

**Statement of
Ranking Member Tom Davis
House Committee on Government Reform**

**before the
Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia**

August 2, 2007

Good afternoon, Chairman Davis and Members of the Subcommittee, and thank you for holding this hearing today. Given the federal government's active efforts to recruit and retain new federal employees, combined with the pending wave of retirements facing the federal workforce, this is an opportune time for Congress to evaluate the current system of federal health and retirement benefits in order to determine whether the current mix is sufficient to meet employee needs.

I am here today to testify about two legislative proposals I believe would help the federal government recruit and retain the best and the brightest employees our nation has to offer.

The first bill I would like to discuss is H.R. 1110, legislation commonly referred to as "premium conversion." I have sponsored this legislation since the 107th Congress and it has always enjoyed broad bipartisan support, collecting 340 cosponsors last Congress. I re-introduced this legislation in February, and it is currently pending before this Subcommittee.

H.R. 1110 has widespread support for good reason. It would end a discrepancy that exists between active duty federal employees and federal retirees. Under current law, federal employees are allowed to pay for their healthcare costs using pre-tax dollars. When those employees retire, however, those same employees are suddenly forced to begin paying for those same health care expenses using after-tax dollars.

Health care costs in the Federal Employees Health Benefits Program have gone up by over 9 percent a year since 1999. H.R. 1110 would alleviate these increases by saving retirees nearly \$800 annually. Here in Washington that might not seem like a lot of money over the course of a year, but to those on a fixed income, it can make a huge difference.

The federal government has a long history of treating our active employees and retirees the same – providing them equal access to health care, for example. Why shouldn't retirees have the same ability to pay their premiums with pre-tax dollars? And why shouldn't our military personnel be able to do the same under their Tricare programs?

This Committee approved this legislation unanimously last Congress and I look forward to working with the Subcommittee Chair this year to make sure this important legislation advances once again. Perhaps this year it won't die once again in the Ways and Means Committee.

The second piece of legislation I would like to discuss is not pending before this Subcommittee, but considering the impact it could have on our ability to recruit and retain new federal employees, I would like to bring it to your attention. The legislation is H.R. 2363, introduced by

Rep. Tim Bishop and myself, entitled the Generating Opportunity by Forging Educational Debt for Service Act of 2007, better known as GOFEDS.

GOFEDS seeks to attract and retain employees who have recently completed undergraduate or graduate-level education by allowing them to exclude their student loan repayments from gross income.

The challenges we face – from homeland security to pandemic health crises to energy supplies – will require a committed and talented human capital pool. But more and more, young Americans are opting for employment in the private and non-profit sectors, leaving the federal government hard-pressed to attract the right people to the right jobs.

In a recent report on the need to build expertise in the federal workforce to protect the nation from bioterrorism, the Partnership for Public Service pointed out that bio-defense agencies are finding it increasingly difficult to hire employees with the required scientific and medical expertise. The overall demand for bio-defense talent will continue to rise for the foreseeable future – by as much as 25 percent through 2010 – while the supply of such talent will decline unless we act.

The GOFEDS Act would improve the effectiveness of the existing loan repayment program as a recruitment tool and in turn improve federal programs. While current law allows federal agencies to repay student loans on behalf of employees, up to \$10,000 a year with a \$60,000 cap, the incentive is taxed. Nonprofits and educational institutions offer loan repayments which, in contrast, are not counted as taxable income for the recipient. H.R. 2263 simply puts the federal government on par with nonprofits by excluding loan repayment from the employees' taxable income.

I look forward to working with this Subcommittee and other interested Members of Congress on these important initiatives so that we can better meet the federal government's workforce challenges, which are so critical to the success of the federal government's core missions, today and in the future.

Again thank you for holding this hearing, Mr. Chairman. I would be happy to answer any questions you might have.