

# **ENCLOSURE 1**

**POGO's Calculations Comparing DoDs Average  
FY 2010 Costs for GFTEs and CFTEs;  
Calculations of DoD's FY 2010 Expenditures for Comparing  
Contractor Workforce and Civilian Workforce**

## **POGO's Calculations Comparing DoD's Average FY 2010 Costs for DoD Civilian and Contractor FTEs; Calculations of DoD's FY 2010 Expenditures for Comparing the Civilian and Contractor Workforce**

The latest period for which the Department of Defense (DoD) has data comparing annual DoD civilian full-time employees (GFTE) with contractor full-time employees (CFTE) is fiscal year (FY) 2010. Unfortunately, DoD's records document a significant discrepancy between the estimated and actual contractor workforce. DoD estimated a civilian workforce of roughly 777,844 GFTEs and a contractor workforce of roughly 318,792 CFTEs (Attachment A); however, the DoD data states that its Inventory of Contracts for Services (ICS) reported roughly 622,770 CFTEs.<sup>1</sup> During the same fiscal year, the American Society of Military Comptrollers estimated that DoD expended \$253.8 billion<sup>2</sup> on service contractors (Attachment B), while spending only \$72 billion on its civilian workforce.<sup>3</sup> (Attachment C)

Because DoD's cost data for its civilian workforce reflects only compensatory costs and none of the various non-compensatory cost factors reflected in the service contract expenditures (Attachment C), DoD should have included roughly an additional 50 percent loading for those cost factors identified in the Office of Management and Budget's COMPARE cost modeling system that is used in A-76 public-private competitions.<sup>4</sup> That would have increased the cost of the civilian workforce to roughly \$108 billion.

The data makes clear that DoD expends on average between 2.35 and 3.53 times more of its funding on service contracts than on its civilian workforce<sup>5</sup>—a government workforce that is targeted for severe cuts.<sup>6</sup> This comparison is perforce calculated as a matter of averages because DoD fails to calculate the actual costs or savings that result from its reliance on contractors by

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<sup>1</sup> Department of Defense, "Report to Congress: The Fiscal Year 2010 Inventory of Contracts for Services," August 2011, Executive Summary. [http://www.pogoarchives.org/m/co/dod\\_2010\\_contracts\\_20120801.pdf](http://www.pogoarchives.org/m/co/dod_2010_contracts_20120801.pdf). This discrepancy can be explained, in part, as follows: the CFTEs reported on the ICS are *estimates*, with the exception of Army figures, calculated based on funding obligations reported in the Federal Procurement Database System (FPDS) and do not reflect actual CFTEs, as do the Army figures. In turn, the CFTEs that are reported in budget requests are based on submissions from DoD components to the DoD's Comptroller and are not extrapolated from CFTEs that were actually funded during the previous year. The recently released FY 2011 Inventory of Contracts for Services report states that DoD has nearly 710,000 contractor full-time equivalents costing the government \$144.5 billion. Department of Defense, "Report to Congress: The Fiscal Year 2011 Inventory of Contracts for Services," August 2012, p. 1. <http://www.pogoarchives.org/m/co/ics-2011-report-20120919.pdf>

<sup>2</sup> POGO has included the relevant section of the FY 2012 Budget that highlights DoD service contract spending. <http://www.pogoarchives.org/m/co/omb-fy-2012-budget-color-short.pdf>; Office of Management and Budget, "Object Class Analysis: Budget of the U.S. Government, Fiscal Year 2012," p. 10. <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/objclass.pdf> (Downloaded September 21, 2012)

<sup>3</sup> Department of Defense, American Society of Military Comptrollers, "Service Support Contractors: One of the FY 2012 Budget Efficiencies," October, 2011, p. 6. <http://www.asmconline.org/wp-content/uploads/2011/10/ASMCBreakfastServiceSupportContractors.pptx> (Downloaded March 27, 2012)

<sup>4</sup> Office of Management and Budget, "OMB Circular A-76 Revised," May 29, 2003, Appendix C. [http://www.whitehouse.gov/omb/circulars\\_a76\\_a76\\_incl\\_tech\\_correction#c](http://www.whitehouse.gov/omb/circulars_a76_a76_incl_tech_correction#c) (Downloaded September 7, 2012)

<sup>5</sup> \$253.8 billion for CFTEs / \$72 billion for civilian personnel = 3.53 times more spending.

