

**GOVERNMENT SHUTDOWNS:
CONTRACT KILLERS**

HEARING

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
OF THE
COMMITTEE ON OVERSIGHT
AND REFORM

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NO DOCUMENTS WERE SUBMITTED FOR THIS HEARING.

FIELD HEARING GOVERNMENT SHUTDOWNS: CONTRACT KILLERS

House of Representatives

SUBCOMMITTEE ON GOVERNMENT OPERATIONS
COMMITTEE ON OVERSIGHT AND REFORM
WASHINGTON, D.C.

The subcommittee met, pursuant to notice, at 9:10 a.m., in room 1201, Merten Hall, George Mason University, 4441 George Mason Blvd., Fairfax, Virginia, 22030, Hon. Gerald E. Connolly (chairman of the subcommittee) presiding.

Present: Representatives Connolly, Norton, and Raskin.

Also present: Representatives Beyer and Wexton.

Mr. CONNOLLY. Good morning everybody. And welcome to the first field hearing of the new Congress of the Government Operations Subcommittee of the Committee of Oversight and Reform. I want to welcome my colleagues from Northern Virginia, Don Beyer from the Eighth congressional District; Jennifer Wexton from the 10th congressional District; and our dear friend and colleague, the Congresswoman from the District of Columbia, Eleanor Holmes Norton.

Greeting us first will be the president of George Mason University, Angel Cabrera. Thank you, President Cabrera.

Mr. CABRERA. Thank you.

Thank you so much, Congressman Connolly. Thank you to all the members of the subcommittee. It is a pleasure to host you at the largest, fastest growing, and most diverse university in Virginia. We are very proud to have been reclassified three years ago as a Research 1 university in the country. We Are the youngest Research 1 in the Nation. And yet we Are fully committed to our public mission of access. That is what is unique about our university. And we love to be a place where the community comes together for important questions, including this one. We are one of the biggest producers of employers in our leading government contracting companies in the region. So the matter being discussed here today matters to our alumni a great deal.

So thank you so much to all the members of the subcommittee and to you, Congressman Connolly. Thank you so much, and welcome to Mason.

Mr. CONNOLLY. Thank you so much, President Cabrera. And thank you for your hospitality here at George Mason University.

I want to thank members of the Government Operations Subcommittee and, of course, members of the D.C. area delegation for coming to this very important field hearing to examine the impacts

of government shutdowns on contractors. I would also like to thank our hosts again for their hospitality.

Just five months ago, from December 22d through January 25th, we were in the throes of the longest government shutdown in the United States history. President Trump used nearly 800,000 Federal employees as pawns in what I consider to be a ruthless attempt to fulfill a wrong-headed political promise. He wanted to build a wall. According to our estimates, an additional 1.5 million Federal contract employees may also have been affected by the unnecessary shutdown and prevented from working and serving the American people.

Virginia's 11th District, which I represent and where you are now, is home to about 55,000 Federal employees, one of the largest populations of Federal employees of any congressional district.

But 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 the funding of government history experienced a drop of approximately 75 percent 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 that same 35-day period.

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

While Federal employees deservedly received backpay when the government reopened, Federal contractors did not. This disparity is wrong, especially when one considers that, in many cases, contract employees are embedded in Federal agencies working side by side with Federal employees doing the same work.

Federal contractors and their families should not be penalized for a government shutdown they did nothing to cause. As a result of the nearly five-week shutdown, Federal contract employees lost more than a month's pay and often missed several paychecks. Like all of us, these workers have financial responsibilities, such as rent or mortgage payments, childcare, household bills, medical expenses, not to mention everyday purchases such as food and gas.

That is why I wrote a bipartisan letter, signed by 48 Members of the House, including our friends here today, encouraging the House Appropriations Committee to include a provision to provide backpay to Federal contract employees for wages lost during the shutdown in any supplemental appropriation bill for Fiscal Year 2019 or as part of the regular appropriations process in 2020.

Businesses that contract the Federal Government were also greatly impacted by the partial government shutdown. And many are still feeling the effects to this day. According for the Congressional Budget Office, the effects of the partial government shutdown ending in 2019, Federal spending on goods and services was

about \$9 billion lower during the five-week shutdown than it otherwise would have been. 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 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 also have 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 affected contractors, and we will explore many of them in this hearing today.

Amidst the turmoil of the shutdown, we also saw how companies and coworkers banded together to mitigate some of the pain in the gap and funding that was caused. Today we will hear from small and midsize businesses who went to great lengths to avoid laying off or furloughing their own 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 for a lot of 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 this room today, I hope we never experience another government shutdown. However, we do not know what the future holds. Therefore, Congress must take action, it seems to me, to lessen the impact on contractors, work with agencies to improve their communication with contractors ahead of a shutdown, and, most importantly, ensure the contract employees are able to receive backpay.

I want to thank all of our witnesses in advance for appearing before the subcommittee this morning, and we all look forward to hearing from them.

Now, I call on my colleagues for any opening statements they may have.

Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

I think that more than contract workers are grateful to you for this subcommittee hearing today. You and I are on several bills to help make up for this. But this hearing is necessary to give the facts to undergird those bills and those appropriation matters.

This 35-day shutdown was unheard of in American history. Our job is to make sure it doesn't happen again although, of course, we were not responsible for it. But one way to do that is to make sure that it is clear that everyone who was affected by this shutdown is, in fact, made as close to whole as possible.

We are particularly grateful for all of you who are witnesses who have come because you are helping us to make that record.

I thank you, Mr. Chairman.

Mr. CONNOLLY. I thank Ms. Norton.

Without objection, the chairman is authorized to declare a recess of the committee at any time.

Without objection, the following Members are authorized to participate in today's hearing: Mr. Don Beyer and Ms. Jennifer Wexton.

The Subcommittee on Government Operations is convening today to hold a field hearing on the effects of government shutdowns on Federal contractors. Without objection, it is so ordered.

Mr. Beyer, do you have an opening statement?

Mr. BEYER. Just a brief one.

First, Jerry, Congressman Connolly, thank you very much for holding this hearing. I think all Virginians, probably all Americans, should be grateful for the leadership role that you play on Oversight right now. No better person to do that. And thank all of you for coming.

This was some of the hardest days I have ever had in public service. You know, all of our government employees, government contract employees, and all the people who serve them, you know, the car mechanics and the waitresses and the people at the car wash and people at the grocery store, everybody that wasn't making money during the recession—or during the shutdown who could never come back again.

With my friend Tim Kaine, whom all of you know, we introduced a bill in the Senate and the House that would propose a solution to avoid all further solutions. It is called the End Shutdowns Act. And it sets up a process where, if there is a lapse in appropriations, if there is a shutdown, an automatic continuing resolution kicks in. And no other government activity, no legislation could pass the House or the Senate until we open the government again, until the appropriations process is finished.

The theory on this is that we are all sent there to work. And to sit there and do nothing day after day after day will be incredibly frustrating. So the appropriations come first. It is a little different from our pal Senator Mark Warner's legislation, the so-called stupid act that denies our pay, which is perfectly fine with me except it is probably, A, unconstitutional and, B, would never pass. So we think this is a more—given that politics is the art of the possible, this is a better way forward.

But I am very committed to working with Congresswomen Wexton and Norton and our leader, Jerry Connolly, to make sure that we are doing everything we can to make sure that this is the last shutdown of our careers.

Mr. CONNOLLY. Thank you, Mr. Beyer.

Congresswoman Wexton, do you have an opening statement?

Ms. WEXTON. Thank you, Mr. Chairman. I do, very briefly. And I want to thank you for holding this hearing and for your leadership on this issue and also thank Congresswoman Norton for her leadership on this issue.

So I have a unique perspective because I am the brand new freshman Member of Congress, and I came in—I was—I came in

with the freshman class in the midst of this shutdown. So that was my introduction to serving in Congress as we, day after day, passed appropriation bills that went to the Senate and sat there and nothing happened.

But it was also extremely hard for me because I kept hearing from constituents about how they were impacted by the shutdown. So many people who didn't know where they were going to be able to get the money for their mortgage payment or for—you know, or for food who were having to see about getting abatement of their student loans. And some who knew that they might never actually recoup the pay that they were losing who were contract employees.

So we need to do better for our employees. We need to do better for our contract workers, especially as more and more—there is more pressure on the government to do more work through contract employees. So we need to do better for them. And we also need to recognize that—one of the things I have noticed in my short tenure on Capitol Hill is that folks in Washington have really short memories. And so we need to make sure that they do not forget the pain that was suffered by all these folks and businesses during the shutdown and make sure that it never happens again.

Thank you.

Mr. CONNOLLY. Thank you, Congresswoman Wexton.

Our first panel, let me introduce. First, we have David Berteau, who is the president and CEO of the Professional Services Council in Arlington. PSC represents more than 400 members of the Federal services industry. And as CEO, Mr. Berteau focuses on legislative and regulatory issues related to government acquisition, budgets, and requirements by working to improve communications between government and industry.

Welcome, Mr. Berteau.

Roger Krone is chairman and CEO of Leidos. And I need to reveal that I used to work for the united SAIC before Leidos broke off. Leidos has approximately \$1 billion in annual revenue, 32,000 employees worldwide, and is a leader in government IT services and solutions. Despite the size and diversity of its business lines, Leidos faced difficult management decisions, which we are going to hear about, to mitigate the impact of the shutdown.

Ed Grabowski is president of Local 2061, the International Association of Machinists. Mr. Grabowski represents NASA contracts in Florida and will tell a variety of stories related to contractor hardship, including the layoff notices, challenges in applying for unemployment insurance and local food pantries helping contractors facing hardship.

Alba Aleman is chief executive officer of Citizant in Chantilly here in Virginia. Citizant is a small business offering IT and business solutions to the Federal Government with current contracts awarded by DHS, DOJ, and IRS. Ms. Aleman—I am pronouncing that correcting, I hope—CEO of Citizant, led her company through both the 2013 and last year's shutdowns, so she has got a lot to tell us about.

And Michael Niggel is chief executive officer of Advanced Concepts and Technologies International, ACT I, in Arlington. ACT I is a DOD and DHS contractor with 273 employees, and a renewal option on the DHS contractor occurred during the shutdown period.

And because procurement officers were not deemed essential, the option could not be exercised, and a large amount of employees had to be rolled off projects. ACT I is currently going through the request for equitable adjustment to seek compensation for expenses the company incurred because of the shutdown through no fault of its own. We certainly want to hear that story.

Mr. Berteau—and I am going to ask all of our witnesses, we have your prepared statements, if you can summarize in five minutes, we would appreciate it.

Oh, wait. I got to swear you in. Where is the swearing in? It is the habit of this committee that we swear in all witnesses. And let's see, where is the swear? Somebody.

All right, if you'd rise and raise your right hand.

Do you swear and affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Let record show the witnesses answered in the affirmative.

Thank you. Please be seated.

Mr. Berteau.

I didn't think you were going to lie anyhow, but—

STATEMENT OF DAVID J. BERTEAU, PRESIDENT AND CHIEF EXECUTIVE OFFICER, PROFESSIONAL SERVICES COUNCIL

Mr. BERTEAU. Thank you, Mr. Chairman, and for both that vote of confidence but, most importantly, for the opportunity to be here today. And I appreciate the opportunity to add some oral remarks.

As you noted, government civilian employees and the contract workers who support them share many common characteristics: a passion for public service, a commitment to meeting the needs of the American people, a dedication to fulfilling the missions and performing the functions for which agencies engage them. They also share a common belief that government shutdowns are misguided, damaging, and avoidable.

But the way in which government agencies and contractors respond to shutdowns are not the same, and that's why this record, I think is so important. For the government, the first action is to stop paying their workers, not because they want to but because they have to. That's what's a lapse in appropriations means. But for the companies, the last thing they want to do is to stop paying their workers because they will lose them.

When appropriations lapse, of course, funding disappears. And so the first decision is, what's an essential mission or function that has to be continued, and what are the workers that need to be sent to work without pay in order to continue that going? On any worker who's not doing an essential function—a misnomer here is that people are essential. It's not the people that are essential. It's the mission or the function that's essential. It's the workers associated with them who have to then work or not work.

But it's very different for contracts. There's a lot of factors that affect whether contract work continues under a shutdown. If it's prior obligated funds, for instance, and everything else is the same, work continues. In fact, contractors are required to continue working under a—that's what a contract is. They're required to continue

working on the contract unless an action occurs or the passage of time, the absence of money occurs, so the work has to stop.

