

**House Committee on Appropriations Subcommittee on State, Foreign  
Operations, and Related Programs  
Hearing on the President’s FY 2019 Budget Request for USAID  
April 26, 2018  
Written Statement Submitted by  
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PSC**

The Professional Services Council (PSC) is comprised of nearly 400 member companies and their hundreds of thousands of employees across the nation and throughout the world who provide services to virtually every agency of the federal government.<sup>1</sup> PSC is the voice of the government technology and professional services industry, representing the full range and diversity of the government services sector. A significant portion of our members focus their work almost exclusively on the U.S. Agency for International Development (USAID) and form PSC’s Council of International Development Companies (CIDC).<sup>2</sup> We urge the Congress to provide full funding for the 150 Account in FY19 for both the “base” and Overseas Contingency Operations funds, based on the Bipartisan Budget Act levels.

As President Trump noted in his December 2017 National Security Strategy, “The United States faces an extraordinarily dangerous world, filled with a wide range of threats that have intensified in recent years....We will bring about the better future we seek for our people and the world, by confronting the challenges and dangers posed by those who seek to destabilize the world and threaten America’s people and interests.”<sup>3</sup> Every day, CIDC members assist in bringing about a better future through their work overseas improving the education, health, nutrition and governance sectors in often desperate and dangerous locales.

Many still mistakenly believe that the benefits of U.S. foreign assistance flow only outward, and that our nation – and our taxpayers – receive nothing in exchange for doing good. The reality is, our foreign assistance programs eradicate dangerous diseases before they reach our shores, create stable governments that fight terrorism and help countries become ready, willing and able to buy American goods and services – thereby protecting Americans and our homeland, and also strengthening our economy.

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<sup>1</sup> For over 45 years, PSC has been the leading national trade association of the government technology and professional services industry. PSC’s member companies represent small, medium, and large businesses that provide federal agencies with services of all kinds, including information technology, engineering, logistics, facilities management, operations and maintenance, consulting, international development, scientific, social, environmental services, and more. Together, the association’s members employ hundreds of thousands of Americans in all 50 states and around the globe. See [www.pscouncil.org](http://www.pscouncil.org).

<sup>2</sup> [CIDC companies](#) are reflective of the overall American economy ranging from large firms employing thousands in the U.S. and overseas to one and two-person small businesses. Their efforts have been well-documented by PSC. See our [From the Field](#) accounts of their foreign assistance program implementation.

<sup>3</sup> <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

Many Americans believe U.S. foreign assistance to be somewhere between 25-40% of the federal budget. Committee members know that the *entire* 150 Account that funds all of the State Department and U.S. Agency for International Development – including salaries, security, etc. – is just over 1% of the *entire* federal budget. Therefore, the portion of the total funding that actually goes to foreign assistance is even less than 1%.

The dramatic cut proposed by the Administration in the FY19 budget falls disproportionately on the account that funds foreign assistance. Our own military recognizes the importance of foreign assistance. As Gen. Paul Selva, the vice chairman of the Joint Chiefs of Staff, said in April 2017, “Violent extremism will continue to exist for as long as their foundational elements continue to exist. Those are generally bad governance, disenfranchised populations, corruption, and police forces that show bias toward one side of that equation. None of those are things the Defense Department is good at fixing.”<sup>4</sup>

PSC and our CIDC members were grateful for the recent Congressional efforts to fend off the administration’s proposed 30% cuts to the 150 Account as part of the final FY18 Omnibus appropriations package. And while the cuts to the 150 Account were not insignificant, they could have been much worse. **We urge Congress to reverse the administration’s proposed reductions in the FY19 appropriation for the Department of State and USAID.**

In our March 2017 analysis<sup>5</sup> regarding disproportionate cuts proposed to the State Department and USAID budgets, we argued they would cause unnecessary consternation with our allies, who would view it as American disengagement from the structures, institutions, and commitments that have formed the bedrock of bi-partisan foreign policy for the last seventy years. Recent events prove this is still the case.

PSC also notes with alarm the reduced level of spending – across almost all non-defense agencies – in the first half of FY18. Our analysis of [Federal Procurement Data System](#) information shows that civilian agency contract spending is down by more than 13% compared to the first half of FY17. However, as our chart below indicates, for the Department of State and USAID, the decline is more than 37% and almost 29%, respectively.

PSC is concerned that these slowdowns may reflect an intention not to spend funds appropriated by Congress and raise the same issues which were the genesis of the Congressional Budget and Impoundment Control Act of 1974.<sup>6</sup> PSC urges this Committee and others with jurisdiction over these issues to monitor vigilantly those agencies covered by the 150 Account to ensure that the full amounts appropriated by Congress are spent in accordance with the 1974 Act and current appropriation laws.

