PSC PROFESSIONAL SERVICES COUNCIL
The Voice of the Government Services Industry

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April 30, 2012

The Honorable Sherrod Brown
United States Senate
Washington, D.C. 20510

The Honorable Kirsten Gillibrand
United States Senate
Washington, D.C. 20510

Dear Senators Brown and Gillibrand:

On behalf of the nearly 360 member companies of the Professional Services Council (PSC), and the hundreds of thousands of working Americans they employ across the country, I am writing concerning your April 25, 2012 letter co-signed by 24 other Senators to Secretary of Defense Panetta expressing concern that contractors—who play such a critical role in supporting the missions of the department—have not been subjected to comparable constraints as those being placed on federal workers in the current budgetary climate. I write to correct the record. Your suggestion is contrary to the facts and leads to misconceptions and potentially harmful policy initiatives. Simply put, contractors are feeling the effects of the fiscal environment directly and significantly. Between fiscal year 2010 and fiscal year 2011, overall government spending on services contracts decreased by $20 billion, which equates to tens of thousands of private sector job losses.

Since 2009, the department's expenditures on services, as a percentage of total DoD outlays, has dropped almost 10 percent. The Army, by far the dominant acquirer of services in the government, has reduced its spend on services by 15 percent, while spending levels on services in the Navy and the Air Force are today close to fiscal year 2008 levels. In addition to these reductions, Congress and the administration continue to direct agencies to reduce services contracting. For example, the fiscal year 2012 National Defense Authorization Act included language capping DoD spending on services for fiscal years 2012 and 2013 at the level of the president's 2010 budget request. The statute also required a 10 percent reduction in funding for staff augmentation and directed DoD to hold contractors to 2010 labor and overhead rates.

In addition to the legislation, in 2009 DoD initiated a 10 percent reduction in advisory and administrative support services contracts over three years. Further, OMB last year directed all federal agencies to reduce spending on services by 15 percent in 15 categories over a 15 month period.

In other words, contractors and their employees have not been, and are not now, immune from the budget pressures. Indeed, because contractor positions simply disappear when the work is completed or when it is no longer funded, the billions of dollars in reduced spending on services has resulted in the loss of tens of thousands of well-paying, private-sector jobs across the nation. It does not take legislation to effectuate that result. Moreover, the current budget pressures serve to heighten competition for work in an already highly competitive market, thereby further driving down wages and other contractor costs.

To be clear, we do not support arbitrary caps on federal employees any more than we support such caps on contractors. As you suggested in your letter, we support providing agencies with the flexibility to manage their personnel and resources as strategically as possible so that they can optimize their ability to meet their mission

4401 Wilson Boulevard, Suite 1110, Arlington, Virginia 22203 P: 703-875-8059 F: 703-875-8922 www.pscouncil.org

requirements, particularly in a resource constrained environment. In some functional areas, the government has a clear need to enhance its workforce capacity and capabilities. Likewise, it may well be necessary to increase contractor support for the mission-critical, high-end skills that the government does not compete well for in the broader human capital marketplace. In these cases, the companies provide the critical conduit to those skills. Unfortunately, your letter does not recognize this balance.

Your letter also makes the broad and unsubstantiated assertion that the federal workforce costs less than contractors. The fact is that there is little evidence beyond a few analytically weak, self-serving, reports to support such claims and many other more objective reports—from the CBO, GAO, and others—that document the opposite, particularly when the full range of life cycle costs are considered. We would welcome the opportunity to share with you more details on this often misunderstood issue at your convenience.

We recognize that we all must share the burdens associated with addressing our nation's fiscal challenges. Unfortunately, inaccurate presumptions such as those contained in your letter are not helpful to the broader dialogue on how we, collectively, can address those challenges in the most optimal manner for the government and the taxpayer. As such, I hope the clarifications provided in this letter are helpful and will lay the groundwork for a more productive dialogue in the future.

My thanks for your time and consideration. We look forward to further discussing these issues with you.

Sincerely,

Stan Soloway
President & CEO

Cc:
The Honorable Leon Panetta
The Honorable Frank Kendall

Senator Barbara Mikulski
Senator Patrick Leahy
Senator Patty Murray
Senator Tom Harkin
Senator Jon Tester
Senator Richard Durbin
Senator Claire McCaskill
Senator Richard Blumenthal
Senator Robert Menendez
Senator Kent Conrad
Senator Jeanne Shaheen
Senator Jeffrey Merkley
Senator Al Franken
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Senator Debbie Stabenow
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Senator Daniel Akaka
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Senator Bob Casey
Senator Barbara Boxer
Senator Ron Wyden
Senator Frank Lautenberg