\$253.8 billion for CFTEs / \$108 billion for civilian personnel = 2.35 times more spending.

<sup>6</sup> Joe Davidson, "As Pentagon's civilian workforce faces cuts, alarms ring about more," *Washington Post*, November 7, 2011. [http://www.washingtonpost.com/politics/as-pentagons-civilian-workforce-faces-cuts-alarms-ring-about-more/2011/11/07/gIQA6Xw0wM\\_story.html](http://www.washingtonpost.com/politics/as-pentagons-civilian-workforce-faces-cuts-alarms-ring-about-more/2011/11/07/gIQA6Xw0wM_story.html) (Downloaded August 8, 2012)

comparing the cost of contractor performance with cost of federal employee performance of comparable functions and activities. POGO's legislative proposal seeks to remedy this critical failure. (Enclosure 4, Attachment A)

If we use the figures DoD's Comptroller touts, we can calculate the average civilian annual compensation (including benefits) to be \$92,564/yr.<sup>7</sup> However, using the more accurate and fully loaded cost, we can calculate the average civilian annual cost to be \$138,846/yr.<sup>8</sup> By comparison, using DoD's budget data, we can calculate the average contractor employee's fully loaded annual cost to be \$796,130/yr.<sup>9</sup> But if we use DoD's ICS estimate, we calculate that cost to be \$407,534/yr.<sup>10</sup>

From this we derive the rates of cost inefficiency to be from 2.94 to 8.60 as follows: (1) the rate of increased costs for 622,770 contractor employees over civilian-employee fully loaded costs is approximately 2.94<sup>11</sup>; (2) the rate of increased costs for 622,770 contractor employees over civilian-employee compensatory costs is 4.40<sup>12</sup>; (3) the rate of increased costs for 318,792 contractor employees over civilian-employee fully loaded cost is 5.73<sup>13</sup>; and (4) the rate of increased costs for 318,792 contractor employees over civilian-employee compensatory costs is 8.60.<sup>14</sup> There can be no policy justification for this high level of spending under any circumstances, but certainly not when removing the cap on civilian FTEs would allow the DoD to reduce that spending significantly and bring the Department closer to meeting its mandate to maintain a cost-efficient, balanced military workforce.

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<sup>7</sup> \$72 billion for GFTEs / 777,844 GFTEs = \$92,564 per year.

<sup>8</sup> \$108 billion for GFTEs / 777,844 GFTEs = \$138,846 per year.

<sup>9</sup> \$253.8 billion for CFTEs / 318,792 CFTEs = \$796,130 per year.

<sup>10</sup> \$253.8 billion for CFTEs / 622,770 CFTEs = \$407,534 per year.

<sup>11</sup> \$407,534 / \$138,846 = 2.94 times more costly.

<sup>12</sup> \$407,534 / \$92,564 = 4.40 times more costly.

