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January 21, 2022

Honorable Kathleen H. Hicks
Deputy Secretary of Defense
1010 Defense Pentagon
Washington, DC 20301-1010

Dear Secretary Hicks:

On behalf of the American Federation of Government Employees, AFL-CIO, which represents over 700,000 federal and D.C. government employees who serve the American people in over 70 different agencies across the nation and around the world including approximately 300,000 in the Department of Defense (DoD), we appreciate your support of a strong national defense and your recognition of the importance of a professional, apolitical civil service supporting our uniformed warfighters.

We applaud your March 2021 establishment of the Deputy's Workforce Council which you co-chair with the Vice Chairman of the Joint Chiefs of Staff "to address the Department's people management, personnel policy, and total force requirements." We also commend your action in December to establish a Chief Digital and Artificial Intelligence Officer reporting directly through you to the Secretary of Defense to "serve as the Department's senior official responsible for strengthening and integrating data, artificial intelligence, and digital solutions in the Department." Based on the confirmation proceedings for Susanna Blume as the Director of Cost Assessment and Program Evaluation, we believe the Department is on a solid footing for reforming its Planning, Programming, Budgeting and Execution (PPBE) process, a key priority of the Fiscal Year 2022 National Defense Authorization Act. Specifically, Section 1004 establishes a Commission that will make recommendations to reform or replace the PPBE process, in part to "facilitate defense modernization."¹ And similarly, we believe the Department is well positioned to improve long-term strategic readiness with the appointment of Shawn Skelly as the Assistant Secretary of Defense for Readiness.

We will be concerned, however, if the effort to reform or replace the Department's PPBE system sacrifices readiness or uses the Department of Defense civilian workforce as a billpayer. The civilian workforce provides essential contributions through:

- Ensuring the lethality of the uniformed military by enabling the optimum use of military personnel for military essential warfighting functions.
- Reducing stress on the all-volunteer military by ensuring the availability of sufficient military occupational specialties and force structure capabilities for reasonable cycles of deployment.

¹ Finally, although section 1004 has paired achieving auditable financial statements with PPBE reform, we see the two as separate issues. The issue of the Department obtaining "auditable financial statements" is a red herring because the audits solely relate to the development of a balance sheet of assets and liabilities for a sovereign entity funded with Congressional appropriations on an annual cash basis rather than on an accrual basis. There is no bona fide private market for most of the services and assets being assigned a "value" on a consolidated balance sheet for governmental sovereign entities, making the entire enterprise economically irrelevant. The Department could conceivably still receive an unqualified audit opinion and be wasting billions of dollars or have mission failure.



- Ensuring the most efficient and effective military force structure design so that planned operational capabilities are fully executable and sustainable.
- Ensuring near-and long-term readiness, by avoiding the hollowing of the force by using the military for functions that civilians can more efficiently perform;²
- Ensuring that the fully burdened costs of military personnel, civilian employees, and contract support are considered when making PPBE decisions.

For all of these reasons, it is critical to consider operational effectiveness and workload impacts before making reductions to the civilian workforce. Merely cutting civilian structure and then shifting it to higher cost military or contract performance has been a persistent practice within the PPBE, usually justified by claims of “future savings” or “deferring risk.”

Unfortunately, the prior Administration made decisions that only worsened these challenges:

- **Contract Reporting Systems are Inadequate.** During the prior Administration, the Under Secretary of Defense (Acquisition and Sustainment), with the acquiescence of the Under Secretary of Defense (Personnel and Readiness), abandoned the Enterprise Contract Manpower Reporting Application (ECMRA) in favor of the government-wide System for Award Management (SAM) reporting. The Government Accountability Office most recently documented the detrimental effects of this decision.³ Authoritative costing data that were formerly available from 2007 to 2015 could no longer be produced today. There is however archived historical Army ECMRA data from 2007 through 2015, which a CAPE Department of Defense Instruction (DODI 7041.04) references as an authoritative source of costing information.⁴ Army testimony on March 29, 2012, before the Senate Committee on Homeland Security and Governmental Affairs provides a good description of the ECMRA system. The Secretary of Defense committed to using the system, which had started in the Army, throughout the Department (see enclosure).⁵ Interestingly, the attached two charts from a Defense Business Board study on fully

² Section 361 of the FY 2022 NDA requires the collection of new data concerning borrowed military manpower. Collecting these data will help ensure long-term strategic readiness.

³ GAO-21-267R, “SERVICE ACQUISITIONS: DOD’s Report to Congress Identifies Steps Taken to Improve Management, But Does Not Address Some Key Planning Issues,” (22 Feb. 2021). SAMS does not identify the requiring activity, location where the contractor or subcontractor performs the work, and the various cost categories ECMRA described in DODI 7041.04. SAMS also excludes most fixed price services contracts and has extremely high thresholds that would exclude a substantial amount of services contracts. ECMRA could capture information by weapon system supported, program element, object class and various elements of appropriation data. SAMS is structured around FPDS-NG which is a system originally designed for purposes of tracking procurement actions and so is oriented to contracting activity rather than requiring activity.

⁴ See DODI 7041.04, “Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support” pp. 14-15: “Army’s ECMRA has accumulated data over a number of years by location and function at: <https://www.asamra.army.mil/scra>. The eCMRA data includes direct labor costs, total cost and non-labor costs for many services by location and year.”

