



Local governments working together for a better metropolitan region

November 4, 2010

District of Columbia

*Bladensburg**

Bowie

College Park

Frederick

Frederick County

Gaithersburg

Greenbelt

Montgomery County

Prince George's County

Rockville

Takoma Park

Alexandria

Arlington County

Fairfax

Fairfax County

Falls Church

Loudoun County

Manassas

Manassas Park

Prince William County

The Honorable Robert Gates
Secretary
U.S. Department of Defense
1000 Defense Pentagon
Washington, DC 20301-1000

Dear Secretary Gates:

The Metropolitan Washington Council of Governments (COG) Board of Directors is concerned about proposed measures to cut contract expenditures within the Department of Defense, which has been called an "efficiency" initiative. We agree with the objective of improving DOD efficiency, making America safer, and controlling costs during these economically challenging times; however we are concerned about the apparent haste and lack of analysis with which these decisions were made.

COG is a regional association of more than 250 local, state and federal elected officials representing 21 local governments in the National Capital Region. COG hosts and supports the National Capital Region Transportation Planning Board, our region's metropolitan planning organization (MPO) and the Metropolitan Washington Air Quality Committee, the tri-state air quality planning organization. COG has a long history of working on a broad range of issues, including economic and workforce development; hence our interest on this particular proposal.

**Adjunct member*

Cutting support contractor spending by ten percent a year for three years, or 27.1 percent in total, will have significant, detrimental impacts on the economic growth and vitality of the National Capital Region. For decades, national policy has been aimed at diversifying the federal workforce to include public and private sector employees as a means of increasing productivity and reducing costs.

The National Capital Region's economy has been built around this policy. Federal purchases for goods, professional services and research in metropolitan Washington have grown from approximately \$5 billion in FY 1980 to nearly \$70 billion in FY 2008. During the same period the number of federal workers has remained essentially flat. Federal defense contractors are among the National Capital Region's largest private employers, providing an estimated \$35 billion worth of highly-specialized services last year. The National Capital Region has an unemployment rate half that of the national average, and our economic prosperity, built on federal employment and federal contracting, contributes directly to military readiness and national security.

To date, a comprehensive analysis identifying the cost effectiveness of the proposed in-sourcing, taking into consideration the negative impacts on regional economies, has not been made available. Nor has a detailed written analysis, requested by Congressman Gerry Connolly, specifying the protections that you will institute for small and minority owned business, a sector that will bear the brunt of these cuts and the promotion of which is a stated priority of the Administration.

The impact on small contractors will be acute: 41 National Capital Region contractors with less than \$10 million in annual revenue receive 90-100 percent of their income from the Professional, Administrative, and Management Support services contracts that you have targeted for cuts. We are deeply concerned that small and minority businesses will bear the brunt of service contracting cuts, and urge you to develop a detailed written plan that provides guidance to contracting officers and reassurance to elected officials that “efficiency” proposals will not eviscerate small and minority contractors.

As a body of elected officials who have had to make extremely difficult cuts to local and state budgets over the last few years, we are acutely aware of the consequences of such actions and make every effort to minimize the impacts on our communities. It is unclear, because of the limited flow of information, that your Department has exhibited the same due diligence. For example, DOD has provided no data that cutting contract support expenditures will either save money or improve readiness. DOD has not provided any information on how we can protect technological expertise for the military even as we dramatically cut costs.

To better understand the merits of the proposed cuts, the impacts on this region, and how we can prepare our workforce and economy, it is incumbent that DOD conduct a rigorous analysis of the potential impacts of these costs and publicly circulate the results. We also strongly urge that you attend hearings before Congress to address these issues. We understand that several requests for such a dialogue by the National Capital Region’s Congressional delegation, and others, have to-date been declined. Failure to explain new business models resulting from “efficiency” plans or the analytical basis for such plans only calls into question the wisdom of such proposals.

Thank you for your consideration of COG’s request and we look forward to working with DOD officials and other stakeholders to examine the public policy, fiscal and economic development issues associated with this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'KRB', with a long horizontal flourish extending to the right.

Kwame R. Brown
Chairman, COG Board of Directors

cc: National Capital Region Congressional Delegation