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<sup>4</sup> <https://federalnewsradio.com/dod-reporters-notebook-jared-serbu/2017/04/generals-warn-cuts-state-dept-budget-senator-pushes-double/>

<sup>5</sup> See [http://www.pscouncil.org/News2/NewsReleases/2017/PSC\\_Statement\\_on\\_the\\_Budget\\_Blueprint.aspx](http://www.pscouncil.org/News2/NewsReleases/2017/PSC_Statement_on_the_Budget_Blueprint.aspx)

<sup>6</sup> The full text of can be found at: <http://legcounsel.house.gov/Comps/BUDGET.pdf>.

### First Half Fiscal Year (Civilian Only) - FPDS Contract Spending Data

Agency	2017	2018	Difference (\$)	Difference (%)
DHS	\$5,808,640,612	\$6,863,246,139	\$1,054,605,527	18.2%
DOC	\$1,425,720,415	\$1,518,434,179	\$92,713,764	6.5%
DOE	\$13,479,382,232	\$11,129,962,589	(\$2,349,419,643)	-17.4%
DOI	\$803,083,865	\$775,401,359	(\$27,682,505)	-3.4%
DOJ	\$3,079,943,451	\$2,650,285,177	(\$429,658,273)	-14.0%
DOL	\$571,992,518	\$712,676,004	\$140,683,486	24.6%
<b>STATE</b>	<b>\$3,528,854,198</b>	<b>\$2,203,053,292</b>	<b>(\$1,325,800,906)</b>	<b>-37.6%</b>
DOT	\$2,109,459,759	\$2,291,183,552	\$181,723,794	8.6%
ED	\$1,186,706,653	\$1,310,985,170	\$124,278,518	10.5%
EPA	\$548,796,019	\$531,186,004	(\$17,610,015)	-3.2%
GSA	\$2,075,747,560	\$1,952,466,629	(\$123,280,932)	-5.9%
HHS	\$9,124,054,448	\$7,894,597,439	(\$1,229,457,009)	-13.5%
NASA	\$8,212,500,259	\$7,271,585,057	(\$940,915,202)	-11.5%
OPM	\$306,558,665	\$413,595,191	\$107,036,526	34.9%
TREAS	\$2,722,387,978	\$1,645,842,985	(\$1,076,544,992)	-39.5%
<b>USAID</b>	<b>\$2,300,066,656</b>	<b>\$1,634,775,455</b>	<b>(\$665,291,202)</b>	<b>-28.9%</b>
USDA	\$1,874,788,164	\$1,629,658,026	(\$245,130,138)	-13.1%
VA	\$12,783,613,443	\$7,627,112,720	(\$5,156,500,723)	-40.3%
Other	\$2,381,200,816	\$4,369,810,275	\$1,988,609,459	83.5%
<b>TOTAL</b>	<b>\$74,323,497,710</b>	<b>\$64,425,857,244</b>	<b>(\$9,897,640,466)</b>	<b>-13.3%</b>

PSC members who work with the Department of State and USAID are private-sector international development companies who optimize efficiency and effectiveness in order to realize a modest return on their work. That is how they fund the ongoing investments that have made them reliable, capable, and innovative partners for USAID since the Agency's inception. Competing as enterprises on the basis of best value is what keeps them current, efficient, and cost-effective. Competition among contractors is a hallmark of U.S. programs throughout the federal government and should remain so. In the field of international development, contractor motives are too often questioned and intentions impugned without due regard for the benefits of competition for efficiency and effective results.

Contractors form an integral part of the U.S. foreign policy arena. Many employees risk their lives every day, working in areas deemed too dangerous for U.S. government staff to operate, and running programs determined by agencies to be policy priorities – the very reason a contract was issued in the first place – because the work needs to get done. PSC and its member companies serve Americans by competitively bidding on work that has been deemed important and necessary for the safety and security of our citizens. We understand and recognize that much of this work is time-sensitive, but also timebound – one of the great strengths and practical rationales for selecting a contract vehicle.

Given the proper funding, in conjunction with clear achievement benchmarks and guidance from our colleagues in the federal government, contractors provide significant value for money that the American taxpayer demand. Therefore, PSC does not support the proposed FY19 budget cuts to the 150 account and urges optimizing the use of private sector contractors to deliver real results and the best value for development spending.

Thank you for the opportunity to present these important points. I am happy to respond to any questions at any time.

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