

Amendment 4231, Section 4001 — Freeze Federal Salaries and Eliminate Bonuses for FY2011

Our debt is at all time high

Today, the national debt is \$13 trillion, more than \$41,900 per citizen. At the beginning of the current Administration, the national debt was \$10.6 trillion. In one year and four months, Washington, D.C., has increased the debt by **23 percent**.

This debt signifies less opportunity in the future for generations of Americans to come, higher taxes, more government control, less innovation, less freedom, and lower quality of life.

Family Budgets Get Smaller While the Government's Budget Gets Bigger

While the U.S. economy experienced real economic growth of less than 0.5 percent, Congress and the President had no problem increasing federal spending by more than 10 percent and the national debt by more than 15 percent.

While most Americans must make difficult and painful choices to pay off their bills and support their families and friends, Congress continues to approve double-digit spending increases for bloated federal agencies wrought with duplication, waste, abuse, and mismanagement of taxpayer funding.

There are more federal employees than even before

The federal government has also been hiring thousands of employees to the point that federal employment has increased by 18 percent since 1999. There are now well over 2 million federal employees, and this number is only expected to continue increasing in 2010.

USA Today recently found that because of increased federal spending and a shrinking economy, the percentage of total wages government wages account for is the record high, and the percentage of total wages private wages account for is the record low.

Federal employees are better compensated than private employees

While the private workforce shrunk with the economy, federal salaries have increased on average of 4% since 1999 while inflation has increased on

average of 2.4% -- a difference of 1.6%. In 2009, federal salaries increased by 3% while inflation was at -0.04%.¹

Recent data that also shows federal employees actually fare better than private-sector workers in almost every aspect, including pay, benefits, time off, and job security. The average federal worker's pay is \$71,206 (not including benefits), compared to \$40,331 in the private sector. Benefits, according to the Bureau of Economic Analysis, include average health, pension and other benefits tally up to \$40,785 per federal worker -- compared with just \$9,882 per private worker.

\$96 million was awarded in bonuses to federal employees in 2008

In 2008, federal bonuses accounted for approximately \$96 million. While the intention of bonuses was to reward merit and retain the best federal employees, bonuses have also been inappropriately awarded to a number of federal employees.

Passing this amendment will prove Congress can limit spending in a down economy

In the current economy it makes sense for Congress to prohibit any further cost of living salary increases and any bonus payments this year. Federal employees should know they are fortunate to have a secure job that pays them, on average, more than a similar job in the private sector.

By only prohibiting this increase, that does not affect other federal benefits, and bonus payments this year, Congress would be offsetting at least \$2.3 billion of the total price tag of this bill and demonstrating to Americans that it can also make tough budget choices in a down economy.

¹ Compiled with numbers from OPM in conjunction with CRS

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As Congress intends to add another \$59 million to our nation's more than \$13 trillion debt by passing this supplemental appropriations bill, the nation's economy is on the brink of fiscal chaos. Unemployment is at 9.9 percent and last year and family incomes fell by more than three percent last year.

While most Americans in the private sector have felt the effects of a down economy by cutting costs, losing their job, or finding it more difficult to borrow funds for their business or home, the federal government has yet to make any substantial adjustment even though revenues have decreased.

Instead, the government has experienced a historic year of expansion despite a lack of revenue, accelerating the growth of the national debt while stunting economic growth.

This amendment would require federal salaries to be frozen for one year and for no bonuses to be awarded to federal employees. By enacting this amendment, Congress would be helping the federal government operate more within its means and help preserve the opportunity for future generations of Americans to succeed.

Our debt is at all time high

Today, the national debt is \$13 trillion, more than \$41,900 per citizen. At the beginning of the current Administration, the national debt was \$10.6 trillion. In one year and four months, Washington, D.C., has increased the debt by **23 percent**. In other words, at this rate, the national debt would double in less than five years.

Despite pledges to control spending, Washington adds \$4.6 billion to national debt every single day—that's \$3.2 million every single minute.

This year, the government will spend more than \$3.6 trillion and will borrow 43 cents for every dollar it spends.

According to CBO's new forecast, President Obama's budgets will add nearly \$10 trillion in debt over the next ten years.

