

**Congress of the United States**  
**Washington, DC 20515**

March 26, 2012

The Honorable Leon E. Panetta  
Secretary of Defense  
1000 Defense Pentagon  
Washington, DC 20301-1000

Dear Secretary Panetta:

Thank you for your leadership of the Department of Defense (DoD) during these difficult times. We are proud to support DoD installations that employ military, civilian, and contractor personnel who make invaluable contributions towards ensuring our national security.

We understand that the defense budget must be adjusted to take into account geopolitical changes and budgetary realities. However, under your predecessor, the "Efficiency Initiative" had a disproportionately adverse impact on civilian personnel. Under this plan, the size of the civilian workforce would be cut back to FY 2010 levels, while no comparable constraints were imposed on the contractor workforce.

The unique constraints that DoD has placed on the civilian workforce have raised concerns that managers could be prevented from using civilian employees even when they cost less or the work is sufficiently sensitive or important that it should be performed by civilian employees. Surely, we can all agree that DoD's sourcing decisions should be made on the basis of the law, cost, policy, and risk, and that it makes no sense to prevent DoD managers from using civilian employees simply because they are civilian employees.



That is why we strongly urge you to ensure that DoD complies with all sourcing and workforce management laws, both those that are longstanding as well as those that were included in the FY 2012 National Defense Authorization Act (NDAA), Public Law 112-81. Specifically, we recommend:

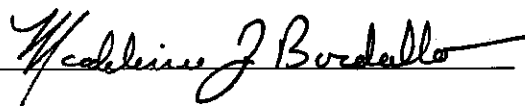

1. **Eliminate the arbitrary cap on the civilian workforce.** If there is work to be done and funding to pay for that work, managers should not be arbitrarily prevented from using civilian employees (10 USC 129). Commercial functions should be shifted back and forth on the basis of costs (10 USC 129a). The FY 2010 cap on the civilian workforce should be lifted so that sourcing decisions can be based on the merits, rather than arbitrary constraints. We urge you to provide the Defense Human Resources Board with the support and leadership necessary to eliminate the cap.
2. **Embrace Total Force Management.** Instead of managing civilian personnel by arbitrary constraints, we urge the Department to embrace the new Total Force Management authorities provided in the FY12 NDAA to ensure that the Department looks at its military, civilian, and contractor workforces more holistically.

3. **Cap spending on service contracts.** Until the cap on the civilian workforce is lifted, we strongly urge the Department, particularly the Comptroller's office, to comply with the FY 2012 NDAA that caps spending on service contracts at FY 2010 levels. If the Department insists on capping the civilian workforce at FY 2010 levels, a similar cap should be applied to the service contract spending levels.
4. **Conduct cost comparisons when making outsourcing decisions.** DoD cannot convert a function last performed by civilian employees to contractor performance without conducting a formal cost comparison (10 USC 2461). We are pleased that the Department issued guidance in December in order to enhance compliance with this prohibition. We urge you to place a high priority on implementing these reforms.
5. **Implement inventory of contract services.** We appreciate that DoD has come to an agreement on implementing an inventory of contract services. We urge the Department to be aggressive in overcoming any procedural concerns related to the Paperwork Reduction Act and that the inventory be implemented in such a way that it allows for the identification and control of costs, including identifying and preventing over-execution of spending, as well as distinguishing base spending from Overseas Contingency Operations spending. Finally, we urge the Department to respect the conclusion reached by conferees to the FY 2012 NDAA that "the appropriate use of public-private competition is predicated on a sound planning process and the availability of accurate information, including the information that would be supplied by a compliant inventory."
6. **Prohibit outsourcing of inherently governmental work.** We urge the Department to comply with the FY 2012 NDAA that no inherently governmental work be privatized and that reliance on contractors for the performance of work closely associated with inherently governmental functions should be incrementally reduced. Finally, we urge the Department to adhere to the insourcing laws that were reaffirmed in the FY 2012 NDAA and make insourcing decisions on the basis of the usual criteria of the law, cost, policy, and risk, instead of arbitrary targets or constraints.

Thank you for your consideration of our views. As the Department ensures our nation's security, while adjusting to budgetary realities, it is imperative that we value and appreciate the remarkable work done by our civilian personnel. The best way we can do that is by ensuring that the Department is fully compliant with sourcing and workforce management laws.

Sincerely,

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Elaine H. Hunt

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Danny K. Davis

Rush Holt

Sam Farr

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