So it's a very, very different dynamic for contractors than it is for government employees. Of course, shutdowns can further interfere with the work. You may actually have funding, a requirement to continue work, but you can't get access to the facility, or you can't access the data, or there's no government employee there to certify that you've done what you're supposed to do so you can move on to the next task. So a whole host of things that come into that. Our statement goes into that and some of my colleagues are going to go into that as well.

So these differences also affect how contractors not only continue to work, but it can lead to confusion. As you—you'll see from Mr. Niggel in terms of his option being exercised. It can lead to conflicting guidance. It can lead to missed opportunities and a lot of other negative consequences. My statement goes into key roles there.

So here's how the shutdown really affected contractors. Three ways. No. 1, on the work force, right? Tens of thousands of employees lost their work, lost their pay. And unlike Federal employees, they had no guarantee that they would even have the jobs there at the end of the process much less—much less anything like back-pay. In addition, it really impacts recruitment of new workers because who wants to come to work for an employer that says: You may have to work without pay. Well, there's plenty enough opportunity to do that in real life already. You don't need to do it. It makes it much harder to attract new talent at a time when unemployment is at a 50-year low, and there are plenty of other options out there for people to go pursue. So that's the first impact is on the workers themselves.

The second is financial. So the government, as you noted, stopped paying invoices including for work that had been done in October, in November, in December, before the shutdown occurred, as well as for authorized and funded work that continued during the shutdown. So companies exhausted their lines of credit. Many of them—I would hear from member CEOs who'd say: I'm in a dilemma. I either keep paying my people and I go out of business, or I quit paying them, and they quit, and then I go out of business. Please give me a third option.

Then, finally, there's the impact on the government, and particularly the lost productivity, the missed work, the delays. Program offices even now five months later, four months later, are way behind in solicitations. They're way behind in accepting contractor labels. They're way behind in making decisions, for example, on new contracts.

Of course, your purpose here today is not to say what a bad idea shutdowns are. We're kind of in broad agreement on that, I think. Instead, how do we deal with the consequences and also how do we reduce the risk of the future shutdowns. We have several recommendations, but I put them into three basic categories. First, take care of the workers, right? Backpay, as we call it, or compensation, as well as allow for untaxed donation of leave as Federal employees have as well, right? Second, take care of the companies. Communications, contract issues have to be addressed before, dur-

ing, and after a shutdown. And, third, take care of the government and the American people who are really the ones that suffer from the shutdown. And they're not here at the table today, but we think we're representing them here.

How do you do that? A two-year increase in the budget caps, full year appropriations on time for Fiscal Year 2020, and automatic continuing resolution along the lines of some of the legislation that's been proposed.

So, Mr. Chairman, that concludes my opening remarks. I thank you, and I look forward to your questions. And I'll yield the rest of my time.

Mr. CONNOLLY. You are perfect. Thank you, Mr. Berteau.

Mr. Krone.

**STATEMENT OF ROGER A. KRONE, CHAIRMAN AND CHIEF
EXECUTIVE OFFICER, LEIDOS**

Mr. KRONE. Great. Thank you, Chairman Connolly and other members of the subcommittee for the opportunity to discuss a key concern facing Leidos and the professional services industry. And the views I express, of course, today are my own.

The impact of further government shutdowns, whether total or partial, will have serious and long-term impacts on our industry's ability to attract and retain the talent to support the critical missions of our Federal agency customer. I believe it's through productive dialog such as this that we will find solutions to the multifaceted challenge that lay before us. As, of course, is—I'm not able to fully discuss all of these matters in my oral statement. Therefore, I provided a comprehensive response in my written testimony. I ask that that be included in the report.

Mr. CONNOLLY. Without objection.

Mr. KRONE. Thank you.

Leidos is a Fortune 500 company with 32,000 employees. Our work in information technology, engineering, and sciences help solve some of the toughest challenges we are contending with in defense, intelligence, homeland security, civil, and health markets.

Related to the shutdown, we felt the most significant impacts within our civil group. This is the group that serves agencies, including the Department of Energy, Department of Homeland Security, the FAA, and the FBI, among others. We lost an estimated \$14 million in revenue as a result of these disruptions, or about \$400,000 per today. We also experienced a delay in payments on outstanding invoices totaling about 18 million. But more importantly, we saw work on 22 important programs come to a halt. This included impacts to about 200 of our subcontractors of which about one-half are small businesses.

I want my main focus today, however, to be on the people side as that is where I believe we saw the most impact. Due to the partial government shutdown, 893 of my colleagues either had no or limited work to perform due to being on contracts associated with closed Federal agencies. We did three things to support these folks. We redeployed them to open positions whenever possible. We allowed them to advance paid time off hours up to a balance of negative 80 hours. And we offered hardship assistance through our relief foundation.

To aid in the redeployment, we stood up a team to match affected employees to other jobs within the companies. This team worked nights and weekends throughout the shutdown. To help those experience financial hardship, we launched a special initiative within our relief foundation to enable employed employees to donate money or their paid time off to help these individuals. I filled out a donation form myself maxing out a donation of my paid time off, two weeks of vacation.

During the time of hardship, we received more than 50 requests from the employees for assistance stating that they were in a state of, quote, “extreme financial hardship,” close quote. Each of these individuals was given a \$2,500 grant. If the shutdown were to have continued any longer, we anticipated receiving another hundred requests each week for assistance. With a lot of maneuvering and extra effort, we were able to put some workarounds in place for our people.

I assure you, though, individuals and families suffered losses during these shutdowns. Vacations were canceled. Birthdays were missed. Holidays were used just to get one more day of pay. Employees with no other options sank deeper and deeper into a negative leave status. Some even used their sick leave to bridge the gap in desperation. These folks are getting paid now, but they will be recovering this negative leave for a very long time.

We all need to collectively look for ways to eliminate government shutdowns. We should harness the pain of this most recent event and learn from it, working together to enact a permanent solution. First, we must change the process and the rules by which we create Federal authorizations and appropriations. Many ideas have been proposed. The automatic CR solution, biennial appropriations, designating more government functions and personnel as essential. In general, we should enact legislation that prohibits a potential shutdown from being used as a leverage on the budgeting process.

Second, I ask that, in the event that future shutdowns cannot be prevented, you see the contractor work force, these men and women who stand shoulder to shoulder with their government colleagues as essential to the operation of our national government. I ask that we work together to find a way to enact legislation that will recognize the importance of their contributions on this critical national resource—and the human impact of a shutdown on this critical natural resource and treat them just as their Federal work force counterparts are treated. That means parity in the restoration of pay and mitigation of other impacts on benefits, such as leave.

I'd like to thank Chairman Connolly for his leadership on this issue including cosponsoring a number of bills and for holding this hearing.

With that, I close my remarks, Chairman Connolly, and other members of the subcommittee. And I thank you for this opportunity to testify today. And I look forward to your questions.

Mr. CONNOLLY. Thank you, Mr. Krone.
Mr. Grabowski.

**STATEMENT OF ED GRABOWSKI, PRESIDENT, LL 2061,
DISTRICT 166, IAMAW**

Mr. GRABOWSKI. Chairman Connolly and members of the committee, thank you for the opportunity to testify today. I am the president of Local Lodge 2061 of the International Association of Machinists and Aerospace Workers. Local Lodge 2061, a machinist union, is based in Cape Canaveral, Florida, and represents around 700 members that are employed on several different Federal contracts supporting the U.S. space program at both the Kennedy Space Center and Cape Canaveral Air Force station.

The members of our local perform a wide variety of jobs including helicopter pilot, laboratory technician, propellant mechanic, machinist, industrial electrician, and crane operator. These jobs ensure the successful and efficient completion of vital government operations carried out by Federal contractors. Many aspects of this work are hazardous, and the tasks associated with them must be handled with utmost professionalism to guarantee the safety of personnel and the vehicles they support.

A large percentage of our members, including myself, are proud veterans of the Armed Forces. It is partly because of this service and a security clearance associated with it that afforded us the opportunity to work supporting the Nation's space program. I have devoted over 28 years working alongside our members, and I can personally attest to these individuals' passionate and conscientious focus when it comes to their work. We are a diverse group of people in age, ethnicity, religion, and sexuality.

We recently had to endure three shutdowns within a 12-month period. The first two shutdowns lasted only 1 day but still caused many members to lose pay. All have been stressful. But the last shutdown, which totaled 35 days, created enormous problems for our members and the local community as a whole. Though we Federal contract employees work side by side with our civil service counterparts, there was no guarantee of backpay for us. We were fortunate that all of our government contractor employers kept our medical insurance enforced through the shutdown. However, the members had to meet their portion of medical insurance premiums for their coverage to remain current. This was often accomplished by using personal leave time or by writing personal checks to the employers. We had many members and their dependents that suffer from serious medical concerns. So, in addition to the premium costs, these individuals also had to pay for deductibles, out-of-pocket copayments, and expensive pharmaceuticals.

The fact is the government may shut down, but life's challenges remain ongoing. Without a guaranteed income for 35 days, our members still had to meet all their financial obligations. Some had to take out short-term loans in order to make ends meet. In some cases, the only hope they have of repaying these loans without a financial penalty is to receive backpay for wages lost during a shutdown.

Some of our members have received backpay payments, but many members still have not received any backpay to their lost wages. For many, this has resulted in an eight-percent loss of annual income for them. For those who did receive backpay, it did not come in full until the end of March.

It is hard to convey the anxiety we all experienced in these shutdowns. The financial effects for some are lasting and damaging. Earlier I mentioned that the security clearances many of us hold provide a gateway to our employment. When individuals that hold sensitive clearances experience a financial difficulty, it can place their clearances in peril. And a loss of a clearance can result in their loss of employment.

My testimony provides insight on the impact the shutdowns of just one union local in our country. There were thousands of Federal contract employees represented by the IAM that were impacted by this last shutdown. We must remember that the financial loss experienced by these workers due to the shutdown ripples through the communities they live in. The goods and services normally purchased by these workers will not be sold, not to mention the deep financial impacts to these workers on their retirement investment, education funding, and general savings for emergencies.

It is time to provide some financial insurance to the hard-working, dedicated Federal contractor employees.

The first step can be achieved by supporting and passing legislation, such as the Fairness for Federal Contractors Act, H.R. 824, which ensures backpay for all Federal contract employees impacted by the recent 35 shutdown. I encourage all to support this legislative effort.

Chairman Connolly, other members of the committee, I again thank you for the opportunity to testify today, and I look forward to your questions.

Mr. CONNOLLY. Thank you, Mr. Grabowski.

Ms. Aleman.

**STATEMENT OF ALBA M. ALEMAN, CHIEF EXECUTIVE
OFFICER, CITIZANT, INC**

Ms. ALEMAN. Good morning, Chairman Connolly and members of the House Committee on Oversight and Reform. Thank you for the opportunity to speak to you about the impact of the shutdown on our business and the contracting community that I support.

My name is Alba Aleman, and I'm the founder and CEO of Citizant. It's a small business serving the Federal Government for the last 20 years based in Chantilly, Virginia. We employ 180 professionals supporting Federal agencies in 26 states. We have been in business since 1999 and have weathered many storms: Y2K, 9/11, numerous government shutdowns, continuing resolutions, and the Budget Control Act of 2011.

Throughout all this, we continued to serve the IRS, the Department of Defense, the Department of Homeland Security, and the Department of Justice, the immigration courts. Our services have supported agencies in improving efficiencies and effectiveness, allowing them to save or repurpose untold millions of taxpayer dollars.

The purpose today is to share some of the impact of this. I do have a longer form in my testimony, and I ask that you please accept it for the record.

Mr. CONNOLLY. Absolutely. Without objection.

Ms. ALEMAN. Thank you, sir.

In late December, six of the Federal programs that we serve were immediately halted. This affected 35 Citizant employees, cut \$430,000 of revenue, forced a \$200,000 loss in profitability, and cost us more than \$15,000 in interest, expenses due to increased line of credit borrowings.

Based on numerous prior experiences with shutdowns, we immediately implemented a companywide leave donation program and collected 2,470 hours of leave from employees working on programs that were still operating and who had benefited from these leave donations during the prior shutdown of 2013. We redistributed these hours to keep our entire work force; 100 percent of our work force was paid throughout the entire government shutdown. And they never feared—they heard from me daily and never feared that they would not get their pay, even as the shutdown dragged on.

