



AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

LOCAL 1916

AFFILIATED WITH THE AFL-CIO

P.O. BOX 231
SOUTH PARK, PA 15129



February 2, 2012

The Honorable Robert Casey
United States Senate
Washington, DC 20510

Dear Senator Casey:

On behalf of the more than 650,000 federal employees represented by the American Federation of Government Employees, AFL-CIO, I strongly urge you to reject the financing provisions in H.R. 3630, the House-passed Social Security payroll tax bill, which would pay for a one-year extension of the payroll tax cut by freezing federal workers' wages for a third year in a row, requiring massive increases in contributions to pensions by current and future federal employees, and making draconian reductions in retirement benefits for current and future federal employees. These retirement cuts would be unconscionable, forcing these contribution increases to a retirement system that's fully funded – while slashing federal workers' retirement income at the same time.

The Senate-considered measure, S. 1944, would finance the payroll tax holiday by alternatives which would not unfairly place the financing burden on the backs of federal and postal workers and retirees.

H.R. 3630 is even more draconian than the Senate Republican leadership proposal, which was soundly defeated twice by a bipartisan majority of lawmakers. This latest bill is just another attack on the 99% of Americans, including federal employees, most of whom earn \$30,000 to \$70,000 a year, rather than asking millionaires and billionaires to pay a little more. The supporters of H.R. 3630 and similar bills apparently think increasing the purchasing power of 160 million Americans to stimulate the economy has to be offset by policies that will counteract the tax cut's benefit. It's as if they don't want to allow the tax cut to produce any positive result.

Federal workers have already contributed \$60 billion in deficit reduction through the current two-year pay freeze. The attacks on federal workers in H.R. 3630 would total an additional \$55 billion. It is inconceivable that one group of middle-income Americans would be forced to contribute vastly more of their personal income to pay for a Social Security payroll tax cut than the wealthy. ***In fact, H.R. 3630 would require 2 million middle class federal employees to shoulder almost half the cost of a tax reduction benefitting 160 million Americans.***

It is time for contractors to make some sacrifices. The size of the service contractor workforce is unknown, but we do know it is immense. For example, in the Defense Department, total civilian personnel funding increased from \$41 billion in 2001 to \$69 billion in 2010; during that same period, total service contract funding increased from \$104 billion to \$181 billion.

We also know that ***contractors can charge taxpayers up to \$693,000 annually for the compensation of a single employee.*** This statutory compensation limit is based on the average level of compensation received by the top five employees of all Securities and Exchange Commission-registered corporations with sales in excess of \$50 million per year. This averaging results in a number that is applied as a

compensation cap, but only for the five most highly compensated executives at each contractor or contractor segment. ***Other contractor employees can be – and are – frequently reimbursed by taxpayers for more than \$693,000.***^[1]

Since 1998, the compensation cap applicable to government contracts has more than doubled, from an egregious \$340,650 in 1998 to an unconscionable \$693,951 in 2010. Of course, contractor executives often make millions of dollars per year because their firms richly supplement the already generous salaries provided by taxpayers with fees and profits earned on federal contracts.

AFGE has proposed applying a **cap of \$200,000 to all contractor employees**. Contractors, naturally, complain about having to make the same sacrifices that are being made by working class and middle class federal employees. But if \$200,000 is enough for cabinet secretaries, Nobel Prize-winning scientists at NIH and NASA, and other federal employee professionals who work to protect the public interest, it's enough for the government's contractors, as well.

Federal employees will continue to sacrifice. Not only are federal employees facing layoffs and downsizing due to shrinking agency budgets, they have already been subjected to a two-year pay freeze. Federal employees have not been immune to the economic woes of this country. Similar to their private sector counterparts, federal workers are confronting financial hardships due to unemployed spouses, major declines in the values of their homes, rising health care costs and general living expenses. Many are responsible for supporting their families on a single paycheck.

More than anyone, our nation's civil servants understand the constraints of the federal budget. They are already doing their part to lower government costs. During these tough economic times, when citizens are demanding more from the federal government, America cannot afford a second-class civil service.

The financing provisions of H.R. 3630 will raise taxes on the VA nursing assistants who care for wounded warriors, the Defense civilian employees who support our military troops at home and abroad, the Social Security claims representatives who process benefit payments to our nation's seniors, and the thousands of employees who protect our air quality, borders, skies, food and water supply and infrastructure. I strongly urge you to oppose any financing proposals which would freeze pay or reduce the benefits of our nation's hardworking federal employees.

I am looking forward to seeing you at the AFGE 3RD District Congressional Breakfast, in Washington, on February 15, 2012.

Sincerely yours,



Ronald J. Demicheli, President
AFGE Local 1916

^[1] Per House NDAA Section 803 Report language: "The committee is aware that the Defense Contract Audit Agency has shown that there are lower-level executives not subject to the cap and non-executive employees who receive compensation in excess of the benchmark compensation amount. The committee believes that this section would reduce the risk of excessive individual compensation charged to defense contracts."