

REDUCING THE SIZE OF THE FEDERAL GOVERNMENT
THROUGH ATTRITION ACT OF 2011

DECEMBER 19, 2011.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. ISSA, from the Committee on Oversight and Government
Reform, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 3029]

[Including cost estimate of the Congressional Budget Office]

The Committee on Oversight and Government Reform, to whom
was referred the bill (H.R. 3029) to reduce the size of the Federal
workforce through attrition, and for other purposes, having consid-
ered the same, report favorably thereon with amendments and rec-
ommend that the bill as amended do pass.

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The amendments are as follows:

After subsection (h) of the bill, insert the following:

(i) **REPORT.**—The Office of Management and Budget shall submit a report to Congress detailing the effect of the requirements under subsection (b) on programs, activities, and services, including those provided to the general population. In such a report, the Office of Management and Budget shall pay special attention to any reductions that will harm national security or endanger life, public health, public safety, property, or the environment. Each report shall be submitted annually, with the first report provided within 30 days after the date of enactment of this Act.

Redesignate subsection (i) (relating to regulations) as subsection (j).

Strike subsection (h) of section 2 and insert the following:

(h) **REDUCTION IN PROCUREMENT OF SERVICE CONTRACTS.**—The President, through the Office of Management and Budget and subject to subsection (e), shall take appropriate measures to ensure that there is a reduction in the amount expended for the procurement of service contracts in each fiscal year occurring after the date of the enactment of this Act equal to the reduction in the amount expended for the Federal workforce in each such fiscal year caused by reason of the enactment of this Act.

COMMITTEE STATEMENT AND VIEWS

PURPOSE AND SUMMARY

Our fiscal situation requires tough choices to restrain government spending. Agencies must focus on their core mission, reassess priorities, and direct taxpayer dollars to where they are most needed. Intelligent workforce management is a key component of this effort.

The purpose of H.R. 3029 is to reduce the size of the federal civilian workforce by ten percent through attrition, thereby allowing agencies to target limited resources to core mission functions. The bill imposes a hiring freeze on the executive branch if the ten percent reduction is not achieved by fiscal year 2015. Within this framework, H.R. 3029 provides agencies flexibility to implement the reform in the manner that best meets their unique and evolving needs.

BACKGROUND AND NEED FOR LEGISLATION

From January 2008 to April 2011, the Federal Government grew by 242,000 civilian, non-postal employees, while the private sector lost 6.7 million jobs, according to the Bureau of Labor Statistics. Non-postal civilian personnel costs for the executive branch were nearly \$230 billion in 2010. The annual budget request the President issued this past Spring requested funding for an additional 15,000 new federal workers for FY 2012.

The Committee recognizes that the ratio of federal employees to the overall U.S. population has declined in recent decades. This should not, however, be understood to mean that the Federal Government is now understaffed. In testimony before the Sub-

committee on Federal Workforce, U.S. Postal Service and Labor Policy, Dr. Andrew Biggs stated, “If productivity in federal services tracked productivity in the economy at large, each federal employee would produce almost twice as much as in 1969. That is, if federal productivity tracked the economy at large, a workforce around 16 percent smaller than today’s could provide services comparable to those of federal employees in 1969.”

The National Commission on Fiscal Responsibility and Reform (“Simpson-Bowles”) called for immediate reforms to reduce federal spending and make the federal government more efficient. The Commission recommended a ten-percent reduction via attrition in the size of the federal workforce, to include defense civilian employees. In recommending this policy, the Commission stated, “Washington needs to learn to do more with less, using fewer resources to accomplish existing goals.”¹

The FY 2012 budget resolution adopted by the House, H. Con. Res. 34, also calls for a ten-percent reduction in the federal workforce, to be achieved through attrition at a one-for-three replacement rate. This policy is assumed as part of the overall reduction in discretionary spending to below 2008 levels, and the five-year discretionary spending freeze accomplished by the resolution.

Thus, H.R. 3029 builds on the recommendations of both President Obama’s fiscal commission and the most recent House-passed budget resolution in requiring a ten percent reduction in the size of the federal civilian workforce through attrition. The bill achieves the necessary reduction through natural attrition, allowing agencies to hire one federal employee for every three who retire or leave their job.