However, the official end to the shutdown did not end the worry or the crisis for Citizant and other contractors. Because the government had furloughed those responsible for approving and paying invoices, we did not receive payment for services rendered throughout the shutdown and, in some cases, for work performed back in October 2018. Government payments stopped even for projects that were not shut down, but we were contractually required to continue to work.

Citizants' unpaid invoices continued to pile up well into March 2019, putting us more than \$4 million in debt. We maxed out our borrowing capacity and had to postpone paying all of our own vendors, including the IRS, until early April.

We continued to assess cash-flow and finances daily for months after the shutdown was over because we were gravely concerned about how we would cover our \$750,000 payroll every two weeks due to the government's delayed processing of payments.

When your only customer doesn't pay you for nearly four months and you've reached your company's borrowing capacity, you face the dire prospect, as a business owner, to file for bankruptcy or to sell off parts of your business for pennies on the dollar in order to pay your employees. We were within days of having to have made that decision.

In conclusion, I'd like to offer three possible actions that we would appreciate your support on in terms of legislative reform. First and foremost is to preserve our work force. Congress could pass legislation that would guarantee backpay to contractors, most of whom are essential to the proper functioning of Federal agencies. Many of our employees have security clearances and specialized knowledge that are difficult to replace. Guaranteed backpay would reduce their anxiety and make them more likely to stay in this industry. In addition, our banks would be more willing to extend credit to cover payroll and payments to our vendors if they knew some type of financial adjustment was forthcoming.

Second, to mitigate the cashflow crisis faced by contractors, Congress could mandate that processing and paying invoices are essential activities that must continue during any future shutdown. This financial function is essential to our Nation's economic security as well as the viability of small businesses and the lives of millions of government contractor employees.

Finally, and most importantly, craft legislation that makes a shutdown the tool of last resort. Citizens elect you to represent them to negotiate on their behalf and to make compromises. Shutdowns have become weapons of failed negotiations and have eroded our political system. They risk the welfare and lives of millions of Americans. We require civil discourse, collaboration, and compromise from our elected officials in order to reach agreement on important legislative and budgetary matters. Please put an end to this abuse of power and trust.

I'm grateful for this opportunity. I'm passionate and deeply committed to serve. And I look forward to your questions. Thank you so much for your time.

Mr. CONNOLLY. Thank you, Ms. Aleman.

Mr. NIGGEL.

STATEMENT OF MICHAEL A. NIGGEL, CHIEF EXECUTIVE OFFICER, ADVANCED CONCEPTS AND TECHNOLOGIES INTERNATIONAL

Mr. NIGGEL. Chairman Connolly, members of the subcommittee.

Mr. CONNOLLY. Am I pronouncing your name correctly?

Mr. NIGGEL. Niggel, yes, sir.

Mr. CONNOLLY. Niggel. Excuse me.

Mr. NIGGEL. Thank you for the invitation to testify on behalf of Advanced Concepts and Technologies International, known as ACT I. My name is Michael Niggel, and I am the CEO headquartered here in Arlington.

ACT I delivers total acquisition management solutions to the U.S. Government and allied governments. Our staff provide trusted technical and management advice on complex programs and systems. We have over 200 experts in four domains: defense, homeland security, space and intel, and international programs. We work in functional areas like requirements, acquisition, program and financial management, engineering logistics, and cybersecurity. Most of our staff live and work in Fairfax, Arlington, and surrounding counties.

First, I'll summarize actions that Congress can take, and then I'll describe problems we faced during the shutdown. To protect government employees and small businesses, Congress could give definitive guidance to swiftly pay requests for equitable adjustments, guaranteed compensation for contractors during budget shutdowns, enact timely budget bills. And if CRs are needed, make them automatic. And, finally, increase the BCA caps for two years, fiscal years 2020 and 2021.

Now I'll address the impacts that shutdown had on ACT I. It affected two of our DHS contracts. The first was our largest contract supporting the Enterprise Program Management Office, called EPMO, where we provide program support across seven programs, including cargo and passenger systems, tactical communications, enterprise engineering, and enterprise networks. We won this 45-person LPTA contract in January 2018. Also affected was our contract with the Civil Rights and Civil Liberties Office where we have nine technical and admin staffing working on a firm fixed price LPTA contract.

Here are the positive impacts of the shutdown, and they were driven by ACT I and DHS. ACT I's number one corporate goal is employee satisfaction. We made a strategic decision to pay our DHS support staff during the shutdown. We brought the team to headquarters for training and team building. This decision increased employee satisfaction and corporate loyalty, allowed us to retain our highly cleared technical staff, and mainly provided steady income and benefits for our employees and families.

Our decision to fund all salaries and benefits protected our employees, their clearances, and DHS. The result was we built both employee and DHS loyalty and respect. This was a big investment for a small business like ours with a very high and continuing risk that we may never be fully or even partially reimbursed.

Now, the not-so-good news. We knew we'd lose sales, experience slow payments, and possibly lose top talent, especially our staff with high-level clearances. Commercial firms target our top cyber, comm, and intel talent, exploiting government salary caps and unpaid shutdowns to entice our talent.

So, early on, we talked with our bank, First Virginia Community Bank, and together analyzed that we could go four to six weeks on our line of credit. We're lucky. Most small businesses are less than a million dollars in sales. They may only support one agency. And with a shutdown, they may have to lay off folks or close.

Here are the direct DHS shutdown impacts on ACT I. We lost sales over 500K. We had a million dollars of delayed cashflow from 2018 payments unable to be processed while the government was closed. We submitted two REAs to DHS in February 2019 for about \$500,000. We're dealing with different legal interpretations from two offices in the same agency. One office says it doesn't agree that it must pay based on legal counsel's interpretation of the FAR. The other office is evaluating our request.

We would like these REAs approved to recover shutdown losses. Ninety-five percent of the negative impact to ACT I could have been easily avoided if the government had a contracting officer available to execute our contract option any time during the shutdown.

Finally, to reiterate our recommendations to Congress for action, please provide uniform clear guidance to agencies and contracting officers to swiftly approve REAs. Please give agencies authority to guarantee compensation for contractors performing during budget lapses and shutdowns. Please enact appropriation bills on time and for the full fiscal year; or if a CR is needed, then ensure it's an automatic CR. Please provide a two-year increase in the BCA caps for fiscal years 2020 and 2021.

Thank you for inviting ACT I to share our story which can be echoed by many other small businesses. And given that there's another panel after us, I request unanimous consent to revise and extend my testimony.

Mr. CONNOLLY. Thank you so much, all of you.

We're going to have a round of questions, and each member will have five minutes with which to ask questions.

Mr. Niggel, let me just pick up on your testimony.

If there had been authority to suspend the expiration of a contract pending the reopening of the government, you would have

been kept whole, or without prejudice, with respect to reauthorizing that contract you lost. Is that correct?

Mr. NIGGEL. Yes, sir. We were in an option here situation that was due on January 15. The shutdown started December 22. Between the 22nd and the 25th, when the government reopened, there was no contracting officer available in our enterprise. There might have been one at the top of DHS who probably had thousands of these situations to deal with. So they weren't able to execute our option, so we basically were off contract and could not show up in the offices.

And our customer was frustrated with us, because we weren't there and other contractors were, because they had funded contracts, and we did not. So it was until the government reopened, and we could go explain to them that we were off contract; we were not legally allowed to be there. And then they understood better what our situation was.

Mr. CONNOLLY. But you were caught in kind of a catch-22 situation?

Mr. NIGGEL. Yes, sir.

Mr. CONNOLLY. I think that's important. As we look at things we can do, certainly one of them is to have some kind of provision in law that says during a shutdown, the expiration is on ice, so that you don't lose a contract simply because contract officers aren't there.

Mr. NIGGEL. Or an option automatically extended without written permission.

Mr. CONNOLLY. Right. I think we have to look at that, Mr. Berteau.

Let me just say, both, Mr. Berteau, Mr. Krone, and you, Mr. Niggel, talked about automatic CRs. And I like your reaction, but I—we think that's good public policy. But on the other hand, it almost invites some people, politically, to seize on that and say, Good, that's how we're going to fund the government. And so, yes, we avoid shutdowns, but we also never get to a substantial budget that looks at the merits of the case. We stay at a low funding level as the, sort of, permanent solution that some people will seize on.

And politically, I think certainly all of us here at this table would have that concern. In an ideal world, that wouldn't be a problem, but we live in anything but an ideal world where we work.

Your reaction?

Mr. BERTEAU. Mr. Chairman, you are a good student of history. There are a number of times where the scenario that you've proposed would have been desired by a majority of the U.S. Congress. You know, at PSC, we actually decry continuing resolutions as a very, very bad way of governing. About the only thing worse is a shutdown, right? And so the idea that an automatic continuing resolution would prevent a shutdown is a very appealing idea. Clearly, a far better approach is, in fact, to use regular order and fully fund government requirements through appropriations, as the Congress actually sort of did this past year for five of the 12 appropriations bills.

I think, though, that the leverage—so what you really propose is kind of two things: One is, is it a good idea to provide an automatic CR as opposed to a shutdown? Generally speaking, yes. The second,

more complicated question is, how do you execute that so that it doesn't create negative incentives and actually create an opportunity to have an ongoing CR all the time? And I think that that's a flaw in all of the existing legislation so far, and it needs to be corrected before Congress would finally act.

The third would be what do you do in the event a Presidential veto? Obviously, you are going to have to support to override this. And, you know, we've actually had shutdowns that were created through a veto of a continuing resolution; 1995 being a case in point in that regard. So all three of those I think, have to come into play in your conversation there.

Mr. CONNOLLY. Mr. Krone, did you want to comment on that or—

Mr. KRONE. No. I think, given the choice of a—of a CR or a shutdown, we'd would rather see the CR.

Mr. CONNOLLY. Sure.

Mr. KRONE. But we do understand the negative ramifications that you could end up in a perpetual CR and we actually never get authorizations or an appropriations bill done. But if I had to choose one or the other, I would rather have the CR.

Mr. CONNOLLY. And Mr. Berteau made a really good point about recruitment. We now have the lowest unemployment rate we've had since 1969. Here, it's even lower. I don't know—it's about 2 percent? And that means it's a very tight labor market, especially for skilled labor. And I would think it affects everybody from a big company like yours, Mr. Krone, to a midsize business like yours and yours, Mr. Niggel, and Ms. Aleman.

Recruitment—after the shutdown, did recruitment become a problem for you?

Ms. ALEMAN. Yes, absolutely. But not just for us serving the government, but several key, highly technical leaders from the Department of Homeland Security left in the middle of the shutdown to go back to industry. I think it's—I did an article for Forbes during the shutdown and looking at the statistics of how long it's taking us to bring great talent into the government marketplace, both government employees as well as contracting, and it's going to take years to recover from—from that, and you are not going to be able to draw that top talent into our marketplace. So it's a real concern in terms of technology and innovation and modernization, which is so critically needed.

Mr. BERTEAU. We had a number of stories from our member companies of recruits who were actually canceling interviews during the shutdown. Why bother? You know, I'm not going to go to work for you, so I'm not even going to waste my time. And you can't ever make that back up. You can't ever make that back up.

Mr. KRONE. Mr. Chairman, we have seen more commercial companies come to the national capital region because of the large concentration of computer science majors and highly educated work force.

We compete with them every day for our work force. And they can now say we can offer you a job that is immune to the vagaries of the government funding and budgeting cycle. And that becomes an advantage for them, and we go head to head against those com-

panies to recruit the employees who then perform the work for the Federal Government.

Mr. CONNOLLY. Mr. Grabowski, I assume you maybe experienced the same thing?

Mr. GRABOWSKI. Mr. Chairman, as far as people departing the contract after a shutdown—as a matter of fact, we’ve had crane operators. That skill is needed in the private industry, in construction. And it’s a very critical skill on at Space Center for lifting flight hardware. And that’s hazardous, and if they don’t do it right, you possibly impact the mission. So we have lost—like that was one of the jobs, I remember, in January, we had an individual, they left, they did not come back.

Mr. CONNOLLY. Thank you. My time is up.

Ms. NORTON.

Ms. NORTON. Thank you, Mr. Chairman.

You represent, for the most part, skilled workers. The chairman mentioned we’re trying to see what can be done. I have a bill that would allow some backpay for workers who work in—who are contract workers in retail, food, custodial and security.