⁵ Defense appropriators subsequently directed OMB to implement a system similar to ECMRA across the federal government. SAM was supposed to emulate ECMRA, but the Office of Federal Procurement Policy in OMB, which had opposed contractor inventories for some time, grudgingly implemented SAM in a way that trivialized the requirement.

burdened costing done in 2017 were constructed based on the Army ECMRA data and could not be easily replicated by the Department today because of ECMRA's termination.⁶

- **Total Force Management Has Been Weakened.** Reorganizations by the prior Administration subordinated the Department's Total Force Management responsibilities by making them a mere subset of Military Personnel Policy. Key DOD Instructions and guidelines, such as Instruction 1100.22, one of the cornerstones of Total Force Management, have not been kept up to date.⁷ Specifically, standard Total Force Management guidelines based on an Army checklist (endorsed by Congress in the 2015 NDAA) have only been included in a Defense Acquisition University "Handbook" issued in 2018, which is not mandatory. Annual contractor inventory reviews (required by section 2330a) were suspended in the prior Administration. As a result, the Service Requirements Review Boards (SSRBs), a creation of the USD (Acquisition and Sustainment), solely emphasized better buying practices, to the detriment of Total Force Management. The SSRBs failed to adequately consider the insourcing requirements of two statutes. For example, section 2463 of title 10 mandates that new requirements involving functions that were "closely associated with inherently governmental" or "critical functions," receive "special consideration" for insourcing. Additionally, the suspended contractor inventory reviews would have mandated that contracted functions performing work "closely associated with inherently governmental functions" be reduced to the "maximum extent practicable" and that "contract augmentees" or personal services contracts be examined to ensure they are performed within the scope of statutory exceptions authorizing their use. No Defense Manpower Requirements Reports (a requirement of section 115a and section 129 of title 10) have been transmitted to Congress since 2019.
- **Needed Contract Program and Budget Guidance is Lacking, Leading to Overuse of Service Contracts.** The USD (Acquisition and Sustainment) community has appeared to filibuster a longstanding GAO recommendation that CAPE and the Comptroller issue guidance to ensure that service contract requirements are properly validated, prioritized and competed in the Department's program and budget processes with full visibility of these requirements over the Future Year Defense Program. The delay was in large part caused by USD (Acquisition and Sustainment) overstating what the Service Requirements Review Boards (SRRBs) are actually doing. As the GAO has repeatedly documented, the SSRBs are primarily oriented to acquisition planning for better buying practices during the year of execution. Despite their statements to the contrary, the SSRBs are not primarily focused on planning, programming, and budgeting or determining what functions should be contracted in the first place versus performed in house.⁸ The consequences of this delay have been that during program and budget

⁶ See Defense Business Board: "Fully Burdened and Lifecycle Costs of the Workforce," (DBB FY 18-01) at [https://dbb.defense.gov/Portals/35/Documents/Reports/2018/DBB%20FY18-01%20FBLCC%20Study%20Final%20\(Feb%202018\).pdf](https://dbb.defense.gov/Portals/35/Documents/Reports/2018/DBB%20FY18-01%20FBLCC%20Study%20Final%20(Feb%202018).pdf).

⁷ Most recently, section 815 of the Fiscal Year 2022 National Defense Authorization Act reiterated these requirements in both statutory language and directive report language.

⁸ Again, this particular problem will eventually be addressed, to the extent the Department actually implements the direction of section 815 of the Fiscal Year 2022 National Defense Authorization Act for the Fiscal Year 2023 budget. In the interim, we fear the fiscal year 2022 budget submission will again give a free pass to services contracts.

reviews, the Department of Defense has treated the civilian workforce as billpayers, rather than focusing on service contracts, even though historically at least twice as much has been spent on service contracts compared to the civilian workforce. Other than a one-time CAPE study from January 2017, which was mandated by Congress,⁹ there does not seem to be an institutionalized cost-comparison capability between using service contracts and using a military or civilian workforce. This problem has only been exacerbated by the decision to stop producing ECMRA cost factor data.

We appreciate your consideration of our views. Any question from your staff on the details of this letter may be directed to our defense lobbyist, Dr. John Anderson, at 703-943-9438, john.anderson@afge.org or our policy counsel, Mr. Richard Loeb, at 202-639-6466.

Sincerely,


Everett B. Kelley
National President

Enclosures

1. Secretary of Defense Leon Panetta Letter to House Armed Services Chair and Ranking Member, December 11, 2011
2. Charts from Defense Business Board: "Fully Burdened and Lifecycle Costs of the Workforce," (DBB FY 18-01)
3. Army Testimony before Senate Committee on Homeland Security and Governmental Affairs: "On Contractors: How Much Are They Costing the Government?" (March 29, 2012)

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Senate Appropriations Committee
House Appropriations Committee
Senate Homeland Security and Government Affairs Committee
House Oversight and Reform Committee
Senate Armed Services Committee
House Armed Services Committee
Congressional Budget Office
Government Accountability Office

⁹ "Comparing the Cost of Civilians and Contractors: Performance of Comparable DoD Functions," CAPE (Jan. 2017)(responding to directive report language from the 2016 National Defense Authorization Act).