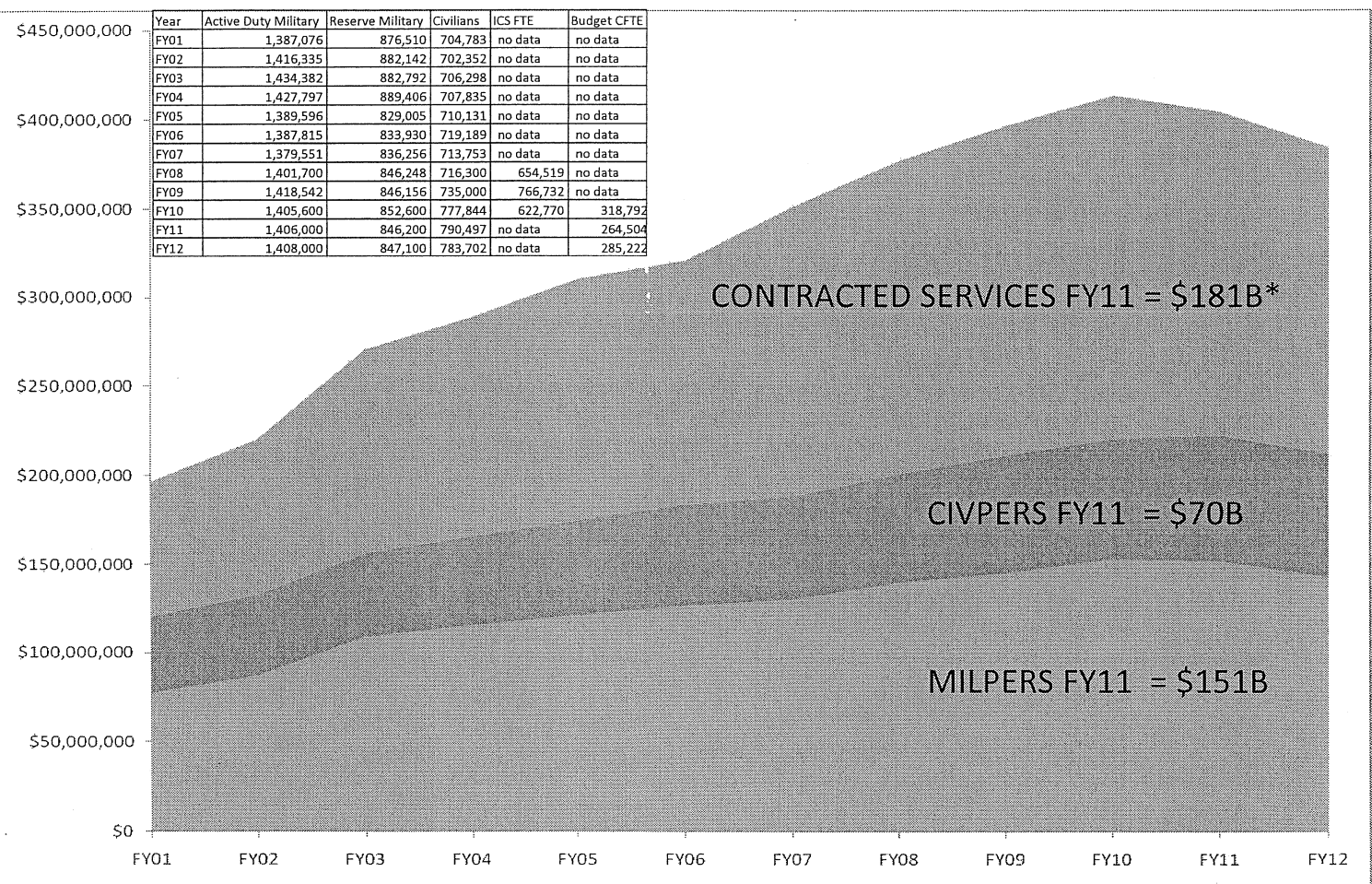
<sup>13</sup> \$796,130 / \$138,846 = 5.73 times more costly.

<sup>14</sup> \$796,130 / \$92,564 = 8.60 times more costly.

**ENCLOSURE 1**  
**Attachment A**

**Department of Defense**  
**Total Force in Execution - SB base + OCO**

# The Total Force In Execution - \$B Base + OCO



MILPERS/CIVPERS Data from Green book

Contracts for Services from other govt accounts, revolving funds, and other civil functions excluded

**ENCLOSURE 1**  
**Attachment B**

**Office of Management and Budget**  
**Object Class Analysis:**  
**Budget of the U.S. Government, Fiscal Year 2012**



# **Object Class Analysis**

**Budget of the U.S. Government**

**Fiscal Year 2012**

**Office of Management and Budget**  
**[www.budget.gov](http://www.budget.gov)**

Table 1 -- OBLIGATIONS BY OBJECT CLASS  
 OBJECT CLASS - PRESIDENT'S BUDGET -- In millions of dollars