Of the \$10 trillion in debt the government is likely to accrue over the next ten years, \$4.8 trillion will be interest.

This debt signifies less opportunity in the future for generations of Americans, higher taxes, more government control, less innovation, less freedom, and lower quality of life.

The excessive debt also threatens the retirement security of older American as retirement programs like Medicare and Social Security are on the brink of bankruptcy. Medicare is expected to run out of money and become insolvent in 2017. Social Security will permanently start running a deficit in 2016, and will no longer be able to pay retirees full benefits by 2037.

Other important government programs Americans rely on nearly every day, such as the Highway Trust Fund and the U.S. Postal Service, are also spending more than they are bringing in with revenues and will need to increase funding or decrease spending.

Family Budgets Get Smaller While the Government's Budget Gets Bigger

While the U.S. economy experienced real economic growth of less than 0.5 percent, Congress and the President had no problem increasing federal spending by more than 10 percent and the national debt by more than 15 percent last year.

While most Americans must make difficult and painful choices to pay off their bills and support their families and friends, Congress continues to approve double-digit spending increases for bloated federal agencies wrought with duplication, waste, abuse, and mismanagement of taxpayer funding.

Congress even gave itself an almost \$100 million budget increase for this year. This works out to a 4.5 percent budget increase.

While individuals across the country are worried they might lose their job and could stand to pay lower taxes and enjoy greater economic freedom, members of Congress prioritized earmarking more than \$11 billion in taxpayer funds for pork projects aimed at ensuring they are re-elected.

Since January of 2009, while Americans across the country adjusted their spending to the size of the shrinking family budget, Congress has passed trillions of dollars in new spending on everything from a multi-billion dollar omnibus lands package that increases the size and cost of a massive stimulus bill that has failed to create new jobs and a \$2.5 trillion health care bill that penalizes Americans who cannot afford health insurance.

This massive spending has done nothing to put Americans back to work, but rather added to the debt that working Americans will be forced to eventually repay at the expense of their own family budget.

There are more federal employees than even before

The federal government has also been hiring thousands of employees to the point that federal employment has increased by 18 percent since 1999.²

From 2006 to 2010, the number of Homeland Security employees increased by 22 percent and the number of Department of Justice employees increased by 15 percent (These figures assume Congress adopts Mr. Obama's 2010 budget without significant changes).³

² Compiled with numbers from OPM in conjunction with CRS

³ http://www.cbsnews.com/8301-503983_162-5007862-503983.html

There are now well over 2 million federal employees, and this number is only expected to continue increasing in 2010.⁴

USA Today recently found that because of increased federal spending and a shrinking economy, the percentage of total wages government wages account for is at a record high, and the percentage of total wages private wages account for is at a record low. In total, the private sector lost 7.3 million jobs while the federal government gained 192,700 jobs.

Private wages now constitute a record-low 41.9 percent of the nation's personal income, down from 44.6 percent when the recession began in December 2007.

Federal employee wages now make up 9.8 percent of personal income and other government benefits to individuals make up 17.9 percent of their income from government programs in the first quarter, up from 14.2 percent when the recession started.⁵

According to *USA Today*, “[These] records reflect a long-term trend accelerated by the recession and the federal stimulus program to counteract the downturn. The result is a major shift in the source of personal income from private wages to government programs.⁶

In 2008, the Bureau of Labor Statistics (BLS) reported a loss of 3.65 million jobs in the private sector while government jobs increased nearly 150,000 during the same time period.⁷

BLS reported in 2009 that as the private sector continued to shed jobs during the toughest months of the recession, the number of public sector jobs grew.⁸ In total, up to 8 million private sector jobs have been lost during the recession.⁹

⁴ <http://www.washingtontimes.com/news/2010/feb/23/obamas-federal-jobs-program/>

⁵ http://www.usatoday.com/money/economy/income/2010-05-24-income-shifts-from-private-sector_N.htm

⁶ http://www.usatoday.com/money/economy/income/2010-05-24-income-shifts-from-private-sector_N.htm

⁷ <http://www.cnsnews.com/public/content/article.aspx?RsrcID=44662>

⁸ <http://www.cnsnews.com/public/content/article.aspx?RsrcID=44662>

⁹ http://www.nytimes.com/2009/10/04/weekinreview/04norris.html?_r=2&scp=2&sq=floyd&st=cse

A recent *Washington Times* article notes that in 2010 the number of civilian federal employees will increase by over 150,000 to a total of 1.43 million this year.¹⁰

This trend is also likely to continue.