I’m wondering whether any of your work force would be included and what you think of a bill of that kind in a Congress of this kind, which is unlikely at this time, at least, to take care of all workers. I would like to hear what all you have to say about that bill.

Mr. BERTEAU. Congresswoman Norton, let me go first. We have quite a number of member companies who have employees exactly as you have described, as part of their work force, or who employ subcontractors who also have such workers and so the prime contractors—and it’s not only in Washington, DC.; it’s across America, as you well know. So we applaud the support and the focus of that—of the problem for those that you have brought to bear on there.

I think it’s difficult to figure out exactly where you draw the line for those workers, you know—

Ms. NORTON. If I could say, I’m also cosponsoring a bill that makes it 200 percent of pay. Mine actually lays out who the workers are—

Mr. BERTEAU. Right.

Ms. NORTON [continuing]. because we figure that’s who they are.

Mr. BERTEAU. Right. And so as a matter of political practicality, there may be a need to do that. But, you know, for the Federal workers, we don’t draw any such line. If you are on the Federal payroll, regardless of whether—I don’t think we have any GS-1s anymore. There were GS-1s when I first came into the government. But all the way up to the super grades. All of the Federal employees are covered by that, and we would seek to have that same coverage extended to all the contract workers.

Ms. NORTON. Well, of course, you are entitled to that, just as all workers are, all Federal workers are covered.

Let me ask about unemployment insurance, whether or not any of your employees applied.

We understand there was some—some concern that some had—had some—had some opportunities, others didn’t.

Does the unemployment insurance program need to be attuned to contract workers who, by the way, are a larger number of workers than Federal workers now.

Could I hear how unemployment insurance—Mr. Grabowski, why don't you start.

Mr. GRABOWSKI. Yes, Congresswoman. As far as my experience with it, most of our members were too confused, like, were they eligible for it, because they were furloughed, they actually did not receive a layoff notice. So they weren't astute enough to how do I apply, and if I don't take personal leave time, am I still entitled to collect unemployment compensation?

So how—the suddenness and it was over the holidays, and we had a problem with communication. So I would—I don't know of anyone that filed for unemployment compensation because it was too complex and they didn't know if they were still entitled to it because I used my personal leave time. Some, like we said, they exhausted all of their personal leave time in order so they would have a paycheck.

Ms. NORTON. Any of you have similar experiences?

Mr. BERTEAU. We surveyed our member companies about the third week into the process about this, and what we found were three key things that are noteworthy here.

One, of course, is each state sets its own rules when it comes to unemployment eligibility and to the process for both applying for and verifying eligibility for unemployment insurance. And workers from the same office and the same company in this area, for example, would have three or four different jurisdictions that they would be eligible to apply for: Maryland, Virginia, the District of Columbia, West Virginia and Delaware. And the rules are very, very different.

In addition, the question of how do you verify and validate that eligibility? What kind of document do you need to have in hand from your company—

Ms. NORTON. Are you saying this would have to be done at the state level? There's nothing that could be done to clarify this—the layoff took place at the Federal level.

Mr. BERTEAU. I think there are—

Ms. NORTON. Is there any legislation we could put in that would clarify what the state should be doing at such a time?

Mr. BERTEAU. There are Federal standards that exist today and, of course, allow for the Federal reimbursement of those unemployment benefits up to certain loads, and you could change the requirements associated with those Federal standards.

Ms. NORTON. Mr. Chairman, under things that we might consider, this confusion, at least, it seems to me we could help eliminate.

If I could just ask one more question.

Mr. CONNOLLY. Sure.

Ms. NORTON. Mr. Krone, you indicated that some of your employees were redeployed to other contracts. I wish you'd clarify how that might—how that occurred and whether it, in fact, was helpful to people who were laid off.

Mr. KRONE. Yes. Well—

Ms. NORTON. And where were those—how come those contracts were okay to continue?

Mr. KRONE. Thank you for that question, Congresswoman.

The Department of Defense was funded during the shutdown. And at Leidos, we have a relative balance across the Federal agencies. And because, frankly, of the shortage of computer science majors and engineers, we had open jobs on contracts with the Department of Defense that needed the skills of the furloughed workers, the workers who were taking paid time off in the Department of Homeland Security, you know, FBI and DOE.

And so, we created, in our H.R. department, a reallocation or re-deployment process where we inventoried the skills of the people who were furloughed, and then matched them with open job requisitions in some of our Department of Defense contracts and were able to move them over to those contracts so they could continue to work on programs.

Ms. NORTON. This is a very important point. We're different agencies here, and I wonder if any of the rest of you used this redeployment?

Ms. ALEMAN. We attempted to. But the clearances that we hold at the IRS take about six months to a year to get a laptop, and the clearances at the Department of Justice take about six months, three to six months, and at Homeland Security, depending on whether it's ICE, DHS headquarters, or S&T, could take anywhere from 60 to 180 days. So there was no way we could move someone from one agency to another. It was not possible.

Mr. BERTEAU. I would note also, Congresswoman Norton, that in a number of the shuttered agencies, the personnel were required to approve such a transfer were furloughed, and they were not available to approve such a transfer.

Ms. NORTON. Mr. Krone, how were you able to do this?

Mr. BERTEAU. He was doing it with agencies that weren't shut down.

Ms. NORTON. I see. And you—all—you couldn't even do it with agencies that weren't shut down.

Ms. ALEMAN. No.

Ms. NORTON. I applaud your creativity.

Mr. KRONE. Well, thank you.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. CONNOLLY. Thank you, Ms. Norton.

And following up on Ms. Norton's suggestion, I just commend you, Mr. Berteau, representing 400 companies—and others obviously could participate—it might be useful to think about preparing a set of recommendations that's fairly comprehensive. We're capturing some of them, as Ms. Norton just indicated. But I think we have an opportunity here to be fairly comprehensive and systematic. And here's what has to be addressed: From unemployment insurance at the Federal level, what we can do, to the guarantee of backpay and lots of other issues as well.

Mr. BERTEAU. We will undertake, too, sir, Mr. Chairman.

Mr. CONNOLLY. And part of the problem we've got in a private sector is each contract stands on its own.

So, Mr. Krone, how many contracts does Leidos manage with the Federal Government at any given time?

Mr. KRONE. Oh, maybe 10,000.

Mr. CONNOLLY. Ten-thousand?

Mr. KRONE. Yes.

Mr. CONNOLLY. And each one has its own provisions?

Mr. KRONE. Its own provisions, its own terms and conditions, its own contracting officer, its own program work state, yes.

Mr. CONNOLLY. And that's what complicates things.

Mr. KRONE. Right.

Mr. CONNOLLY. Thank you.

We're joined by our good friend who dared to cross the river from Maryland, Jamie Raskin.

Jamie—thank you so much, Mr. Raskin, for joining us here today.

Mr. RASKIN. Mr. Chairman, thank you very much.

So, yes, it did take me a few minutes extra to arrive, crossing the Potomac.

Ms. NORTON. He swam.

Mr. CONNOLLY. I'm going to call on Mr. Beyer, and you can catch your breath. We're so glad to have you here today.

Mr. BEYER.

Mr. BEYER. Thank you, Chairman Connolly, and again, thanks all of you for coming.

You know, you read again and again, the No. 1 reason why security clearances are denied is because of financial hardship. And so I sent a letter, joined by most of our folks here, back in January, urging the administration to prohibit agencies from penalizing security clearance for shutdown-induced poor credit.

One of the things is we don't even know how many security clearance applicants are actually affected. And Mr. Grabowski, you mentioned specifically the security clearance with your folks in Florida.

Are there specific examples in cases, or is this more the—the existential threat to their livelihood?

Mr. GRABOWSKI. It's more of a—Congressman, more of a long-term threat. Because how do you identify it? You know, if you did not get 8 percent of that pay, the financial hardship continues on much later, months later, even a year later, because you have not made the payments of a car payment that you thought I would catch up on, maybe work some overtime.

So as of yet, no one has come to me and said, Hey, I'm in financial ruin and I might lose a clearance. I think it's as we move forward and we never get the backpay, that's when it will happen.

Mr. BEYER. Thank you.

Mr. BERTEAU. Mr. Beyer, could I add one thing for—

Mr. BEYER. Yes, Mr. Berteau.

Mr. BERTEAU. So that's backward looking in terms of the way the clearances have been done. But as you know, the President, just on the 23d of April, signed an executive order—24th of April, signed an executive order transferring background investigations from OPM, the National Background Investigations Bureau, to the Department of Defense. And that is supposed to take effect by the end of this fiscal year, September 30.

What DOD has been doing is—

Mr. CONNOLLY. But, Mr. Berteau, let me just interject, Congress will have some say over this.

Mr. BERTEAU. I do understand that, sir. I understand that.

Mr. CONNOLLY. They have yet to come before—my subcommittee has jurisdiction. They have yet to come before us with a single shred of paper justifying any of this.

Mr. BERTEAU. I'm aware of that, and I stand in awe of your reminding me of that. Nonetheless, for the portion that the Defense Department does have responsibility for, what they are implementing is a process of continuous evaluation.

So unlike the process that Mr. Grabowski described, where when you come up for your periodic reinvestigation, your financial records might be a part of it, now it will be on the instant case that you are late, it can pop up. And we're still developing this process, so I think it bears watching as you continue, regardless of what actions the committee or the Congress may take on the overall question.

Mr. BEYER. Thank you.

Ms. Aleman, I want to thank you for clarifying one thing that I had not really realized, which is that not only were people not getting paid for work not being done at the time of the shutdown, but invoices for work that had been done earlier.

So you suggested that Congress actually mandate that paying duly earned invoices, bills, et cetera, be classified as essential, and therefore be paid.

Ms. ALEMAN. Payment, process of invoices. As Mr. Niggel also referenced, approving invoices, extending options. All of those things are being done by contracting officer representatives, which were furloughed, contracting officers, which were furloughed, and then the folks inside the payroll.

So there's folks on the programmatic side and folks inside the acquisition organization, or the processing payroll part of the organization. So it's all connected. And if any one member of that process is removed, the whole thing falls apart.

And, of course, when they're getting back to work, they're overwhelmed. And that's why it took 60 days for us to start to receive pay.

Mr. BERTEAU. And they had already spent the money. I mean, they had paid the employees, right? They were out of that cash.

OMB—three days before the shutdown ended, OMB circulated a revised guidance. So OMB's rules had always been you cannot call employees back off of furlough and put them in unpaid status to process invoices. That was a rule. You couldn't do it.

With three days left before the shutdown ended, OMB circulated revised guidance that said it's okay to do it, but not required. We think you should make it mandatory, unless there's an exception, because the companies are out of the money, they paid their employees, they're going into debt to do it, they've done the work, the government should pay up.

Mr. BEYER. Very good. Thank you.

And, Mr. Berteau, I just want to thank you for pointing out the larger picture, as you talk about the competition for employees and the like. But the advent of Amazon, Nestle, Gerber, all of the high-tech that's coming, the huge expansions of George Mason and Vir-

ginia Tech into that space, that the competition is only going to get much more severe.

Thank you, Mr. Chairman. I yield back.

Mr. CONNOLLY. Thank you, Mr. Beyer.

Ms. WEXTON.

Ms. WEXTON. Thank you, Mr. Chairman.

I want to take a moment to talk about some of the provisions in these contracts and how your relationship with the Federal Government, and then below that, with subcontractors that you work with and what the consistency is in terms of contract provisions.

Ms. Aleman, you pointed out that during the course of this shutdown, you were still contractually obligated to perform your functions under the contract. Is that correct?

Ms. ALEMAN. That's correct.

Ms. WEXTON. Okay. So how—how were you able to do that? Or what challenges did you face in trying to make that happen?

Ms. ALEMAN. So the IRS is a good example. Part of those contracts were shut down; part of them were not. And we were in the middle of filing season launch. I believe the date of filing season launch was January 22d. And part of the work we do is validate the integrity of the launch.

And so in the middle of some of the largest tax reform legislation that was being implemented in the systems at the time, we were unable to validate the integrity of those. And we even offered to come in and do it for free, because our folks had been doing it for so long, and we knew they were stressed and their own staff couldn't come in, but we were unable to do so.

But—and I'm sorry—your question?

Ms. WEXTON. So would that then impact your ability to continue—like how—your performance on that contract would be evaluated—

Ms. ALEMAN. So—

Ms. WEXTON [continuing]. for future bidding?

