



Statement Of

Colleen M. Kelley
National President

National Treasury Employees Union

Senate Committee on Homeland Security and
Governmental Affairs

“The Costs and Impacts of Crisis Budgeting”

March 13, 2013

2:30 pm

Chairman Carper, Ranking Member Coburn, Members of the Committee, on behalf of the 150,000 federal employees represented by NTEU in 31 different agencies, thank you for the opportunity to participate in today's hearing on "The Costs and Impacts of Crisis Budgeting." I think it is particularly important for the Committee to hear about the implications of crisis budgeting on those most directly affected by it, the federal workforce.

Overview

While there have been instances throughout history of Congress and the President having trouble enacting timely appropriations legislation, the most high profile of which was the government shutdown of 1995 and 1996, the uncertainty of agency budgets in the last several years has reached crisis levels.

During FY 2011 federal employees faced the possibility of government shutdowns and unpaid furloughs due to appropriations lapses no less than eight times, including three in December of 2010 and one in April 2011 where detailed plans were disseminated listing who was excepted and non-excepted from the furlough and how to shut down your work station. In many of these cases, employees had only hours of notice as to whether appropriations had been approved that would permit them to come to work the next day.

FY 2012 saw five Continuing Resolutions (CR's) before an Omnibus Appropriations bill was enacted on December 23rd, 2011. While there has been a six month long CR in place since September 2012, employees are yet again bracing for the possibility of a government shutdown when this CR expires on March 27th.

In addition to government shutdowns due to lapses in appropriations, federal employees have also recently faced the prospect of loss of pay or job loss due to hitting the debt ceiling that limits the government's ability to borrow to pay its liabilities, including workers' salaries. This threat was only resolved at the last minute in August of 2011 with the enactment of the Budget Control Act. And federal employees know they will face a similar debt ceiling threat again this summer.

The current and most debilitating budgeting crisis impacting the federal workforce is sequestration. Sequestration, or automatic across the board spending cuts, was a creation of the Budget Control Act. Sequestration, with few exceptions, requires spending cuts of the same percentage in every project, program and activity of federal agency budgets. This meat ax approach was never expected to be implemented, but rather to serve as an incentive to find sensible deficit reduction alternatives.

Federal employees went through the December 2012 holidays bracing for sequestration to hit on January 2nd, 2013 as the Budget Control Act required. The American Taxpayer Relief Act, or so called Fiscal Cliff Deal legislation, that was signed into law on January 2nd delayed the sequester implementation until March 1st. On March 1st, a sequestration order was issued requiring most federal agencies to implement across the board cuts of 5 percent of their annual budget or 9 percent of their remaining FY 2013 budget. Federal employees have since been notified of unpaid furloughs of up to 22 days beginning as soon as April that could reduce their pay by 20% for the rest of the year.

Impact on Employees

Every year since 2001 the Office of Personnel Management (OPM) has administered the Federal Employee Viewpoint Survey, which provides a snapshot of Federal employees' views on their work,

their agencies and their leaders. Between 2001 and 2010 there was a steady and considerable improvement in government wide results in all areas. OPM made the following comment on the 2012 survey report:

However, this year the steady trend of improvement has changed; governmentwide scores have dropped on every index, and 36 items decreased between two and five percentage points from 2011 to 2012. (p.25)

While there are likely factors other than the constant threats of government shutdowns and unpaid furloughs affecting these results, including federal employees' \$103 billion contribution to deficit reduction through a two-plus year pay freeze and increased pension contributions, surely the stress of continual budgeting crises are contributing to employees' lack of confidence in their work places.

Professor Philip Joyce in his report, "The Costs of Budget Uncertainty," states:

Employees may respond to furlough notices by spending otherwise productive time seeking other employment. One agency official says that during the shutdown of 1995 and 1996, furlough notices went out to more than one-third of his agency. Many who received those notices took other jobs. . . An actual shutdown, or even a credible threat of one, can push people out the door. It can also be one factor that discourages people from wanting to work for the federal government. (p.22)

We are beginning to see evidence of Professor Joyce's observation. There has recently been a large increase in the number of federal workers leaving the workforce, primarily to retire. In February 2013, 20,374 federal employees retired. That is more than three times the number who retired in February 2012. So far, in 2013, 42,561 employees have retired, about 40% of the entire total for 2012. A large increase in retirements is especially alarming since approximately 53% of the federal workforce will be eligible to retire by next year and a significant loss of these experienced employees could leave agencies, already stretched thin, in dire circumstances.