Over the last ten years, federal civilian employees separated from the federal workforce at an average rate of 92,000 per year. According to the Office of Personnel Management, approximately 300,000 federal civilian employees are eligible for retirement, and close to 500,000 will be eligible to retire by the start of fiscal year 2015. On December 12, 2011, the Federal Times reported that more than 100,000 employees were likely to apply for retirement before the end of the calendar year, a 24 percent increase over 2010.²

H.R. 3029 further requires that the level of savings achieved by the attrition policy be accompanied by an equal savings in service contract expenditures. The bill provides the President, acting through the Office of Management and Budget and in consultation with the Office of Personnel Management, broad flexibility to achieve the necessary reductions in staffing and service contracts, and to prioritize staffing needs across the Federal Government.

The Committee recognizes that it is essential for agencies to maintain sufficient expertise and technical capability. Accordingly, the bill gives the executive branch the opportunity to make choices to: (1) protect programs that are of the highest priority or that achieve the best results; (2) guard against skills imbalances; and (3) allow agencies to make decisions that best meet their unique needs. The executive branch could prioritize, for instance, hiring for

¹The National Commission on Fiscal Responsibility and Reform, *The Moment of Truth*, December 2010.

²Losey, Stephen, *Federal Times*, “Retirement surge 24% over last year,” December 12, 2011, available at: <http://www.federaltimes.com/article/20111212/PERSONNEL02/112120301/1001> (last accessed December 13, 2011).

federal law enforcement functions over other functions and activities. Agencies have three years to achieve the required workforce size, providing the opportunity to plan a more nimble and effective government, rather than simply backfill vacancies as they arise.

Beginning in fiscal year 2015, the bill makes the Federal Government subject to a hiring freeze if the size of the workforce exceeds ninety percent of its size as of September 30, 2011. The President may waive the hiring freeze in the interest of national security or other extraordinary circumstances. The term “national security concern” is intended to reflect the essential functions performed by, among others, federal law enforcement personnel. The President may also waive the hiring freeze with respect to a particular position or category of positions critical to an individual agency.

LEGISLATIVE HISTORY

The Federal Workforce Restructuring Act of 1994³ established a requirement that the administration reduce the federal workforce by 272,900 positions by 1999. The Act placed annual ceilings on executive branch full-time equivalent positions from fiscal years 1994 through 1999.

SECTION-BY-SECTION

Section 1. Short title

Establishes the short title of the bill as the “Reducing the Size of the Federal Government Through Attrition Act of 2011.”

Section 2. Reduction in Federal workforce

The President must reduce the size of the federal civilian workforce by ten percent by fiscal year 2015. The Office of Management and Budget (OMB), in consultation with the Office of Personnel Management, is responsible for achieving the reduction on behalf of the President. The reduction will be accomplished through attrition, using a one-for-three replacement rate. In other words, the Federal Government may hire no more than one employee for every three who separate from federal service between the date of enactment and the beginning of fiscal year 2015.

OMB notifies Congress each quarter of each fiscal year in which the number of federal employees is greater than ninety percent of the number of federal employees as of September 30, 2011.

Beginning in fiscal year 2015, the Federal Government is subject to a hiring freeze for any increase in federal civilian employees greater than ninety percent of the number of federal employees as of September 30, 2011. The President may waive the hiring freeze in the interest of national security or other extraordinary circumstances. The President may also waive the hiring freeze with respect to a particular position or category of positions critical to an individual agency.

The President, through OMB, must reduce the amount spent on service contracts by an amount equal to the savings achieved from reductions in the size of the federal civilian workforce. The required reduction in service contract spending is subject to the same waiver authority as that pertaining to federal civilian employees.

³Public Law 103–226.

OMB reports to Congress on the impact of the federal workforce reductions on federal government programs and activities.

The President or his designee may issue implementing regulations.

EXPLANATION OF AMENDMENTS

Rep. Cummings offered an amendment requiring agencies to report to Congress on the impact of the required federal workforce reductions on Federal Government programs and activities, including those provided to the general population. Rep. Issa offered a second-degree amendment requiring only the Office of Management and Budget to submit a report. The Cummings amendment, as modified by the Issa second-degree amendment, was agreed to by voice vote.