Ms. ALEMAN [continuing]. I did mentor a number of business owners that were concerned about their performance overall. In our case, our customers were equally feeling the pain of it on their side with their staff. And they were not of the opinion or mindset that they should do anything to further damage what we were trying to do.

So in our particular case, we had close working relationships. They did everything possible to move our payments and move everything along as quickly as possible. They advocated on our behalf. They did everything possible.

I was working at DHS at the time, and I was onsite. I showed up on Monday after the shutdown, and they had all just received their paychecks and they were hustling to try to get our invoices processed and everything moved quickly.

So from our case, we did not experience that. But I can certainly see if there's any kind of a lack of communication with a government representative, that they may not be as willing to advocate on your behalf. And we've had that happen before.

Ms. WEXTON. I don't know if anybody on the panel can answer this. But is it at all customary to include provisions in contracts that provide that in the case of a government shutdown, that the

contractor will continue to be paid some minimal amount, or what the base amount is, or is it if you don't work, you don't get paid?

Ms. ALEMAN. We sign the contracts; we don't write them. So, no, unless they are—

Ms. WEXTON. Contracts of—

Ms. ALEMAN [continuing]. unless there's a clause that they can leverage in putting into contracts and flow those contracts from the FAR—if we can flow them down from the FAR, that would be—that would be an avenue to pursue. But we cannot recommend clauses in government contracts.

Mr. KRONE. Congresswoman, it is not customary that a government shutdown is considered in the terms and conditions of the contract.

Ms. WEXTON. And is there something like a stop-work clause that is included in all of the government contracts that say that if you are ordered to stop work on a contract, you have to do it?

Mr. KRONE. Oh, absolutely.

Mr. BERTEAU. There is. And I would note that it is much easier and faster to issue a stop-work order than it is to issue an order to start work again.

We proposed—at PSC, we wrote a letter to the Office of Management and Budget last October, taking lessons learned from prior government shutdowns of a number of activities that they could undertake to put into guidance to contracting shops around the government.

One was, in fact, to cover exactly that sort of thing. We're going to redouble those, taking lessons learned from this shutdown, and provide OMB with another activity.

You could, for instance, put a clause in that says if a stop-work order is issued as a result of a lapse in appropriations, upon restoration of those appropriations, other things being equal, work is authorized to start again without further action by the government. That alone would save days or weeks in terms of that.

I know, Mike, you ran into that and you probably did—

Mr. NIGGEL. On our DHS contract, we were not issued a stop-work order, and that's why we have a request for equitable adjustment in review right now.

And going back to your question—

Mr. BERTEAU. But you should have been issued one, had they been doing it correctly?

Mr. NIGGEL. They had the option.

Mr. BERTEAU. They had the option.

Mr. KRONE. It was just inconsistent. I mean, agency by agency, they were ill-prepared for the shutdown, and each one—there wasn't uniform direction across all of the agencies.

Mr. CONNOLLY. I think that's really an important point. On top of the multiplicity of contracts, each of which has—

Mr. KRONE. Right.

Mr. CONNOLLY [continuing]. unique features, we don't have any standardized policy across agencies, even divisions that are managing contracts, when it comes to something like this.

Mr. BERTEAU. So—go ahead.

Ms. ALEMAN. But to that point—because I think you were about to make that point, you were not issued a stop-work order. The

head of procurement at DHS specifically sent a memo to all COs and CORs saying unless you issue, or your contractor is issued a stop-work order, you can—as long as you don't need guidance from government to keep doing your job, leave it alone, walk away, let them keep doing their jobs.

The problem is, they sent the notice the day after the shutdown, and they were no longer to—able to read their emails, so they didn't know that. So they shut us down temporarily. And then when we got a copy of the memo—because one customer that was working sent it to us—we sent it to them and then they logged in and said, Yep, keep working; you are not on stop-work order. There's a lot of confusion—to Mr. Krone's point, a lot of confusion even amongst the government staff.

Ms. WEXTON. Some consistency would help.

Okay. And then I see—

Mr. CONNOLLY. Go ahead. I interrupted you. Go ahead.

Ms. WEXTON. Mr. Krone, you talked about reassigning employees. And you have 32,000 employees, so you have the—a number of different contracts, so you are able to do that.

Mr. KRONE. Right. Much easier, right.

Ms. WEXTON. I guess my question is, what impact were you hearing about from the subcontractors that you work with? Because presumably—

Mr. KRONE. Oh, very difficult.

Ms. WEXTON [continuing]. it was making it hard for you to pay their invoices.

Mr. KRONE. Yes, very, very difficult. And we don't get processed, therefore, there are—any deficiency clauses and other things. It makes it very difficult to pay our subs. Many, many times, we couldn't even contract the—contact the contracting officer at the agency to get direction, because they weren't—although they may have come in on their own, they weren't allowed to answer the phone, they weren't allowed to adjudicate some of our issues.

And although we are larger and more diverse, and so we were able to move people around, certainly our small businesses are not, and they had no choice but to furlough their work force.

Mr. BERTEAU. Mr. Chairman, would you indulge me to—allow me to elaborate on that as well?

Mr. CONNOLLY. Of course.

Mr. BERTEAU. One of the problems, especially a smaller company faces, even if they have the objection to do what Leidos did in this case, is when the government reopens, the contracting officer of the originating place where that contractor was working, will wonder, Where's my guy? Right? How come he's not here? Well, you laid him off. We had to move him to another contract, right? So there's—you can suffer both ways in this circumstance if you're not careful. You probably ran into that.

Ms. ALEMAN. It's a reputation hit.

Mr. KRONE. Let me just clarify that. When we move someone to another contract, they actually say, Well, I like this other contract, I may like it better. I may actually get paid working on this Air Force program instead of a program for Department of Energy. And we have to be thoughtful about now, if you will, forcing that employee to go back.

And it is disruptive, at least—by the way, the start-stop costs, which I think we've only touched on, stopping a contract and then restarting it, and the inefficiency that that creates, both on our side and government side, is tremendous.

Ms. WEXTON. And you have a duty to mitigate any damages that might be associated with that as well.

Mr. KRONE. Yes, we do.

Ms. WEXTON. Right? So I don't know—is that interpreted that you need to force that employee to go back, or we don't know?

Mr. KRONE. Yes, we have a Constitution that doesn't allow us to do that. And we allow our employees as much latitude as we can. Our employees are our most valuable resource. And to keep them happy and to show them that they're valued and appreciated, and if an employee says I really want to do this, and this is my third shutdown—maybe they were there in 1913—we were heavily impacted in 1913 by the shutdown. We're very thoughtful about—we can't force anyone to do anything—

Ms. WEXTON. Right.

Mr. KRONE [continuing]. right? So we can beg, borrow, hope, incentivize, wish, but if that employee says "No, I do not want to go back to that DHS, Department of Energy, FAA contract," where we have IM representation, then we would rather keep that employee on a contract than force them to go back.

Just—ma'am, if I could, we have, today, 1300 open positions, about half of those in the national capital region. So the ability of an employee to pick and choose a job or a contractor is almost unprecedented in my 41 years in the industry. And they literally can pick up a Washington Post and find a job tomorrow and move across the street. And they have mobility that is unprecedented in our experience here.

Mr. CONNOLLY. And to make it all special, you are about to compete with 25,000 job openings in Amazon, and they're accelerating hiring.

Ms. WEXTON. Thank you very much.

Mr. KRONE. And, Mr. Chairman, we've already felt that.

Ms. WEXTON. Thank you, Mr. Chairman, for your indulgence.

Mr. CONNOLLY. No, no. Thank you, Ms. Wexton.

Mr. Raskin.

Mr. RASKIN. Thank you very much, Mr. Chairman, and thank you all for your testimony.

The disruption caused by the last shutdown in Maryland was profound and comprehensive. And I know that the same devastating impact was felt in the District of Columbia and in Virginia. So, I thank you all for your seriousness in addressing this, and for taking the care that you did in preparing your testimony, which I thought was excellent.

Mr. Grabowski, let me start with you. As an elected official, I heard—and I'm sure my colleagues did—from lots of constituents who considered this emotionally and psychologically devastating period for them and for their families.

And I wonder if you would just speak to what the experience of workers is going through the shutdown.

Mr. GRABOWSKI. Yes, Congressman.

First of all, like I said, it happened over the holidays. And we already spoke earlier about the communication gap. Most of us use government email. Well, that was gone. So we had to deal with the stress in trying to communicate to people, Hey, this is where you can seek resources. And we had no information about unemployment compensation.

So the anxiety—trust me, my phone was ringing from seven in the morning till midnight, people asking, When can we go back to work? And I can tell you this as president of our local, it's not very often I get consensus on something, but I had 100 percent consensus, they didn't want a shutdown, they want to get back to work.

So everything you can think from that aspect. We had members where both spouses were not working, but they had kids in daycare. They had to put their—still keep their kid in daycare and pay for it. Because it's a small business. If they didn't keep their spot filled, they would lose it. So it's a very important service, and that's a small business. So things like that that—you had to lay out money, which you normally wouldn't have to.

And so it's very stressful for my members.

Mr. RASKIN. A lot of people think that when the shutdown ended, the problems ended. But I wonder whether any of you would speak to—to the long-term impact, in terms of loss of employees, employee morale, and just trying to recover from the shock of these financial events. I don't know—Mr. Berteau.

Mr. BERTEAU. As of two weeks ago, Congressman Raskin, we still had member companies who had not had invoices paid from work done before the shutdown. Those invoices were still in process, right, still being reviewed and being processed.

Mr. CONNOLLY. I think that goes back to December.

Mr. BERTEAU. Back to invoices filed before December 21 for work done, paid for, before December 21. Now, that's not common, but it's not out of the question. That's the far end of the lasting effect.

Mr. KRONE. Congressman, one point—you may have picked up from a prior conversation, but this is important. Everyone thinks that the shutdown ended on the 25th. The shutdown ended on the 25th for government employees. The shutdown didn't end for our employees until we got a letter from a contracting officer authorizing us to come back to work. That took weeks.

So where it may have been 35 days for government employees, it could be another 14 days or more for the contractors, because the contracting officer had to come to work, get through the pile of paper, figure out what contracts were under a stop-work order, and then to prioritize those and then authorize the contractors to come back.

We had 893 employees who were furloughed. About 400 of those employees used up all of their vacation and then went to what we call negatively. We let them take vacation they had not earned. It will take them years to build back what we called paid time off, which is vacation and sick leave combined. It will take them years to build back that base of paid time off bank that they had prior to the shutdown.

Mr. RASKIN. Did you favor this idea of an automatic rescission of a stop-work order at the point at which the government shutdown ends so that people can—

Mr. KRONE. Oh, we would certainly favor that.

Mr. RASKIN. Ms. Aleman.

Ms. ALEMAN. To the point that we also mentioned earlier, just having clarity around the rules and regulations and the processes around a shutdown for stop-work orders and restart, so that everybody is clear in advance of a shutdown and knows how to operate, and it's abundantly clear, like much of the FAR—you have clarity as to the paths that can take place. If there's clarity—if we're going to use shutdowns in the future continuously, if there's clarity around it, we can all respond proactively, and our government customers can respond proactively as well.

Mr. RASKIN. Yes, it seems a little bit sad that we would have to basically develop procedures and rules for a shutdown, as if this is going to become normal operating procedure. However, we've got to get ready for it, because it's fantastically expensive and disruptive.

Yes?

Mr. BERTEAU. One other impact that's worth noting is that the agencies affected by the shutdown are way behind in getting the work out that they need to have done for their fiscal 1919 appropriations, which, of course, they didn't get until February 15, right?

And so the impact of shutdown not only extends to the work being done under previous contracts, but extends to the solicitation/evaluation award of new contracts. And that's very widespread across—and I think we're all seeing delays there in terms of solicitations that were expected, that were built into the work plans, that you had hired people and put them on the payroll to be able to perform the work, although you're not getting reimbursed on them yet. That kind of impact is continuing well into the year.

Mr. NIGGEL. The final—sorry. The final lingering impact is our concern over performance ratings. Will we be downgraded during the shutdown period because, A, we couldn't legally come, but they don't realize that sometimes. So we're concerned about poor performance ratings, when we have the highest ratings that you can get, and we could get dinged and that jeopardizes our future business.