Department of Defense--Military Programs		2010 actual	2011 estimate	2012 estimate
Object Class				
11.1	Full-time permanent . . . . .	28,549	30,918	30,348
11.3	Other than full-time permanent . . . . .	1,845	1,773	1,748
11.5	Other personnel compensation . . . . .	1,848	1,518	1,611
11.7	Military personnel . . . . .	98,755	101,479	99,534
11.8	Special personal services payments . . . . .	4	1	2
12.1	Civilian personnel benefits . . . . .	9,989	10,480	10,388
12.2	Military personnel benefits . . . . .	50,644	48,959	52,567
13.0	Benefits for former personnel . . . . .	1,246	494	1,058
	PERSONNEL COMPENSATION AND BENEFITS Subtotal 10 . . . . .	192,880	195,622	197,256
21.0	Travel and transportation of persons . . . . .	10,421	6,757	9,033
22.0	Transportation of things . . . . .	14,684	5,918	13,723
23.1	Rental payments to GSA . . . . .	528	336	1,110
23.2	Rental payments to others . . . . .	1,620	1,606	1,487
23.3	Communications, utilities, and miscellaneous charges . . . . .	6,891	6,343	6,760
24.0	Printing and reproduction . . . . .	702	437	674
25.1	Advisory and assistance services . . . . .	24,587	14,171	17,077
25.2	Other services . . . . .	23,028	16,539	20,621
25.3	Other purchases of goods and services from Government accounts . . . . .	69,315	56,971	62,797
25.4	Operation and maintenance of facilities . . . . .	26,413	13,410	20,178
25.5	Research and development contracts . . . . .	64,385	67,607	58,099
25.6	Medical care . . . . .	14,149	16,474	17,225
25.7	Operation and maintenance of equipment . . . . .	30,180	19,803	29,727
25.8	Subsistence and support of persons . . . . .	1,721	232	1,394
26.0	Supplies and materials . . . . .	52,267	118,738	61,391
	CONTRACTUAL SERVICES AND SUPPLIES Subtotal 20 . . . . .	340,891	345,342	321,296
31.0	Equipment . . . . .	131,715	160,932	138,337
32.0	Land and structures . . . . .	19,787	23,095	22,174
33.0	Investments and loans . . . . .	430	829	---
	ACQUISITION OF CAPITAL ASSETS Subtotal 30 . . . . .	151,932	184,856	160,511
41.0	Grants, subsidies, and contributions . . . . .	2,400	2,854	1,752
42.0	Insurance claims and indemnities . . . . .	741	304	558
43.0	Interest and dividends . . . . .	30	10	21
44.0	Refunds . . . . .	5	7	10
	GRANTS AND FIXED CHARGES Subtotal 40 . . . . .	3,176	3,175	2,341
91.0	Unvouchered . . . . .	15	22	21
	OTHER Subtotal 90 . . . . .	15	22	21
99.0	Total Direct obligations . . . . .	688,894	729,017	681,425
99.0	Reimbursable obligations . . . . .	185,871	175,041	171,038
99.9	TOTAL GROSS OBLIGATIONS . . . . .	874,765	904,058	852,463