Rep. Cooper offered an amendment allowing agencies to hire two workers for every three who leave federal service, instead of the one for three replacement rate in H.R. 3029. The amendment was withdrawn.

Rep. Lynch offered an amendment in the nature of a substitute. The amendment was defeated by voice vote.

Rep. Lynch offered an amendment requiring a reduction in service contract expenditures equal to the savings achieved from the reduction in the size of the federal civilian workforce. Rep. Issa offered a second-degree amendment making the reduction in service contracts subject to the waiver authority in H.R. 3029. The Lynch amendment, as modified by the Issa second-degree amendment, was agreed to by voice vote.

Rep. Meehan offered an amendment exempting federal law enforcement officers from the definition of federal employees used in H.R. 3029. The amendment was withdrawn.

Rep. Yarmuth offered an amendment exempting agencies that provide services to veterans from H.R. 3029. The amendment was defeated by a recorded vote of 9 ayes to 12 nays.

COMMITTEE CONSIDERATION

On November 3, 2011, the Committee met in open session and ordered reported favorably the bill, H.R. 3029 as amended, by roll call vote of 23–14, a quorum being present.

ROLL CALL VOTES

1. Mr. Yarmuth offered an amendment which exempted agencies that provide services to veterans. The amendment was defeated by a recorded vote of 9 Ayes to 12 Nays.

Voting Aye: Cummings, Towns, Norton, Tierney, Lynch, Connolly, Davis, Yarmuth, and Speier.

Voting Nay: Issa, Platts, Jordan, Chaffetz, Lankford, Buerkle, Gosar, Meehan, DesJarlais, Guinta, Farenthold, and Kelly.

2. The bill, H.R. 3029, as amended, was ordered favorably reported to the House, a quorum being present, by a recorded vote of 23 Ayes to 14 Nays.

Voting Aye: Issa, Burton, Mica, Platts, McHenry, Jordan, Chaffetz, Mack, Walberg, Lankford, Amash, Buerkle, Gosar, Labrador, Meehan, DesJarlais, Walsh, Gowdy, Ross, Guinta, Farenthold, Kelly and Cooper.

Voting Nay: Cummings, Towns, Maloney, Norton, Kucinich, Tierney, Clay, Lynch, Connolly, Quigley, Davis, Braley, Yarmuth and Speier.

APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Section 102(b)(3) of Public Law 104–1 requires a description of the application of this bill to the legislative branch where the bill relates to the terms and conditions of employment or access to public services and accommodations. This bill reduces the size of the federal civilian workforce by ten percent through attrition. Legislative branch employees and their families, to the extent that they are otherwise eligible for the benefits provided by this legislation, have equal access to its benefits.

STATEMENT OF OVERSIGHT FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE

In compliance with clause 3(c)(1) of rule XIII and clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the descriptive portions of this report.

STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In accordance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee's performance goals and objectives are reflected in the descriptive portions of this report.

FEDERAL ADVISORY COMMITTEE ACT

The Committee finds that the legislation does not establish or authorize the establishment of an advisory committee within the definition of 5 U.S.C. App., Section 5(b).

UNFUNDED MANDATE STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandate Reform Act, P.L. 104–4) requires a statement as to whether the provisions of the reported include unfunded mandates. In compliance with this requirement the Committee has received a letter from the Congressional Budget Office included herein.

EARMARK IDENTIFICATION

H.R. 3029 does not include any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

COMMITTEE ESTIMATE

Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs that would be incurred in carrying out H.R. 3029. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act.

BUDGET AUTHORITY AND CONGRESSIONAL BUDGET OFFICE COST
ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 and with respect to requirements of clause (3)(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 3029 from the Director of Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, December 15, 2011.

Hon. DARRELL ISSA
*Chairman, Committee on Oversight and Government Reform,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3029, the Reducing the Size of the Federal Government Through Attrition Act of 2011.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Santiago Vallinas.

Sincerely,

ROBERT A. SUNSHINE
(For Douglas W. Elmendorf, Director).

Enclosure.