A Gallup poll released in May 2010 found that “by nearly a 2-to-1 margin, federal employees say their employer is hiring rather than firing.” Gallup concluded the federal government maintains a +18 Job Creation Index for the month of April 2010 compared with -28 among state and local government workers and only +9 in private sector industries.¹¹

The federal workforce is growing while every other sector of the economy is shrinking: state and local governments – more vulnerable to recessionary impacts and reductions in tax revenues – are downsizing and private industry is shrinking.

Federal employees are better compensated than private employees

Coupled with this expansion in federal employees is recent data that shows federal employees actually fare better than private-sector workers in almost every aspect, including pay, benefits, time off, and job security.¹²

While the private workforce shrunk with the economy, federal salaries have increased on average of 4 percent since 1999 while inflation has increased on average of 2.4 percent – a difference of 1.6 percent.¹³ In 2009, federal salaries increased by 3 percent while inflation was at -0.04 percent.¹⁴

Federal salaries have continued to grow despite stagnant growth in the private sector. In 2009 federal employees received a 3.9 percent pay raise on average. This is more than twice the 1.5 percent increase for private sector workers.¹⁵ During the recession, federal pay has increased by 6.6 percent, while both state and private pay has increased by 3.9 percent.¹⁶

¹⁰ <http://www.washingtontimes.com/news/2010/feb/23/obamas-federal-jobs-program/>

¹¹ <http://www.gallup.com/poll/127628/Federal-Government-Outpaces-Private-Sector-Job-Creation.aspx>

¹² <http://reason.com/archives/2010/01/12/class-war/print>

¹³ Compiled with numbers from OPM in conjunction with CRS

¹⁴ Compiled with numbers from OPM in conjunction with CRS

¹⁵ <http://www.washingtontimes.com/news/2010/feb/23/obamas-federal-jobs-program/>

¹⁶ http://www.usatoday.com/news/washington/2009-12-10-federal-pay-salaries_N.htm

The President requested a 1.4 percent pay increase for federal workers in 2011.¹⁷

The average federal worker's pay is now \$71,206 (not including benefits), compared to \$40,331 in the private sector.¹⁸

Benefits, according to the Bureau of Economic Analysis, include average health, pension and other benefits tally up to \$40,785 per federal worker -- compared with just \$9,882 per private worker.¹⁹

Combining these two figures, reveals that the average federal employee collects \$111,991 in salary and benefits – over twice the amount a private sector employee collects (\$50,213).

The federal salary increases include a broad expansion of six-figure salaries, as the number of federal employees who earn six-figure salaries increased 46 percent (from 14 to 19 percent) during the first 18 months of the recession (December 2007 to June 2009) excluding overtime and bonus payments. The number of federal employees making more than \$150,000 more than doubled.²⁰

For example, Department of Defense civilian employees earning \$150,000 or more increased from 1,868 in December 2007 to 10,100 in June 2009 (a 541 percent increase). Similarly, when the recession started, the Department of Transportation had only one person earning a salary of \$170,000 or more. Eighteen months later, 1,690 employees had salaries above \$170,000.

As a result of all these salary and benefit increases, the federal employee turnover rate – including layoffs, discharges, and retirements – is 60 percent lower than the private sector average.²¹ Given the security and higher salary and benefits, it is not surprising why federal employees would not want to leave their jobs.