Mr. RASKIN. Right. The government shuts down, and then you get the bad grade for it.

Mr. NIGGEL. Right.

Mr. RASKIN. Mr. Chairman, would you permit me one final question?

Mr. CONNOLLY. Absolutely.

Mr. RASKIN. I promise it will be very fast.

If each of you could synthesize your views of the government shutdown, as a way of doing business, in one word, what would it be?

Ms. NORTON. And not a curse word, please.

Mr. RASKIN. Yes, make it something publishable.

Mr. GRABOWSKI. Disastrous.

Mr. RASKIN. Disastrous.

Mr. Krone.

Mr. KRONE. Unthoughtful.

Mr. BERTEAU. Abominable.

Ms. ALEMAN. Insanity.

Mr. NIGGEL. Uncertainty.

Mr. RASKIN. I yield back. Thank you, Mr. Chairman.

Mr. CONNOLLY. All diplomatic.

Well, let me just say—well, are there other questions for the panel?

I want to thank you all. This has been quite thoughtful.

And, Mr. Berteau, I do think if you voluntarily are willing to undertake it with Mr. Chvotkin and your colleagues at PSC, I think there's an opportunity here to provide a compendium of the issues that affect us that many of our colleagues are not aware of.

And from—I mean, the idea that, well, Federal emails are shut down, so we can't even notify our employees not to come to work; the contract officer isn't there, so we have no one to answer questions about the provisions of the contract and how they kick in and whether they don't. Stop-work orders were efficient about; start work, not so much.

The issue of a contract about to be reauthorized or re-upped expiring during the shutdown and you lose a contract for no substantive reason other than the system isn't operating, to just cite some of our problems.

I think all of those, it seems to me, are things we can and should address. And I think there's a—and as Ms. Norton pointed out, also the unemployment, there may be guidance at the Federal level we can provide for unemployment insurance. And as Mr. Raskin says, we don't want this to become the new normal, but we have to have a fallback plan and we didn't, in the event of a future shutdown. The real answer is, don't shut down.

Thank you all so much for participating here today.

We're going to take a five-minute break while we change panels, and we'll hear from our second panel in five minutes.

And second panel, Jaime Contreras, Toni Crescenzo, Wesley Ford, Tamela Worthen and Mark Hall, if you'll get yourselves ready to come forward.

Thank you all so much.

Mr. CONNOLLY. The committee will come to order. And I would ask, again, our witnesses to stand and raise their right hand to be sworn in.

Do you swear or affirm that the testimony you're about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Thank you. Let the record show the witnesses answered in the affirmative.

And I want to introduce you.

Okay. Our first witness is Jaime Contreras. Mr. Contreras represents over 20,000 members in the Washington, DC, and Baltimore area. Their numbers include government cleaners, security officers, and maintenance workers, obviously, many of whom were affected by the shutdowns.

Tony Crescenzo is the chief executive officer for IntelliDyne in Falls Church here in Virginia. IntelliDyne is a professional consulting firm to government clients that faced impacts during the 2013 shutdown after just hiring 17 employees who were deemed

nonessential. How special. In the last shutdown, several employees on the DOJ contract were also affected. Mr. Crescenzo will discuss the overall impact on morale and fear of more voluntary turnover.

Wesley Ford, good to see you again.

Mr. Ford owns a coffee shop in a government building that was largely shuttered during the shutdown. TKI Coffee lost significant revenue but was still expected to pay rent even though his source of revenue had dried up.

Tamela? Is that correct?

Ms. WORTHEN. Yes.

Mr. CONNOLLY. Tamela Worthen is a security officer at the Smithsonian and an SEIU member. She is a security guard that was furloughed by her contracting firm, Allied Universal. She has endured significant financial hardship affecting her ability to pay her mortgage and to get vital prescription medications. We're going to hear her personal story.

Thank you for coming today.

And Mr. Mark Hall is the executive vice president and chief strategy officer of ServiceSource in my district in Oakton, Virginia. Mr. Hall represents an organization that consists of five nonprofit organizations and operates in 13 states and in Washington, DC. It has over 80 AbilityOne contracts which provide employment opportunities for people with disabilities. Many of those employees were out of work during the last partial government shutdown. And I am an AbilityOne champion, and I did my service in the Old Executive Office Building and saw firsthand, you know, what the dignity of work can do for people and also how great this work force really was. And to have them being affected really bothers the heart. So we'll hear that story as well.

Mr. Contreras, please proceed. Everyone has five minutes to summarize or read their report. We prefer you summarize. And if you don't need all five minutes, we can get to questions faster Mr. Contreras.

**STATEMENT OF JAIME CONTRERAS, VICE PRESIDENT, 32 BJ,
SEIU**

Mr. CONTRERAS. Thank you. Good morning, Mr. Chairman. I am Jaime Contreras, vice president SEIU Local 32BJ. First, thank you for the opportunity to testify in front of you today. Thank you, members of the subcommittee as well.

You know, 32BJ represents around 175,000 members throughout the East Coast, 11 states, including 20,000 in this area. Our members secure the region's office buildings, both commercial and Federal, museums, colleges, and airports. Thousands of our members are people of color, immigrant workers, you know, African American, and folks who come from all walks of life. They work hard every day to support their families, and they love the job that they do for the Federal Government.

Approximately 600 of our members who work for subcontractors in the area were impacted by the—if you ask me one word, I would say inhumane shutdown that happened. It was unnecessary, for 35 days. You know, and as you've heard by other speakers before, they're not—they don't work for the Federal Government, so they don't—it's not guaranteed that they're going to get paid. So

they're—you know, the shutdown left federally contracted security officers, cleaners, food service workers, and other workers, who already make less money than direct Federal employees, without pay for more than a month, and that to me is shameful.

For workers who already live paycheck to paycheck and many times work two and three jobs, you know, this was just an undue hardship to them.

Just some quick stories about some of our members who were impacted. This is just a few of 600 of them just for our local alone.

Julia Quintanilla, who cares for a severely handicapped child and a sick mother, she lost her entire savings during the shutdown. Yvette Hicks had to ration her children's asthma medicine during the shutdown. Donna Kelley, who also works at the Smithsonian, succumbed to having to apply for food stamps and feared eviction throughout the whole process. Kaneisha Onley lost her car because she couldn't make her payments. And then when the government reopened, she couldn't get back to work because her car had been lost. You're going to hear Tamela's story in a minute.

So parents, children, independents all felt the pain, the ripple effect of this really life-altering and, as I call it, shameful shutdown. You know, we want to thank all of you who are in front of me because I know you have led many efforts to try to get these workers paid, from passing bipartisan legislation to sending letters to Congress, you know, trying to include backpay for these workers in supplemental appropriations bill for Fiscal Year 2019 and, you know, regular appropriations for Fiscal Year 2020.

We have sent—the centers have sent letters to OMB to basically tell them it's within OMB's power to direct the agencies to pay these people without congressional action, so we really truly appreciate that.

But you know—and there remains, you know, attached—connected with OMB, a very practical way for contractor workers to receive backpay, you know, through the process that agencies themselves already have. In fact, at any point, agencies in the Federal Government, like FEMA or Smithsonian or Department of Interior or others, can use discretion within their contracts to ensure the contractors will get paid and be reimbursed so that they can pay their workers.

And, you know, the cost of backpay, the savings, the windfall of the government, it's having—by not paying these workers is really on the backs of these workers who are already struggling to make ends meet and live paycheck to paycheck every day.

So my message is very clear. You heard it before. You're going to hear it again today. This shutdown inflicted tremendous harm to our members and many others around the country. The need for workers to cover their medical bills, rent, loan payments, and simply feed their families should not be seen as a partisan issue. And I know that you understand that. So it's really well—it's within Congress' scope to be able to right this wrong for our members.

So, again, thank you for having me testify today. You know, I always get a—it's always a blast to be in the same room with business—labor and business speaking on something with a unified voice. So thank you very much for having me.

Mr. CONNOLLY. Thank you, Mr. Contreras.

Mr. CRESCENZO.

STATEMENT OF ANTHONY CRESCENZO, CHIEF EXECUTIVE OFFICER, INTELLIDYNE LLC

Mr. CRESCENZO. Thank you, Chairman Connolly.

Chairman Connolly, distinguished members of the committee, my name is Tony Crescenzo. I'm the chief executive officer of a Federal contractor, IntelliDyne LLC. It's my pleasure to appear before you today to provide testimony on how the government shutdown affected not just us but Federal contractors in general and to provide recommendations to address the issues created.

IntelliDyne is a midsize Federal contractor located in Falls Church, Virginia, with over 200 employees. All IntelliDyne's contracts are Federal Government contracts, and, therefore, every one of our employees supports, directly or indirectly, the Federal Government.

IntelliDyne has been in business for over 20 years providing enterprise information technology, consulting services, and support. Our primary supported agencies include the Defense Health Agency, the Department of Justice, the Department of Homeland Security, and other Department of Defense activities and organizations. IntelliDyne provides highly skilled personnel to manage and secure critical agency IT infrastructure and networks against the existential cybersecurity threats that they face daily. We have protected and maintained the vital evolving IT network for nearly 20 years.

Like many Federal contractors, IntelliDyne's commitment to our Federal Government clients isn't simply a contract for services. We take on our Federal Government clients' mission as our own. And we know the risks that arise immediately with any failure to maintain a continuously secured agency infrastructure.

I commend this subcommittee for undertaking an examination of this important topic. Federal Government shutdowns have significant and lasting negative impacts on Federal contractors, their employees, and the agencies they support. These deleterious effects have long gone underrecognized and unaddressed. These negative impacts can profoundly affect many different businesses and performance areas for Federal contractors. Among them financial stability and necessary credit facilities, human resources, an ability to maintain qualified personnel, contract and quality performance management, and the ability to ensure continuity of services and a robust effective security posture.

As it relates to impacts to financial stability and credit facilities, government shutdowns have immediate significant adverse financial effects on Federal contractors as they lose billable labor revenue with no reimbursement. Contractors are faced with a choice: Retain furloughed employees during the shutdown and continue to pay them, minimizing or eliminating the financial impact on the employees and their families; or laying furloughed employees off, resulting in often life-altering negative financial impacts for those employees and their families.

Either option presents an untenable hardship for the party bearing the financial burden, employer or employee. For Federal contractors, particularly small and midsize contractors, retaining furloughed employees represents an outsized financial burden as pay-

roll costs may be in the hundreds of thousands or, in our case, millions of dollars.

Covering unreimbursed salary and benefit costs puts contractors in the position of needing to use and exhaust capital reserves or borrow against credit lines, risking noncompliance and failure of bank lending covenants or resorting to using subprime credit facilities just to meet payroll and other costs of business during a shutdown.

Smaller contractors with large proportions of furloughed employees can and indeed have been driven into a weakened financial position that lasts long after the shutdown ends. This disproportionately large and lasting financial impact of government shutdowns on small and midsize Federal contractors undermines the efforts of small business programs throughout the government to expand and sustain opportunities for small business and Federal contracting.

Understanding the lasting financial impacts of government shutdowns on Federal contractors, we respectfully recommend the following suggestions as a means to mitigate adverse financial impacts, the details of which are contained in my written testimony.

One, make a provision to keep government personnel, supervisors, and contracting officers onsite for all contracts so productive work of Federal contractors can continue. Two, build a reimbursement contingency in the contracts that either guarantees line-of-credit loans with banks working with organizations that have non-essential contracts or reserve funds, approximately 5 percent, of the contract value, to minimize the effect of shutdowns.

Three, expand the definition of essential work to include contracts designated for the common good, those reasonably necessary to prevent greater eventual losses and risk continuity of security.

Four, minimize financial impacts to contractors by allowing other direct costs to be paid out during the shutdowns to permit contractors to conduct required training without billing for labor. Federal contractors also experience negative financial impacts owing to the inability to receive timely reimbursements from the government for hardware and software receivables during shutdowns.

During shutdown periods, the government may not have the ability to pay for money already spent by the contractor. Contractors must then either bear the financial burden of paying suppliers without corresponding reimbursement or risk jeopardizing their supply chain, their relationships, and credit facilities by failing to pay suppliers on time.

The inability of Federal contractors to timely pay suppliers during shutdowns will have the expected eventual effect of decreasing the number of suppliers willing to accept contracts with Federal contractors resulting in higher prices paid by the government.

Mr. CONNOLLY. If you could sum up, Mr. Crescenzo.