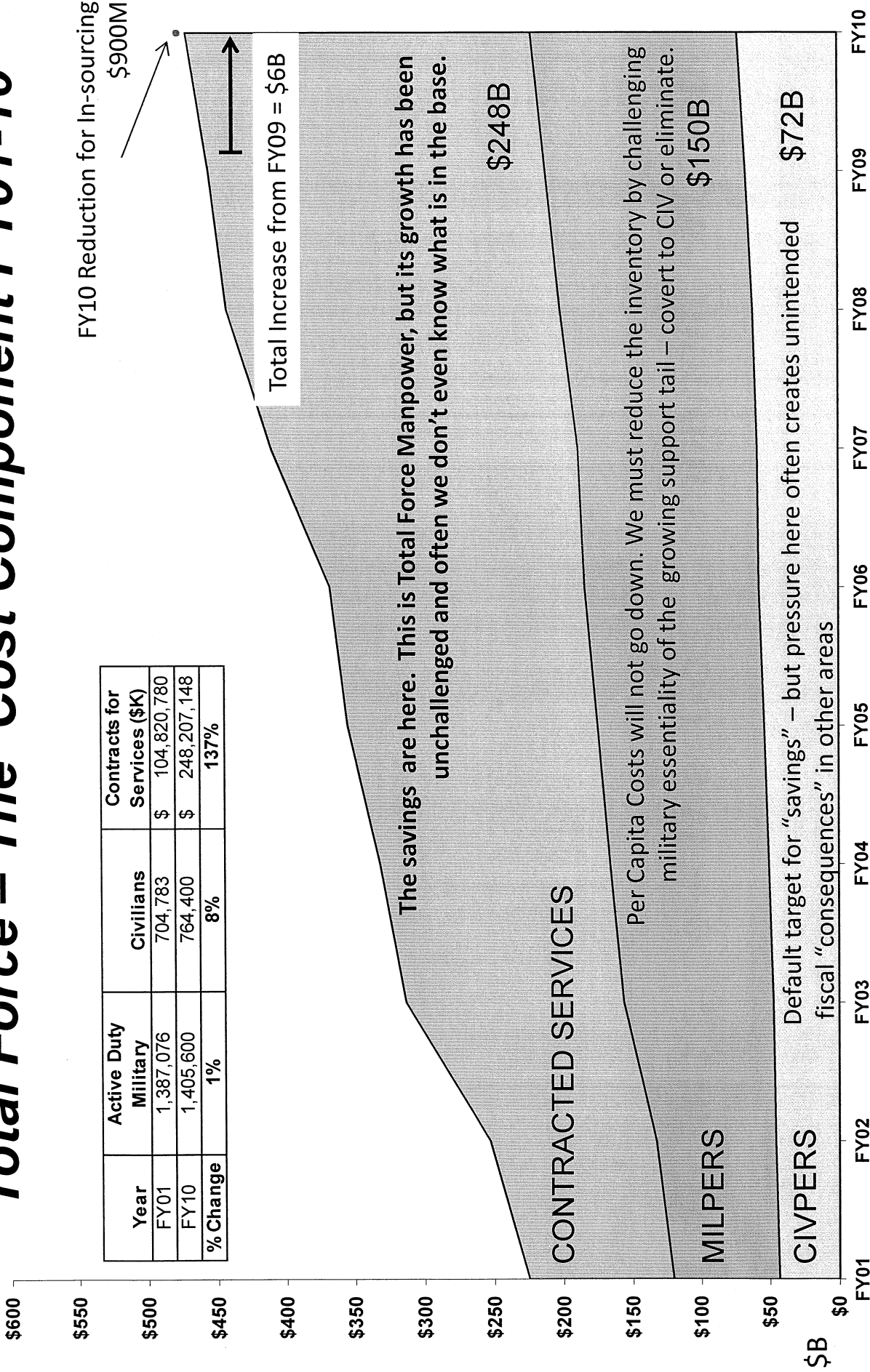
**ENCLOSURE 1**  
**Attachment C**

**Department of Defense**  
**Total Force—The Cost Component FY 01-10**

# Total Force – The Cost Component FY01-10

FY10 Reduction for In-sourcing \$900M

Year	Active Duty Military	Civilians	Contracts for Services (\$K)
FY01	1,387,076	704,783	\$ 104,820,780
FY10	1,405,600	764,400	\$ 248,207,148
% Change	1%	8%	137%



National Defense Budget Estimates for FY2011 (“Current Dollars”) – BASE and OCO \$ \$  
 OUSD(P&R) – Requirements and Program and Budget Coordination Directorate