*H.R. 3029—Reducing the Size of the Federal Government Through
Attrition Act of 2011*

Summary: H.R. 3029 would require the Office of Management and Budget (OMB) to take action to ensure that:

- Federal agencies do not appoint more than one employee for every three employees retiring or separating from government service (unless the President has issued a waiver) through September 30, 2014;
- The number of people in the federal workforce, beginning in fiscal year 2015, does not exceed 90 percent of the total number of employees as of September 30, 2011 (although use of the waivers could exempt parts of the workforce); and
- The amount expended for service contractors is reduced by the same amount as the savings generated from federal workforce reductions each fiscal year.

In addition, H.R. 3029 would require OMB to submit a report detailing how federal programs, activities, and services would be affected by the reduction in the workforce.

Assuming appropriations are reduced in accordance with the reduction in the workforce and the use of contractors, CBO estimates that implementing H.R. 3029 would reduce discretionary spending by about \$35 billion over the 2012–2016 period. The bill would have no effect on direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 3029 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 3029 is shown in the following table. The costs of this legislation fall in most budget functions.

	By fiscal year, in millions of dollars—					
	2012	2013	2014	2015	2016	2012–2016
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Reduction in the Federal Workforce:						
Estimated Authorization Level	– 700	– 2,400	– 4,300	– 5,000	– 5,100	– 17,500
Estimated Outlays	– 700	– 2,300	– 4,200	– 5,000	– 5,100	– 17,300
Reduction in the Procurement of Service Contracts:						
Estimated Authorization Level	– 700	– 2,400	– 4,300	– 5,000	– 5,100	– 17,500
Estimated Outlays	– 700	– 2,300	– 4,200	– 5,000	– 5,100	– 17,300
Reports:						
Estimated Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Total Changes:						
Estimated Authorization Level	– 1,399	– 4,799	– 8,599	– 9,999	– 10,199	– 34,995
Estimated Outlays	– 1,399	– 4,599	– 8,399	– 9,999	– 10,199	– 34,595

Basis of estimate: For this estimate, CBO assumes that H.R. 3029 will be enacted early in 2012 and that future appropriations would, on net, be reduced as a result of lower expenses for wages, salaries, and service contracts.

CBO estimates that implementing H.R. 3029 would reduce salaries and expenses for federal employees by \$700 million in 2012 and by about \$17 billion over the 2012–2016 period. The bill would authorize the President to exempt parts of the government workforce from the attrition policy under certain conditions—for example, if there is a national security concern or an extraordinary emergency, or if the performance of a critical agency mission requires it. CBO believes that those waivers are broad enough that a significant portion of the federal workforce would be exempt from the attrition directive. Based on the governmentwide shutdown in 1995—when about 1.2 million employees out of a workforce of roughly 2 million civilian employees were exempt from the furlough—as well as information from the Office of Management and Budget, experts on the federal workforce, and the General Services Administration, CBO estimates that only about one-third of the current workforce would be affected by the provisions of this bill. CBO calculates that the portion of the federal workforce that would be affected would decline from about 710,000 employees at the end of September 2011 to about 640,000 at the end of September 2014 (at which point, the 10 percent reduction in the number of affected federal employees would be achieved).

The amount of savings that would be generated from reducing funding for service contracts is very uncertain. The bill specifies that the amount expended for service contracts should be reduced by the same amount as the savings generated from the federal workforce, as shown in the above table. However, if payments were shifted from service contracts to another means of acquiring such services (such as by bundling them together with other types of purchases), the savings would be less.

Under the bill, OMB would have to submit an annual report detailing the effect of the reduction in the workforce on federal programs, activities, and services; CBO estimates that reporting requirement would cost \$5 million between 2012 and 2016.

This bill—or any legislation that would reduce the funds available for a particular discretionary program or that would achieve savings by undertaking a particular activity—would only reduce projected total appropriations if the caps on discretionary spending were also lowered. Without a reduction in the caps, CBO assumes funding for other discretionary programs would fill the gap created by the specific reduction or savings.

Pay-As-You-Go Considerations: None.

Intergovernmental and private-sector impact: H.R. 3029 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal costs: Santiago Vallinas; Impact on state, local, and tribal governments: Elizabeth Cove Delisle; Impact on the private sector: Paige Piper/Bach.

Estimate approved by: Theresa Gullo, Deputy Assistant Director for Budget Analysis.

CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

There were no changes made to existing law in H.R. 3029.