Mr. CRESCENZO. Excuse me, sir?

Mr. CONNOLLY. If you could sum up. Five minutes is up.

Mr. CRESCENZO. I'm sorry, sir. I'll end.

Mr. CONNOLLY. Are you sure?

Mr. CRESCENZO. Yes.

Mr. CONNOLLY. Okay.

Mr. Ford.

STATEMENT OF WESLEY FORD, PRESIDENT, TKI COFFEE

Mr. FORD. Good morning. I'd like to start by saying thank you, Chairman Connolly, for inviting me to speak before this committee even though it doesn't seem like I fit in here email because I'm not a government contractor here.

My name is Wesley Ford, and I am president of TKI Coffee, Incorporated, a small coffee cafe in downtown D.C. I'm located one block west of the main visitor entrance to the White House, and 90 percent of my customers are government employees and tourists that visit our national treasures here in Washington, DC. I've been in business for four years and have had the great fortune of being profitable since my third month in business. My staff is very diverse, three of whom are actually convicted felons that I have given a chance because no one else would. They have ended up being my best absolute role model employees, one of whom is now today the manager of my store.

The average hourly wage for my staff is \$16 per hour, and these wages are under tremendous downward pressure because of the instability of the government. January 2018 through January 2019 has been the most challenging business environment that I have ever encountered. Three government closures, January 2018, February 2018, and then what I like to call the big one, starting December 2018. What many folks don't understand is that, while the last closure may have lasted 35 days, it had a direct impact on my revenues for well over 60 days. Many people look at me like I've lost my mind when I say that the closure was more than 60 to 75 days in length.

Coffee and eating out are what I like to call niceties in life, not necessities. When it became apparent that the closure was going to happen, spending on these niceties stopped well before December 22d. When the government reopened on January 26th, employees had not been paid for two cycles, thus they had no money to spend, even though they were back at work. Then you consider that when the government did reopen on January 26th, it reopened under a big black ominous cloud with a possibility of closing again on February 15.

So guess what? Spending for niceties wasn't happening. People didn't really start spending again until the latter part of February, early part of March, is when I started seeing my revenues come back together.

What are the effects of the shutdown on my business? One, it reduced my revenues, I'll note that I'll never be able to recoup. The net effect on those reduced revenues on a small business like mine is that it severely devalues that business.

Two, during what I like to call the big one, I had to lay off almost 40 percent of my staff and reduce the hours of the remaining employees. Unlike government employees, my employees will not receive backpay. Unlike government employees, banks would not extend bridge loans to my employees to help them through the closure. Unlike government employees, landlords would not work with my employees on past due rents or deferral of rent payments. One of my employees actually lost his housing as a result of this government shutdown.

Three, because of the layoffs, I'm expecting my cost of doing business to actually increase because of the increased cost of unemployment contributions.

In my humble opinion, a government shutdown is unnecessary. And at the root, it is a failure on the part of all of our elected officials. The past shutdown was exacerbated simply because egos on both sides of the aisle got involved. There was plenty of room for compromise based on previous positions staked out by both parties.

So the big question, what do I want out of this? I want my elected officials to understand that even the best economists in the world cannot accurately encapsulate the true cost to the U.S. economy and its people from a government shutdown. I want my elected officials on both sides of the aisle to dispense with their self-serving egos and do what's best for their constituents. I want to see legislation pass that prevents government shutdowns from being used as leverage because of the inability of our politicians to find a viable middle ground.

In closing, I would like to ask one simple question of my elected officials: Will you commit to finding a middle ground this September, or will you be closing the government again and further tarnishing the reputation of our great country?

Mr. CONNOLLY. Thank you, Mr. Ford.

Ms. Worthen.

**STATEMENT OF TAMELA WORTHEN, SECURITY GUARD,
NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY**

Ms. WORTHEN. Good morning, Chairman, Mr. Connolly. Thank you so much for making it possible for me to have a voice and to share my personal feelings on how the furlough impacted me in several ways in my life before this committee.

My name is Tamela Worthen. I work as a security officer at the National Museum of African American History and Culture in Washington, DC. I missed several of my regular weekly paychecks during the longest government shutdown in U.S. history, and I still can't afford my diabetic medication or mortgage, car payments, timeshare for vacation, et cetera. I was even rushed to the hospital because I could hardly breathe as a result of missing my medication and couldn't pay my monthly premium. I feel so overwhelmed by the impact of the shutdown and potential for future funding lapses that I'm applying to a new establishment, which this day, the establishment, they observe your credit history. But because so many establishments have sent delinquency notices to my credit bureau, it's going to be pretty kind of hard to get another job because they look at your credit.

You can't prepare for it, especially if you don't have any money already. I'm in a difficult position of saving as much as I can while substantially catching up on bills, debt payments, paying back unemployment benefits and taking care of other financial causes inflicted by the shutdown that ended not too long ago.

I want to refinance my home and go through my equity to try to solve some of the bills that I have. But because your credit score had been impacted with certain establishment being notified by the bureau, you know, of delinquency, that is impossible because you have to have a certain score, put it that way.

When you're trying to get back on your feet. That's very hard. That's the problem with the world today. One man's decision is another man's pain. Backpay will certainly solve my today's financial dilemma.

Thank you so much for having me here and hearing my voice.

Mr. CONNOLLY. Thank you for your willingness to share your personal experience, Ms. Worthen. We appreciate it.

Mr. Hall.

**STATEMENT OF MARK HALL, EXECUTIVE VICE PRESIDENT,
SERVICESOURCE**

Mr. HALL. Good morning, Chairman Connolly, and other members of the subcommittee. Thank you for inviting me here today to talk to you about the impacts of the shutdown on ServiceSource, our employees, and the AbilityOne program. I'm an executive vice president with ServiceSource headquartered here in Oakton, Virginia. ServiceSource is an organization affiliate group of five 501(c)(3)'s with a mission to facilitate services and partnerships to support people with disabilities.

We were founded in the early 1970's by a small group of parents that were trying to create opportunities for their children. And we became a part of the AbilityOne program in the early 1980's.

The AbilityOne program is the largest source of employment for individuals we serve and for individuals with significant disabilities across the United States. More than 45,000 Americans who are blind or with significant disabilities are employed through a national network of over 550 nonprofit agencies, including ServiceSource. Our employees provide mail services, document management, help desk, total facilities management, logistics, and food services for 41 Federal agencies including all branches of the U.S. armed services.

The majority of the individuals working on ServiceSource's AbilityOne projects are in contracts providing basic government services in jobs, such as mail clerks, military dining attendants, and administrative support. They earn an average wage of over \$13 an hour, and each receives a health and welfare fringe benefit of \$4.27 per hour.

While these are good entry level wages, many of the individuals working on ServiceSource's AbilityOne contracts, like many Americans, live paycheck to paycheck. During the 35 days the government shut down, 79 employees working on 10 of our AbilityOne contracts were furloughed. Of course, employee morale suffered, and high levels of stress were shared by many. In response, as an organization, we committed to paying employees' wages and benefits from our reserves for the first two weeks of the shutdown. During the next two pay periods, some employees were able to use their limited vacation for partial pay, and others with no vacation went without pay.

During the shutdown, our team maintained frequent contact with our employees to assess their well-being and determine their levels of stress. As a result, we learned that some of our employees needed direct assistance. We formed a Cans for Contractors food drive to secure food and other items, which we passed out. We also appealed to the help of a ServiceSource foundation, which is a sep-

arate 501(c)(3) nonprofit organization that supports the mission and—of ServiceSource.

Through the foundation's support, we were able to provide each employee with backpay after the shutdown concluded. However, that decision impacts the foundation's ability to provide support for other needed services, including housing, therapy, veterans programs, and autism programs.

While ServiceSource eventually received reimbursement from 3 of the 10 contracts impacted, we lost more than 300,000 in contract revenue. I'm proud of all that we did to support our employees during the shutdown. I'm also proud of our employees' advocacy efforts.

Let me take a moment to tell you about one individual, Fred Pickett, who was particularly outspoken. Fred's worked for ServiceSource for more than 27 years at the EPA. And the EPA was one of the contracts that was impacted.

Like many of us, Fred finds fulfillment in his work and takes great pride in supporting the government. Fred was interviewed by the media, including print television and radio and was active on Capitol Hill. Fred's message was clear that he was frustrated with the broken routine and upset that he was caught in the middle of a political fight through no fault of his own.

I personally know that Fred appreciates the time you're investing and learning more about the impacts of the shutdown and preventing future work disruptions. Fred and more than 2,000 individuals employed through the AbilityOne program nationwide experienced a loss of work or reduction in hours in addition to personal and financial consequences. Congress passed legislation to provide backpay to Federal employees. Federal contract workers, especially AbilityOne employees, deserve equitable treatment and should be eligible for backpay like their Federal counterparts.

Thank you very much, again, for the opportunity.

Mr. CONNOLLY. Thank you, Mr. Hall. I appreciate it.

I know Mr. Beyer's schedule demands that he—he's going to have to leave a little early. So, with the indulgence of my colleague, I'm going to let Mr. Beyer have his five minutes now.

Mr. BEYER. Mr. Chairman, thank you very much.

I want to especially thank you all for making clear how much human pain was experienced and is being experienced because of the shutdown. I think sometimes if you just read the newspaper, you think, well, this is a fight among political leaders and the government shuts down. But there is just no concept of the impact that it has on health, on rushing to the hospital, on long-term bills, on—just the level of anxiety among you folks. So thank you for—I wish every one of our colleagues could hear that.

And, Mr. Ford, I very much appreciate your frustration. I think we were all often frustrated with it. I also want you to know that everyone at this table was very eager to find the middle ground. But it takes two players to have a middle ground. I think, you know, Nancy Pelosi was very clear on December 20 that she'd be happy to sit down and negotiate until the cows come home as long as we open the government up again, but they weren't willing to do that.

Mr. CONNOLLY. If I may interrupt, and not at your expense if we freeze the time. But I think it is important to remember an agreement had been reached. The President had agreed to go forward with the funding of the government. It was only after he got criticized on a right-wing television that he abruptly changed his mind and pulled the plug. Against the advice of Republican Members of Congress, he decided two people on FOX News were more important than the rest of us on a bipartisan basis. And we had—that was a unilateral action by the President. And as a result, the government shut down.

But that was something he triggered. It wasn't something where there were lots of egos involved that, you know, caused this to happen. It was one ego that caused this to happen over an issue that was unrelated to the funding of the government: the wall.

I ask that an extra minute be restored to my friend. I'm sorry. But I wanted to—

Mr. BEYER. Thank you for clarifying it.

We learned during the shutdown that nonessential employees who weren't working, both contractors, Federal agencies, even coffee shops, could apply for unemployment insurance, but the essential employees couldn't because they were working. But even if you could prove that you weren't working and that you were applying for other jobs, which is a condition of getting unemployment insurance, if you did get paid back, then you had to repay the unemployment benefits. Just a total mess.

Ms. WORTHEN, you applied—did the unemployment benefits come in time? Did they make a difference with all the different bills that you had to pay?

Ms. WORTHEN. Not really, because they don't pay you what you make on your job. So it's always a shortage somewhere. And then you have to apply for two jobs within that week to be able to get the benefit, so—

Mr. BEYER. Two jobs that you know you're sort of doing fictitiously because you're expecting to go back to your real job.

Ms. WORTHEN. Right.

Mr. BEYER. So there's a—yes. So there's a loss of faith there too.

Mr. CONTRERAS, did you end of losing many employees through the course of this?

Mr. CONTRERAS. Well, I mean, our—you know, just at the Smithsonian alone, you know, there were at least 35 security—we represent close to 300 and so security officers at Smithsonian museums. But 35 of those officers just gave up. I mean, they had to have income coming in to feed their families, pay their bills, and take care of, you know, their loved ones, so they quit. They went to find work somewhere else. I mean, they're members of our union. And that's just one side.

There were people who had to—they felt forced to, you know, go do something similar. I mean, honestly, some of these folks were veterans, people—you know, I served in the U.S. Navy as well, and I too—when I was having conversations with them, they felt betrayed by their country.

Mr. BEYER. One of the ironies of this is that while the government is unwilling to pay us, you know, contract employees and Federal employees, it still expects its bills to be paid on time.

