

Press Release

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FOREST SERVICE OUTSOURCING PLAN PRODUCES BIG LOSSES Claimed “On the Books” Savings Swamped by “Off the Books” Costs

Washington, DC — The U.S. Forest Service ended up costing itself more than nine times what it claims to have saved by subjecting its information technology (IT) operations to an A-76 public-private competition, according to documents jointly released today by the National Federation of Federal Employees (NFFE) Forest Service Council and Public Employees for Environmental Responsibility (PEER). Since implementing this A-76 performance decision in February 2005, the cash-strapped Forest Service devoted \$292 million more through Fiscal Year (FY) 2006 to perform basic IT functions than was previously required for this work.

This perverse result springs from President Bush’s so-called competitive sourcing initiative, which requires all agencies to put a high proportion of their positions out to bid against private contractors. Under the A-76 process, federal employees reorganize themselves into quasi-contractual entities called Most Efficient Organizations (MEO) to perform the targeted agency operations. A MEO, like a government contractor, is not directly accountable to agency line-management, but only to its contract.

The Forest Service reorganized its IT infrastructure into an MEO in 2005, reducing the number of staff handling computer and communications work. Based on this downsizing, the agency claimed “on the books” savings of \$35.2 million during FY 2005 and 2006. However, according to agency documents, the restructuring resulted in many more Forest Service employees outside the MEO spending substantially more time performing IT tasks, costing the agency \$327 million and resulting in a net operational loss of \$292 million. Among the factors contributing to these “off the books” costs were –

- Lost productivity due to significantly longer delays in getting computer breakdowns resolved; and
- Creation of shadow IT units, pulling technically competent staff off of their regular duties. This “burden shift” costs the Forest Service significantly as highly paid non-IT employees spend up to 20 percent of their time dealing with IT issues.

As Tahoe National Forest Supervisor Steve Eubanks explained in an email to agency management:

“It’s hard for me to understand how anyone with even a cursory understanding of the impacts on field folks could suggest that competitive sourcing related to IT...has saved any money at all... I believe it’s relatively easy to show that burden shift, lost productivity, and real dollars spent offset any paper savings...Overall, the huge amount of new and increased administrative work required by employees has created a kind of ‘gridlock’ that is really frustrating employees.”

“The Bush Competitive Sourcing program is a prime example of management by slogan,” stated PEER Executive Director Jeff Ruch. “The Forest Service experience shows how a ‘Most Efficient Organization’ masks a penny-wise and pound-foolish reality in which a public agency is rendered far less capable than it

was before.”

“Even when they don’t force ill-conceived outsourcing, Bush’s quota-driven A-76 performance decisions embed inflexible internal contracts in the civil service – imposing extra layers of bureaucracy and generating huge hidden inefficiencies and costs,” added Mark Davis, Chair of the NFFE Forest Service Council Legislative Committee, noting that with the advent of fire season, resource demands on the agency will become even more intense. “With competitive sourcing activities accelerating and current statutory restrictions being largely ignored, there is an urgent need for Congress to suspend this program until a pending GAO review can be completed and an appropriate regulatory framework developed.”

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Look at the agency’s data on additional IT staff time required by the reorganization

http://www.nffe-fsc.org/Documents/CSIndex/Refs_2007/FS_060620_BOTA2ReportAppendixA.pdf

See the NFFE-PEER Cost Calculations summary

http://www.nffe-fsc.org/Documents/CSIndex/PR_070522/IT_Cost_Calc.doc

View the agency’s savings claims as reported to Congress

<http://sharea76.fedworx.org/ShareA76/docs/5%20-%20Department%20of%20Agriculture/2006%20USDA%20Report%20to%20Congress.pdf>

Read the email from Forest Supervisor Eubanks

http://www.nffe-fsc.org/Documents/CSIndex/CS_Brief_2006/2006_References/FS_060301_Eubanks.doc

See the full Forest Service internal report on reorganization outcomes

http://www.nffe-fsc.org/Documents/CSIndex/Refs_2007/FS_060620_BOTA2Report.pdf

View other illusory claims of savings from Competitive Sourcing

http://www.peer.org/news/news_id.php?row_id=741