With the implementation of sequestration on March 1, pay cuts have become very real for NTEU represented employees. Customs and Border Protection (CBP) employees have received notice that they will need to serve up to 14 days of unpaid furlough beginning in April. That is a 10% pay cut in every two week pay check for the rest of the fiscal year. In addition, overtime pay, which many CBP employees earn on a regular basis, has already been reduced. Moreover, these cuts are on top of the pay freeze that has been in effect for 27 months.

Shortly before sequestration took effect, NTEU surveyed its members about the impact of the pay freeze. In just three days, 2,258 federal employees answered our electronic survey. The results show the financial challenges facing these employees even before they face pay cuts due to furloughs.

- 74 percent have had to cut back on necessities.
- 66 percent are having difficulty making ends meet.
- 60 percent are getting further into debt.
- 43 percent are delaying medical treatment.
- 29 percent have had to seek assistance or loans.
- 15 percent have taken a second job or have a spouse that has.

We also asked what the impact of one week to one month of unpaid furloughs would be on them and their families. The majority would have difficulty paying for basics.

- 82 percent will have difficulty paying rent/mortgage, utilities, and food expenses.
- 63 percent will have to take money out of savings or retirement.
- 57 percent will have to take on new debt to make ends meet.
- 29 percent will have difficulty paying for child care, school tuition and other educational expenses.
- 19 percent already have a spouse who had lost his/her job or suffered a pay cut.

Clearly, these results show that employees will face serious personal hardship under the sequester. As Professor Joyce points out, many of the most talented and experienced will likely head for the exits.

Impact on Government Services

Between reduced and delayed appropriations and the sequester, government services will be increasingly degraded.

The cuts to Customs and Border Protection will increase already long wait times at airports and land border crossings to as much as four to five hours. Wait times at the border cost the U.S. economy jobs, output, wages and tax revenue.

NTEU represented employees at the Environmental Protection Agency (EPA) have been told to expect to take 13 unpaid furlough days by the end of the fiscal year. A major function of EPA, in partnership with States, is to enforce the nation's environmental laws. Sequestration would mean fewer enforcement agents and result in an estimated 1,000 fewer inspections in fiscal year 2013.

The Internal Revenue Service (IRS) employees represented by NTEU have been told they will face 5 to 7 furlough days under sequestration. The IRS has announced it will delay implementing these unpaid furloughs until after the tax filing season ends on April 15th. Due to funding cuts and planning for sequestration, the IRS has 5,000 fewer employees today than it had two years ago. Despite delaying furloughs, wait times for taxpayers trying to get help on the telephone and at walk in centers has increased dramatically.

Impact on Efficiency

While there are serious disagreements between Members of Congress about the size and role of the federal government, I don't believe anyone believes in wasteful or inefficient government. The use of Continuing Resolutions, sequestration, debt ceiling showdowns and other delays in necessary legislative action until the last possible moment lead to waste in a system that cannot afford even the smallest amount of waste.

Due to the late enactment of the American Taxpayer Relief Act in January, for example, which included a retroactive AMT patch as well as other major tax extender provisions, the IRS was forced to delay the start of the current filing season until January 30 for most taxpayers. According to the National Taxpayer Advocate, the extensive work the IRS must perform to accommodate late-year changes has an opportunity cost. It requires the IRS to pull employees from other priority work,

reducing service to taxpayers and potentially reducing revenue from voluntary compliance as well as collection efforts.

Professor Joyce's report cites a number of actions that agencies rely on in times of budget uncertainty that reduce efficiency. Some of those include hiring freezes, which determine what positions are filled based on who has left, rather than what are most critical. Others include furloughs, which cause staff turmoil and the loss of valued employees who choose to retire or take other jobs. Training and travel delays are also mentioned as increasing inefficiency. Both in formal communications from agencies to us and as part of our survey of employees, it is clear that all of these inefficient practices are being utilized by agencies right now due to the uncertainty of the Congressional budgeting process.

Our employee survey asked how their agencies were responding to the current budget situation.

- 79 percent say their agencies are not replacing workers who leave.
- 68 percent say their agencies lack the resources to do their jobs properly.
- 67 percent say there is a hiring freeze at their agency.
- 48 percent say critical work is not getting done.
- 7 percent say none of the above.

Conclusion

The federal employees I represent are frustrated, angry and scared. They have been under a pay freeze for more than two years. They are facing significant pay cuts due to sequestration. They are not sure if they will face yet another potential government shutdown on March 27th. And they know the debt ceiling and the possibility of a government default is coming back this summer. These employees work really hard and care about their jobs. They know that budgets need to be tight, but as they see the waste that comes from the lack of timely Congressional action; the contingency planning and short term patch up solutions that cost more in the long term, you shouldn't be surprised that they think the wrong people are getting their pay cut.

Thank you again for this opportunity to testify today on this important subject.