¹⁷ <http://www.myfederalretirement.com/public/569.cfm>

¹⁸ http://www.usatoday.com/news/washington/2009-12-10-federal-pay-salaries_N.htm

¹⁹ <http://www.foxnews.com/politics/2010/04/05/federal-government-jobs-far-outpace-private-sector-counterparts-pay-benefits/>

²⁰ http://www.usatoday.com/printedition/news/20091211/1afedpay11_st.art.htm?loc=interstitialskip

²¹ Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS) data from 2000 to 2009

\$96 million was awarded in bonuses to federal employees in 2008

According to the Office of Personal Management, in 2008, federal bonuses accounted for approximately \$96 million.²²

In 2007, federal bonuses accounted for \$95.1 million. About 106,000 of the 1.2 million federal workers received merit pay.²³

While the intention of bonuses was to reward merit and retain the best federal employees, bonuses have also been inappropriately awarded to a number of federal employees. A couple examples include:

In 2009, the Food and Drug Administration (FDA) purchased \$41,000 in gifts cards (160 gift cards with a \$250 value) to reward employees, prompting a review. The FDA indicated it normally awards such cards to about 15 percent of the workforce. In 2007, FDA gave its senior executives hefty bonuses at a time when it faced a budget crunch (\$35 million in bonuses in excess of \$4,000 in 2007, an \$8 million increase from 2006).²⁴

In 2008, the Indian Health Service (IHS) gave its senior official in charge of property management a \$13,000 bonus in 2008, despite the fact that millions of dollars' worth of equipment has been lost or stolen from agency facilities since 2007. In June 2008, GAO reported that nearly 5,000 items worth almost \$16 million went missing from 2004 to 2007. Investigators blamed management failures and weak leadership for the problems.²⁵ In a June 2009 updated report, GAO noted that "the Senior Service Executive in charge of the IHS property group and other areas was given a \$13,000 bonus after GAO's report exposed mismanagement of property under the executive's purview."²⁶

In 2008, with the U.S. Postal Service expecting a deficit of \$6 billion in 2009, following deficits of \$2.8 billion in 2008 and \$5.1 billion in 2007, the

²² E-mail to Senator Tom Coburn's office, Office of Personal Management, May 25, 2010

²³ Method, Jason, "Big bonuses rare for federal workers: Can government keep talent?" Asbury Park Press, March 24, 2009,

http://coburn.senate.gov/public/index.cfm?FuseAction=LatestNews.NewsStories&ContentRecord_id=39009370-802a-23ad-4979-40d20bfc42ba

²⁴ http://www.govexec.com/story_page.cfm?articleid=42803&dcn=todaysnews

²⁵ http://www.govexec.com/story_page.cfm?articleid=42809&dcn=todaysnews

²⁶ <http://www.gao.gov/new.items/d09450.pdf>

Postmaster General was paid a \$135,000 bonus in 2008 in addition to his \$263,575 salary (total benefits package was valued around \$800,000).²⁷

In 2007, only months after the Government Accountability Office, determined the Department of Veteran Affairs (VA) had used misleading accounting methods and claimed false savings of more than \$1.3 billion, VA officials involved in the foul-up got hefty bonuses ranging up to \$33,000. Also receiving a top bonus was the deputy undersecretary for benefits, who helps manage a disability claims system that has a backlog of cases and delays averaging 177 days in getting benefits to injured veterans.²⁸

Passing this amendment will prove Congress can limit spending in a down economy

While there are a number of areas in which Congress could decrease spending to help pay for national priorities, it makes sense for Congress to prohibit any further cost of living salary increases and any bonus payments this year.

In this down economy, federal employees should know they are fortunate to have a secure job that pays them, on average, more than a similar job in the private sector.

By only prohibiting this increase, that does not affect other federal benefits, and bonus payments this year, Congress would be offsetting at least \$2.3 billion of the total price tag of this bill.²⁹

Some might argue that awarding bonuses is a critical component to retaining top talent within federal bureaucracies; however, our nation is in an economic depression and Congress must find ways to limit spending.

Given the fact that federal jobs have become increasingly attractive in this job market because of higher salary and benefit payments, it is appropriate to freeze all salaries *and* prohibit any bonuses in Fiscal Year 2011.

²⁷ <http://www.washingtontimes.com/news/2009/feb/17/in-hard-times-postmaster-earned-800000-in-pay-perk/>

²⁸ <http://www.cbsnews.com/stories/2007/05/03/national/main2757717.shtml>

²⁹ The total cost in salary for non-defense, non USPS federal employees (\$161.1 billion) multiplied by the increase recommended by President Obama (1.4 percent) plus the amount awarded for bonuses to federal employees in 2008 totals \$2.512 billion.