



**STATEMENT OF COLLEEN M. KELLEY  
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**ON**

**A MORE EFFICIENT AND EFFECTIVE GOVERNMENT:  
CULTIVATING THE FEDERAL WORKFORCE**

**BEFORE THE  
SUBCOMMITTEE ON THE EFFICIENCY AND EFFECTIVENESS OF  
FEDERAL PROGRAMS AND THE FEDERAL WORKFORCE  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL  
AFFAIRS**

**U. S. SENATE**

**MAY 6, 2014**

Chairman Tester and Ranking Member Portman: Thank you for inviting me to testify today at your hearing. My name is Colleen Kelley and I am National President of the National Treasury Employees Union. NTEU represents over 150,000 federal employees in 31 agencies across the government. The people I represent all believe that we should have the most efficient and effective government possible, and they work to achieve that goal every day. Unfortunately, that task has become more difficult in the past three years.

## **ASSAULT ON FEDERAL BENEFITS**

Federal employees have had their benefits diminished by \$138 billion in the name of deficit reduction. \$138 billion. They are the only group in the country to have been singled out to fix the federal deficit. Last year, during one of the budget negotiations, after federal employees had already contributed \$120 billion to deficit reduction, the *National Review* posted a story with the headline “Looking for Cuts? Consider Federal Employee Benefits”. How do we cultivate the federal workforce when that workforce endures years of stagnant wages and lives under constant attack on their benefits and bad and misleading press? Still, the 2015 budget passed by the House of Representatives calls for \$125 billion more in cuts for federal employees.

Over the last three years, legislation has been introduced which sought significant increases in federal employee contributions to the federal retirement program, ending the FERS supplement for those who retire before age 62, changing the retirement formula from high three to high five, eliminating the FERS defined benefit entirely, and reducing the COLA increase each year by using the “chained” CPI as the benchmark. Discussions leading up to passage of the Bipartisan Budget Act included similar proposals. This kind of assault contributes to the low morale in the federal workforce.

A new federal employee is now required to have a minimum of 15.05% of pay taken out of each paycheck. 4.4% of that amount is a contribution to the FERS retirement system. The FERS system was a result of two years of work by Congress in the late 80’s. The original FERS contribution of 0.8% was determined to be a reasonable employee contribution amount for the modest pension offered through FERS. Purely because Congress needed to find revenue, federal employees are paying an unreasonable amount into FERS. Congress must scale back FERS employee contributions to its original formula of 0.8%.

We appreciate your efforts, Senator Tester, to eliminate from the Postal Reform bill government-wide changes to the Federal Employees Compensation Act, the workers’ compensation program in the federal government. These benefit cuts would impose a substantial and unfair income reduction on federal employees who are injured on the job. The cuts would be

particularly harmful to lower wage workers and those injured early in their working lives. We will continue to work with you to eliminate these provisions before the bill passes the Senate.

Recently, the Public Sector Loan Forgiveness Program has been in the news. This program requires graduates from professional programs such as law or medicine to work for 10 years in the public sector, including the federal government, make payments on their student loans without missing a payment, and at the end of 10 years, their student loans are forgiven. The first loans forgiven by this program will happen in 2017. I cannot emphasize enough how important this program is to attracting the best and brightest students into government service. Many of my members have told me that they simply could not afford to work for the federal government without this program. I hope we will have the Subcommittee's support on making sure that this program continues.

President Obama has recommended a 1% pay raise for 2015. As the President noted in his FY 2015 Budget Proposal's chapter on *Improving the Federal Workforce*, "Taking into account both the recent pay freezes and the changes in retirement contributions, earnings for new Federal employees have fallen 10 percentage points relative to the private sector between 2009 and 2014." A one percent pay raise is insufficient. We have recommended that Congress pass a 3.3% pay raise, a small catch-up for a group of employees being asked to do more and more with less and less. NTEU cannot state strongly enough that defined benefit pensions are what created a middle class in this country. The only way we can begin to strengthen the middle class again is to provide decent wages and decent, guaranteed pension benefits. We need more Americans making livable wages with a modest guaranteed pension. The current notion, popular in some circles, that such benefits should be removed from the 2 million workers in the civil service simply makes no sense.

## **SEQUESTRATION**

The sequester is the result of Congress's inability to reach agreement on a long-term deficit reduction plan. At the time, it was believed that the sequester cuts would be so severe, it would force the Republicans and Democrats to compromise, but it did not. The sequester requires \$1.2 trillion in cuts to government spending over the years 2013 to 2021. Each year, OMB must sequester \$109 billion from projected spending. Although the recently passed Bipartisan Budget Act changed the amounts for 2014 and 2015, cuts will still be needed in the years 2016-2021. Unless the sequester is ended, it will have a crushing impact on jobs and economic growth, and will cripple the ability of the government to deliver services to the American public.

Sequestration has made it much more difficult for the federal workforce to do its job and complete its missions. If you want an efficient and effective government, don't starve it to death. Don't make your workers stay home with no pay. Don't cut training. Don't make federal employees choose between necessary maintenance projects and closing call centers or cutting Homeless Assistance Grants.

### **Sequestration and the IRS**

The IRS' ability to continue helping taxpayers meet their obligations and generate revenue to fund the government has been severely challenged due to funding reductions in recent years and the cuts mandated by sequestration. Since FY 2011, the IRS budget has been reduced by almost \$1 billion due to a cut of \$305 million for FY 2012 and over \$600 million as a result of sequestration. The IRS has operated under an exception-only hiring freeze since December 2010. The Service has reduced its full-time, permanent employees by 10,000 since the end of FY 2010, more than 5,000 of which are front-line enforcement employees.

