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Opening Statement Chairman Gerald E. Connolly Subcommittee on Government Operations Hearing on "Government Shutdowns: Contract Killers"

May 6, 2019

I want to thank Members of the Government Operations Subcommittee and Members of the DC-area delegation for attending this important field hearing to examine the impacts of government shutdowns on contractors. I would also like to thank George Mason University for its hospitality and for providing us with this room.

Just five months ago, from December 22nd through January 25th we were in the throes of the longest government shutdown in United States history. President Trump used nearly 800,000 federal employees as pawns in a ruthless attempt to fulfill a wrongheaded political promise. According to our estimates, an additional 1.5 million federal contractors may also have been affected by the unnecessary shutdown, prevented from reporting to work and serving the American people.

Virginia's 11th District is home to about 55,000 federal employees, one of the largest populations of federal employees of any congressional delegation. For every federal worker in my district, we estimate there are roughly 1.5 contractors. According to federal contracting data, the agencies affected by the longest gap in funding in federal government history experienced a drop of approximately 75% in contract obligations when compared to the same 35 days from the previous year. And more than five federal agencies saw reductions in contract obligations of approximately \$150 million during the 35-day shutdown.

Contractors serve important roles alongside federal employees, they respond to citizens in need by answering phones in call centers, they analyze classified intelligence information, and they help maintain agency information technology (IT) systems, secure federal buildings, and provide the federal government and American taxpayers with goods and services. They are laboratory technicians, machinists, janitors, cafeteria workers, cybersecurity experts, and engineers. Our government would not function without them.

While federal employees deservingly received backpay when the government re-opened, federal contractors did not. This disparity is wrong. Federal contractors and their families should not be penalized for a government shutdown that they did nothing to cause. As a result of the nearly five-week shutdown, federal contractor employees lost more than a month's pay and missed several paychecks. Like all of us, these workers have financial responsibilities such as rent or mortgage payments, household bills, and medical expenses – not to mention every day purchases such as food and gas. That is why I led a bipartisan letter signed by 48 Members of the House of Representatives – including Representatives Eleanor Holmes Norton, Jamie Raskin, Don Beyer, and Jennifer Wexton – encouraging the House Appropriations Committee to include a provision to provide back pay to federal contractor employees for wages lost during the shutdown in any supplemental appropriations bill for Fiscal Year 2019 or as part of the regular appropriations process for Fiscal Year 2020.

Businesses who contract with the federal government were also greatly impacted by the partial government shutdown, and many are still feeling the effects to this day. According to the Congressional Budget Office (CBO) report *The Effects of the Partial Government Shutdown Ending in January 2019* “federal spending on goods and services was about \$9 billion lower during the five-week shutdown than it would have been otherwise.” Additionally, “private producers that had contracts with federal agencies that were affected by the partial shutdown – and probably their employees and suppliers – saw a reduction in income during the shutdown.” When the government is shut down, contractors may lose compensation for a number of reasons. First, agencies may issue a stop-work order, freezing the contract, to minimize the cost to the government. Second, during a shutdown agencies have no staff to process invoices for work that was performed and billed to the government prior to the shutdown. Companies could have also

lost income because agencies deferred or canceled new contracts due to the uncertainties caused by the shutdown. There are likely numerous additional ways in which the partial government shutdown negatively impacted contractors. And we will explore many of them at this hearing today.

Amidst the turmoil of the shutdown, we also saw how companies and coworkers banded together to mitigate some of the pain a gap in funding might cause. Today, we will hear from small and mid-sized businesses who went to great lengths to avoid laying off or furloughing their employees during the shutdown. Some used the 35-day partial government shutdown as an opportunity to offer their employees additional training. Others allowed employees who were not furloughed to donate their leave to those who were. These companies also had to consider whether to continue paying furloughed employees' medical insurance premiums and any retirement contributions. Many businesses did all they could to help their employees, but some eventually had to lay people off. Unfortunately, there were some small businesses that did not survive the financial hardships presented by the shutdown.

Like everyone in the room today, I hope that we never experience another government shutdown. However, we do not know what the future holds. Therefore, Congress must take action to lessen the impact on contractors, work with agencies to improve their communication with contractors ahead of a shutdown, and most importantly, ensure that contractor employees are able to receive backpay.

I thank all of our witnesses for appearing before the Subcommittee this morning and look forward to hearing from them.