



Senate Wants DoD Contractor 'Hiring Freeze'

By Jared Serbu June 20, 2011

The Defense Department's spending on service contracting would be ratcheted back to fiscal year 2010 spending levels under a major Pentagon funding bill approved by the Senate Armed Services Committee Thursday.

The cuts, amounting to \$1.1 billion in various DoD operations and maintenance accounts, are intended to mimic the hiring freeze now in effect for most of the department's civilian workforce, and come along with other unspecified "contracting improvements," according to a committee press release detailing provisions in the 2012 defense authorization bill.

The Senate version of the legislation, as in prior years, was crafted in a session that was closed to members of the public and the media.

The service contracting cuts are among the largest dollar areas Senators took aim at as they trimmed back authorized spending from the President's Defense budget request by a total of \$6.4 billion, including funds in both the department's base budget and its overseas contingency accounts, which support activities in Iraq and Afghanistan.

Other large cuts included:

- More than \$1 billion in military construction funding
- The elimination of all 2012 funding for the Medium Extended Air Defense System (MEADS) program, totaling \$407 million
- The elimination of \$684 million in "excess unobligated balances," based on an unspecified Government Accountability Office analysis
- \$200 million of \$775 million in the president's budget request for the Army's Joint Tactical Radio System.
- \$130.0 million from operation and maintenance accounts for military intelligence
- \$269.0 million in Air Force operation and maintenance funding
- \$230 million in operations and maintenance funding for DoD business systems, to be achieved by "aggressively implementing a new approval requirement for expenditures on such systems and the eliminating funding to maintain business systems that are obsolete, no longer needed, or not a part of the objective business systems architecture of the Department"

Sen. Carl Levin (D-Mich.), the chairman of the committee, said his panel felt compelled to seek reductions in President Obama's spending request given the country's overall fiscal situation. That was bolstered, he said, by the President's own announcement, made after the administration's budget was released, that Obama wants to reduce national security spending by \$400 billion over 12 years.

He expressed frustration, however, that the White House Office of Management and Budget had not told Congress when the administration believed those cuts should begin or in what areas they should be made.

"We've tried twice, and without any success," he said in a conference call with reporters on Friday. "It sure would be useful. We're not bound by their recommendation any more than we're bound by their spending request, but for OMB to send us a recommendation in February that has one number and then for the administration to say a couple months later than they're recommending these reductions without telling us the amount of cuts for year one seems to be losing an opportunity."

The Senate version of the bill also includes a 1.6 percent pay increase for active duty servicemembers and continues more than 30 different special incentive pay programs designed to encourage recruitment and reenlistment. It also authorizes the military to give buyouts amounting to one year's salary for officers with anywhere between 20 and 29 years of service.

Senators also took up DoD's perennially contentious request to raise health care premiums for military retirees, an issue Defense Secretary Robert Gates gave a dire warning about only a day earlier when he told another Senate committee that the military "risks the fate of other corporate and government bureaucracies that were ultimately crippled by their personnel costs" without changes to its health care financing system.

Senators acquiesced to most, but not all, of the Pentagon's requested health care changes. Their changes to TRICARE, the military's managed care insurance system, largely mirror the version of the authorization bill the House passed in May.

Like the House, the Senate decided not to block Gates' request to increase premiums for working-age military retirees by \$5 per month (the fees have not risen since 1995), but instead of the Pentagon's proposal to index future years' increases to the actual rate of health care cost inflation, fees would be tied to the pension increases retirees receive as their annual cost of living adjustment, a much lower figure.

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