In addition, the cuts mandated by sequestration forced the IRS to furlough all of its employees for three days this fiscal year. According to the IRS, the sequester cuts to operating expenses and furloughs of employees has resulted in the inability of millions of taxpayers to get answers from IRS call centers and taxpayer assistance centers and significantly delayed IRS responses to taxpayer letters.

The adverse impact of insufficient funding on the IRS was further exacerbated by the recent government shutdown, which forced the IRS to announce it would have to delay the start of the 2014 filing season by one to two weeks. During the 16-day shutdown, approximately 90 percent of the IRS workforce was furloughed, including revenue agents, revenue officers and other employees involved in the collection work that helped the IRS bring in \$2.52 trillion, roughly 93 percent of federal government receipts, in FY 2012.

### **Sequestration and the CBP**

The CBP's initial sequester plan required all CBP employees to be furloughed up to 14 days. With additional funding included in the FY 2013 CR and the authority to reprogram funds, furlough days for CBP employees were avoided. As welcome as this development was, however, CBP was particularly hard-hit by the sequester. CBP had to continue a hiring freeze for non-frontline personnel, reduce funding for training and limit overtime hours available for

frontline personnel, even as it recognized the adverse impact these actions would have on its vital missions of helping secure our nation's borders and facilitating vital trade.

Sufficient Customs and Border Protection (CBP) staffing is critical to ensure security at our nation's ports of entry and mitigate prolonged 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 leads to long delays in our 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 annually. 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.

## **GAO Report**

The GAO report on sequestration, "2013 Sequestration: Agencies Reduced Some Services and Investments, While Taking Certain Actions to Mitigate Effects", published in March 2014, provides a devastating look at how just one year of sequestration affected the federal government and its workforce. Customs and Border Protection had to cancel training classes, including those related to detecting potential terrorists and high-risk cargo. Greater backlogs and delays were experienced at the Social Security Administration and at OPM. DOJ filed more than 1,600 fewer criminal and civil cases. Treasury indicated that reductions at the IRS will likely result in billions of dollars in lost revenue. GAO noted that many officials, at agencies that furloughed employees and at agencies that did not, expressed concerns about how sequestration affected the morale of current employees, as well as affecting their ability to recruit personnel with appropriate skills.

Particularly of note for this hearing is the fact that the GAO report states that agencies believed that sequestration has had a negative effect on strategic workforce planning. It makes sense that it's difficult to align your workforce needs with your mission when the amount you have to spend shrinks significantly. While the budget agreement passed this year eases the effects of sequestration at least for FY 2014 and 2015, it still does not provide enough relief for the government to work at its best. Sequestration was a bad idea from its very beginning. It is not possible to run an efficient or effective government under its constraints. The Act creating it

needs to be amended. Sequestration must end and Congress must return to a more reasonable budgeting policy.

## **PROTECTING MSPB REVIEW FOR SENSITIVE POSITIONS**

This past August, the U. S. Court of Appeals for the Federal Circuit released its decision in Kaplan v. Conyers. The Court ruled that the Merit Systems Protection Board (MSPB) could not engage in substantive review of Department of Defense (DoD) decisions concerning the eligibility of employees to occupy “sensitive” positions, even though the MSPB had been capably doing so for decades. While the decision was technically limited to DoD, its broad reasoning will almost certainly be extended to all agencies. In essence, the Conyers decision allows the executive branch to ignore the Civil Service Reform Act. If the MSPB is not able to review eligibility determinations, agencies can remove, suspend, or demote any employee they deem “ineligible” without ever having to justify the basis for their determination. Senator Tester, I know you understand the significance of Congress’s role in undoing the effect of the Federal circuit decision, and NTEU appreciates your work and the work of your staff, in introducing S. 1809, a bill that will restore these important appeal rights. We also thank Senators McCaskill and Grassley for co-sponsoring the bill.

## **THE BEST PLACE TO WORK?**

For several years, the Partnership for Public Service has taken data from OPM’s Federal Employee Viewpoint Survey and issued a report called “Best Places to Work in the Federal Government”. Although the majority of respondents indicated that they like the work they do, it is clear from the survey that federal employee morale is at an all-time low. Not surprisingly, after three years of a pay freeze, satisfaction with pay has declined significantly. Other big drops can be seen in training and development opportunities and rewards and advancements. Fewer than half believe they have sufficient resources to do their jobs. In addition, support for innovation in the government is declining. Agencies need to work on providing an atmosphere where innovative thinking is rewarded and respected.

Let me spend a minute on “sufficient resources”. Wherever I go, my members talk to me about how difficult it has become to accomplish the tasks before them. The number one problem is there are not enough employees left for the work that needs to be done. Employees leave and no one replaces them. As I indicated earlier, the IRS lost 10,000 workers in the last four years. The work didn’t decrease. If anything, it has increased. The IRS is not an exception, unfortunately. The loss of personnel throughout the government, and the inability of agencies to fill those positions due to lack of funds severely affects the morale of the civil service.

The results of the Partnership survey are troubling. There is little evidence of cultivating the federal workforce. The survey was done before the 16-day furlough when the government shut down, so it is possible that there would be even more dissatisfaction shown by federal employees if the survey was done after the shutdown. As you know, Senators, the shutdown furloughed hundreds of thousands of federal employees without a guarantee of pay for more than two weeks, and it required thousands more to continue working without knowing when they would be paid. The shutdown was extremely stressful for employees and a disgraceful waste of scarce federal resources.

As I said in the beginning, NTEU members want an efficient and effective government. They want to be the engine that pulls that train. They want to work in an environment that respects them, that gives them the tools to do their work, and that encourages them to do things in new and more productive ways. We ask for your support in creating that environment. Thank you.