MINORITY VIEWS

Committee Democrats respectfully oppose H.R. 3029, the Reducing the Size of the Federal Government Through Attrition Act of 2011, as ordered reported by the Committee on November 3, 2011. The bill would require an arbitrary, government-wide 10% reduction in the federal workforce by 2015. This measure would be implemented by restricting agencies to hiring only one new worker to replace every three workers who leave federal service.

Americans depend on the work that our dedicated federal employees do each day to provide for our national security, ensure the safety of our food and water, care for our veterans, and test new medicines for safety and efficacy. Despite the invaluable service that these public servants provide, this bill unfairly targets the federal workforce. Although federal employees were not the cause of the financial crisis or our nation's budget deficit, they are being asked to shoulder a disproportionate share of the burden of solving our fiscal problems. Federal employees are already struggling through a two-year pay freeze that will deprive them of \$60 billion over the next ten years. They are also facing early retirement, buyouts, furloughs, and layoffs as a result of deep budget cuts established by the Budget Control Act of 2011.

Although we agree that we must take significant steps to curb Federal spending, we do not agree that across-the-board personnel cuts are a meaningful solution to our nation's budget deficit. Arbitrary workforce reductions sound quick and easy to implement, but they do not account for the unique mission, workload, or critical functions of each federal agency or the distinctive education, skills, and training of each agency's workforce. The Majority's approach will result in severe staffing shortages at many of our critical Federal agencies, such as the Department of Defense, the Department of Veterans' Affairs, the Internal Revenue Service, the Department of Justice, the Securities and Exchange Commission, the Department of Health and Human Services, and the Department of Homeland Security.

History has shown that broad-based workforce reductions actually may result in increased government spending in the form of increased backlogs, reduction or termination of agency services, or increased contracting costs. Such rigid cuts will also lead to a decrease in the quality of services provided to taxpayers. Some agencies and Federal occupations are still feeling the negative effects today of workforce reductions implemented in the 1990s.

The personnel cuts supported by the Majority can also result in skills imbalances and the loss of institutional knowledge when employees with skills in high demand or with significant experience separate from federal service. According to the Office of Personnel Management, 40% of all Federal workers will be eligible to retire

in ten years. Non-strategic personnel reductions would only hamper agencies in their workforce and succession planning.

In contrast to the Majority's proposal, Committee Democrats support a more strategic approach that will provide agency leaders with flexibility to determine how their specific organizations can achieve necessary cuts and how those cuts will impact mission and results. The Budget Control Act, which reduced spending caps for the federal government for fiscal year 2012 through 2021, has already set this process in motion. A budget-based management approach gives agencies the discretion to determine the best way for them to meet the reduced budget caps.

During the Committee's consideration of H.R. 3029, Representative Lynch offered an amendment that would have provided agencies with flexibility to implement the goal of reducing the total number of Federal employees. Unfortunately, this common-sense amendment was rejected.

Representative Lynch also offered an amendment, which was adopted, that would require the amount expended for federal government service contractors to be reduced by an amount equal to the savings generated from federal workforce reductions. Although we strongly oppose the arbitrary limits on the federal workforce included in this bill, this amendment will prevent work from simply being shifted to contractors if the federal workforce is reduced.

Finally, the Committee also approved an amendment offered by Ranking Member Cummings with a minor change offered by Chairman Issa. Ranking Member Cummings amendment required agencies to report on the programs, activities, and services which would be reduced or terminated as a result of personnel reductions required by the bill. The amendment required agencies to pay particular attention to reductions that would harm national security or endanger life, public health, public safety, property, or the environment. Chairman Issa's change to the amendment required the Office of Management and Budget to report to Congress, instead of agencies.

Giving our agencies the power to reshape their organizations while taking into account mission, priorities, workload, and staffing is especially important now that substantial automatic budget cuts have been triggered by the Budget Control Act. Studies and experience have shown conclusively that better results are achieved when agencies make cuts strategically rather than arbitrarily. The non-strategic, indiscriminate cuts to the Federal workforce proposed in H.R. 3029 will make the country less secure, lead to major backlogs in programs and services, decrease agencies' productivity, and impair public access to the services the American people deserve and expect from their government.

ELIJAH E. CUMMINGS.
STEPHEN F. LYNCH.

