, R-NV) would all continue to freeze federal pay through 2015. These proposals are all being advanced before other groups have contributed a dime toward deficit reduction.
Efforts are also being made to freeze within grade step increases. H.R.3844 (Roby, R-AL) would prohibit step increases for any federal employee through 2012.

The federal employees represented by NTEU are dedicated, experienced and well educated individuals who routinely work to accomplish their agencies' missions with fewer resources. They are budget analysts overseeing multi-billion dollar budgets. Physicians undertaking cutting edge research to cure deadly diseases. Law enforcement officers guarding our borders and scientists safeguarding our food and water supplies. They tend to be more experienced and have more years of education than private sector workers. Fully 51 percent have attained a college degree compared with an estimated 35 percent of private sector workers. Twenty percent have advanced degrees compared with 13 percent of private sector workers.

The federal government will need to be prepared to compete for the best and brightest college graduates as current federal employees retire. Fair pay, affordable health insurance and a solid retirement program will be necessary for the federal government to compete for, and retain the talent and experience the federal government will need.

NTEU urges you to oppose any further pay freezes for federal employees and to support a fair pay increase for federal employees going forward.

2012 Legislative Priority Issues

RETIREMENT

NTEU strongly objects to recent attempts to reduce the value of federal retirement benefits to offset the costs of a payroll tax holiday extension or fund a highway and infrastructure bill. Specifically, the enacted version of HR 3630 (Camp, R-MI), which included the payroll tax extension, unemployment benefit extension and Medicare doctor payments, increases pension contributions by 2.3% for all new employees beginning in January of 2013, producing $15 billion in offsets.

The original version of H.R. 3630 was incorporated into a new free-standing bill, HR 3813 (Ross, R-FL). The bill was voted out of the House Oversight and Government Reform Committee on a party-line vote, with much talk of how the bill would aid deficit reduction. The next day, the bill was incorporated into HR 7, the American Energy and Infrastructure Jobs Act of 2012 as a $45 billion dollar offset for transportation spending, negating any deficit reduction.

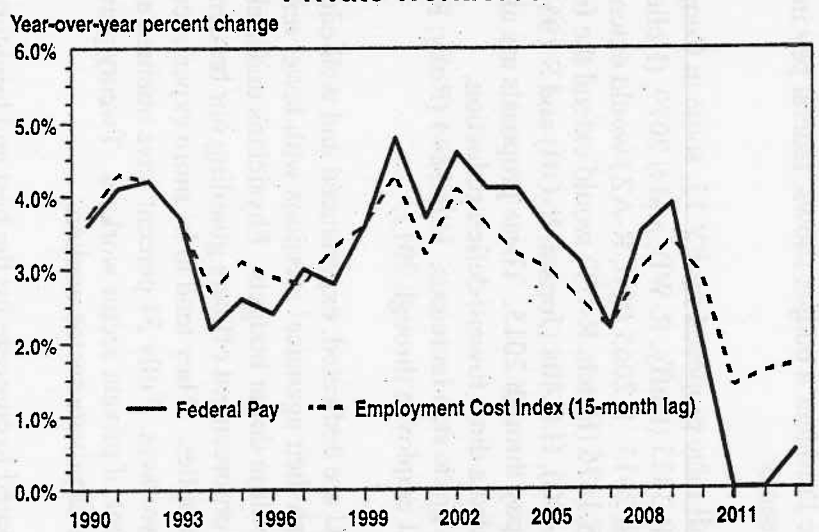
H.R. 3813 would increase pension contributions for current federal employees by 0.5% for 2013, 2014 and 2015, then continue an increase of 1.5% permanently. Most egregiously, it would also end the FERS supplement effective Dec 31, 2012 for those not subject to mandatory retirement. The FERS supplement is a temporary payment provided to those employees who meet the age and years of service requirements to retire before age 62. This would mean that many civil servants who have worked for the government for 25 or 30 years would face a loss of lose one third of their promised pension for as many as seven years, just as they are about to retire.

The bill also creates a new system for new hires who would be required to contribute 3.2% more toward their retirement, effective January 2013. For this additional contribution, they will receive a retirement benefit that is 40% less than currently available under FERS. It changes the annuity formula from high 3 to high 5 years of service. It reduces the formula multiplier by 0.3%. Today, the average federal worker receives a FERS annuity of approximately $950 per month. No federal employee is getting rich in retirement. But, the annuity that would be available under the new system would not be enough to live on. Another bill, S. 644 (Burr, R-NC) would eliminate entirely the defined benefit portion of FERS for new hires.

Federal employees are the only group singled out so far to contribute to deficit reduction, losing $60 billion in a two-year salary freeze and $15 billion in pension changes for new hires. Further cuts will seriously impair the government's ability to attract and retain talented employees.

NTEU urges you to oppose cuts and contribution increases to federal employees' retirement systems, including those contained in H.R. 3813 and S. 644.

Chart 11-2. Pay Raises for Federal vs. Private Workforce



Source: Public Laws, Executive Orders, and the Bureau of Labor Statistics.
Notes: Federal pay is for civilians and includes base and locality pay. Employment Cost Index is the wages and salaries, private industry workers series.