Mr. Crescenzo, did many of your employees have student loans that were due and—

Mr. CRESCENZO. No, Congressman. Many of my employees don't have student loans. However, almost 30 percent of my employees are post-9/11 veterans who don't have big savings, who don't have any savings, or they are military spouses who are greatly affected by a shutdown when they're not getting paid. We, on the other hand, paid all of our employees. But we bore that cost alone.

Chairman, I'd like to just make a comment about the issue of the last shutdown. Politics has been around since the birth of this country, and it will continue on into the future. It's the rock in the stream. We still need to navigate the stream. So I commend the committee on future tasks that we can take, future moves that we can undertake, that will ameliorate some of these larger issues.

Mr. BEYER. I'd also just like to thank Mr. Ford for employing ex-offenders. You know, we have 4.4 percent of the world's population, 22 percent of the world's incarcerated individuals, most of whom are going to be let out again, and their best source of not going back is to be able to get a good job. So thank you very much.

Mr. Chairman, I yield back.

Mr. CONNOLLY. Thank you, Mr. Beyer. I thank you for participating and your commitment to trying to make sure this does not happen again.

Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman. This has been very helpful testimony from all of you giving us yet another perspective.

Mr. Crescenzo, I was concerned that, in your testimony, you spoke about the issue of IT and security systems—IT and security.

Mr. CRESCENZO. Yes, ma'am.

Ms. NORTON. Sometimes as we look for things that we can get done, Congress will pay attention—there was something on 60 Minutes. I hope everybody saw yesterday. It was mind-numbing. That you ask that essential—that included in the definition of essential work should be those involved in the maintenance of security or IT systems. Now, what better way to steal the government's, in this case, money and resources than during a shutdown. How would you apply that across the board to contractors?

Mr. CRESCENZO. I think there are two different ways to look at that, Congresswoman. The first would be to either, through policy or some regulatory lever, to ensure that the parties responsible for the cybersecurity infrastructure for a particular agency, whether those parties be government employees or contractor employees, would be exempt from shutdowns.

Ms. NORTON. So, when you say "maintenance," those involved in the maintenance of IT and security systems.

Mr. CRESCENZO. Correct.

Ms. NORTON. Describe for me who those are.

Mr. CRESCENZO. So, in every large government agency, in fact, in almost every government agency of any size, where there is an information technology infrastructure, there is a security operations center whose sole job is to secure the network, email, voice video, teleconference, and the information technology assets of that organization.

That part of the organization, no matter who runs it, whether that's a combination of public, private, or it's a contractor exclusively run organization should be exempt. In the last shutdown just recently, at the Department of Justice, we had—we do have a security operations center that we run for the Department of Justice in the Civil Division, which is the one—as you know, one of the more busy divisions of the Department of Justice. Fortunately for us, the deputy CIO, a gentleman by the name of Todd Miller, furloughed almost exclusively government employees because he knew that, in order to maintain the security infrastructure of that agency, he needed the contractors there.

Ms. NORTON. Mr. Chairman, we might at least get their attention on the security aspects of this issue. We certainly have done the same for Federal agencies.

I would like to—we hear this notion paycheck to paycheck. I would like to put on the record, if you would allow us, some sense of what employees, some of which you either are or are involved in, what would be the sources of income if, all of a sudden, as far as you know, if all of a sudden your one source of income, which is a check from a contractor, were cutoff? What have your employees done to remain whole even now but especially during the shutdown?

Any one of you can speak up on that. Where do they go?

Mr. FORD. My employees applied for and received unemployment.

Ms. NORTON. See, this is the private sector. So they—and one thing—

Mr. FORD. And what I did to help them obtain their unemployment benefits is I didn't lay them off or I didn't say "subject to future employment." I just flat terminated them. They didn't understand that at first when they were saying: You're firing me?

And I'm like: No. I'm actually helping you obtain your unemployment benefits.

Ms. NORTON. Did you hire them back afterwards?

Mr. FORD. I was able to only hire one back.

Ms. NORTON. What? They got another job?

Mr. FORD. They were able to find additional jobs. The layoff happened at a good point, if you want to call it that, in the economy, because—the low unemployment. So those that wanted to work were able to get their work.

The one guy that I was able to get back was one of my convicted felons because nobody else wanted to pick him up because of his background. And I would have vouched for him if somebody would have called and asked for a recommendation, but it didn't happen.

Mr. CRESCENZO. If I may, we had some lessons learned from the 2013 shutdown. I was fortunate enough to be here earlier to hear the prior testimony. As a matter of course, we cross-clear employees to other contracts now as a result of the 2013 shutdown.

Ms. NORTON. Would you explain what cross-clear means?

Mr. CRESCENZO. We have employees in the Department of Justice. They have a Department of Justice clearance. We have other employees at the Department of Defense, which has a completely different clearance process. They take different amounts of time.

But given our lessons learned from the 2013 shutdown, we typically and almost continuously apply security clearances across all

of our contracts for all employees. So, if we hire someone on to a DOD contract, we, at the same time, submit them for a DOJ security clearance so that in the event there is a shutdown, we can readily move those people.

There is an issue that you can help with that we haven't addressed, which is PTO. As you know, vacation and paid time off can be donated in medical emergencies. That is there is no tax implication for employees.

In the 2013 shutdown, we had 17 brandnew employees who had not ever worked for us before. Literally, on day one, they were furloughed, and they had no leave. What we did, and this can get a little bit arcane, but it is something that's usually resolved by you: Leave is a liability on our books. It is an expense that I must put onto my balance sheet at the beginning of year that says if I have 100 employees and they get 10 hours or leave, I have budget for 1,000 hours of leave. And at the end of the year, as you know, most people don't take all their leave.

When they don't, we let them carry some over. But the rest, we take back. And why do we take it back? Because I can't keep a seven-figure expense on my books at the end of the year. That's why leave gets wiped out.

However, in a shutdown, what we did is we allowed some of our employees—we asked every employee, as a matter of fact, over 87 percent of our company in 2013, pledged not to take leave that was on the books until the end of the year. That leave stayed there. But the employees in this particular shutdown—so we had—again, no employee was affected financially from our perspective. We were affected as a company. The employees were not because we took that leave that was pledged not to be taken, and we let those employees use paid time off that other employees had essentially abandoned. Rather than have us go through this arcane five-step process to avoid tax implications and audits, it would be a lot easier if we could just pass some legislation that would all government contractors during a shutdown to allow tax-free leave donations for colleagues who are affected.

Mr. CONNOLLY. Another thought for PSC. All right. They got it.

Ms. NORTON. Best practices.

Mr. CRESCENZO. PSC thought of that after we did, sir.

Ms. NORTON. Can I get put more thing?

Mr. CONNOLLY. One more thing.

Ms. NORTON. I'd like to just get on the record whether this bill I am sponsoring would help in any way any of your employees. Because Mr. Ford wouldn't expect his employees, but he talked about middle ground. It's really my attempt—it has many cosponsors—to find something for contract employees.

And as I indicated to the last panel, while it wouldn't affect all of your employees, it goes to the employees who could least afford a shutdown. And in my bill, I name retail, food, custodial, security employees. I'm on another bill that says 200 percent of income of the employees. They amount to the same thing. I'd like to know if that bill would help any of your employees or would help you.

Mr. CONNOLLY. Real quickly.

Mr. HALL. Congresswoman, that would help, but I would like to encourage you to expand the definition. So many of the people that

we were impacted were mail clerks, paid much like custodians. They wouldn't be included.

Ms. NORTON. Mail clerks.

Mr. HALL. Mail clerks. And there's other positions as well. So perhaps you could base it on income.

Mr. CRESCENZO. Yes. I was going to suggest that as well. We have many young veterans of Iraq and Afghanistan who are severely financially impacted in the event that they lose that money. And they are not highly paid people. They are people who are getting their first job coming out of the military, which both the government and private industry are going out of their way to help provide.

But that creates an almost untenable situation for both the employer and the veteran when they get eliminated from consideration there just because they're in a nonexempt status. I would much rather see that be an income level.

Mr. CONNOLLY. Mr. Contreras, did you want to comment?

Mr. CONTRERAS. No, I'm—absolutely. I mean, what you have and what they said makes sense. It absolutely helps our members.

Mr. CONNOLLY. Thank you.

Ms. NORTON. We'll work on both of those bills and try to combine them to get them through. I'm trying to get them through at least the appropriation process.

Mr. CONNOLLY. Yes. Thank you so much, Ms. Norton.

Ms. WEXTON.

Ms. WEXTON. Thank you, Mr. Chairman. And thank you to the panel for coming and joining us today.

Mr. Ford, I would like to say, I know you've said in your remarks that you didn't know why you were here because you weren't a contractor.

Mr. FORD. Right.

Ms. WEXTON. But that's exactly why you are here. Because, you know, as we've heard, Federal employees get protected; Federal contractors don't. Some are better able to absorb those costs, and then subcontractors below them. But one of the groups that has been left without any recourse is those in the private sector.

And as somebody who was sworn in and came to D.C. in the midst of this shutdown, every time I would go to a restaurant or a coffee shop, I would ask the employees how has business been during this shutdown? And it would be dead, nobody in the shop. So you are not alone and we understand what you're going through, and we want to make sure that we do not have these shutdowns again.

Ms. NORTON. And if I could just say to my colleague on this question of—in my own district, the District of Columbia, it suffered the worst effects of the shutdown, because of contractors and employees who couldn't shop and couldn't go to restaurants downtown. So the effect on overall business, and not only in the DMV, but in the country, ought to be noted.

Thank you, Ms. Wexton.

Mr. FORD. Can I make one comment?

Ms. WEXTON. Sure.

Mr. FORD. The one thing that could potentially help a little guy like me—and I will say, I'm fortunate, if you will, to be leasing—my landlord is the United States of America, believe it or not.

If we have a furlough again—not—rephrase that. When we have another furlough, somehow, somewhere, someday, can the rent be abated for the period that the government is shut down?

Ms. NORTON. That you pay the Federal Government?

Mr. FORD. Ma'am?

Ms. NORTON. That you pay the Federal Government?

Mr. FORD. No—yes, I pay the Federal Government. I was obligated to my rent on time.

Ms. NORTON. So he paid the Federal Government.

Mr. FORD. Yes, ma'am. I had to pay the Federal Government whether I was in business or not, or I got shut out. Good-bye.

So part of what you all could potentially consider is those of us that are leasing from the Federal Government would obviously be the most impacted by a Federal shutdown—is that our rent be abated during the shutdown because—and then we—it puts us in a better financial position—puts us in a better financial position, A, to survive the shutdown; B, to potentially help some of our employees to survive the shutdown.

Ms. WEXTON. And I want to thank you for also drawing attention to the fact that even after the shutdown ended on January 25, there was that continuing specter of it taking place again on February 15, and that that impacted a lot of employees' spending choices and ability to spend during that period of time.

Mr. FORD. It was a ghost town in my shop, a literal ghost town.

Ms. WEXTON. And you stated in your testimony that it has impacted your cost of business moving forward. Is that correct? Your unemployment insurance has gone up?

Mr. FORD. I'm anticipating it will increase my cost of business going forward, because of the employees that filed for unemployment—I make a monthly or weekly whatever—my payroll folks do this for me—but a contribution to the unemployment insurance for the District of Columbia. As long as I can maintain my—as long as I'm not terminating employees and a lot of employees are not filing for unemployment benefits, my rates stay low. When I begin—when I start seeing a rise in unemployment requests from my business, my rates are going to go up.

Now, what I don't know yet—and I won't know this probably for another three to six months—is if my unemployment insurance rates are going to go up as a result of the filings. I don't know that yet.

Ms. WEXTON. And you, as an employer, have to make that difficult decision about whether to terminate the employees and give them that access to unemployment compensation, or whether to just furlough them or make them subject to recall whereby they might not be able to access that.

Mr. FORD. And I chose to bite the bullet and terminate, which, again, is a morale buster of the biggest, largest proportion that you've ever seen. Because the employees that are still there, Oh, my God, am I going to get fired too? They understood it as being fired. They didn't understand it as being to their benefit to obtain unemployment insurance. They didn't grasp that fully.

Ms. WEXTON. Right. No. I understand.

Mr. FORD. I think they do now.

Ms. WEXTON. I can see why they wouldn't understand that.

Mr. FORD. Correct.

Ms. WEXTON. And why, as an employer, it would be easier for you to just furlough them and then you don't have to incur possibly the increase in your premiums and—

Mr. FORD. Correct.

Ms. WEXTON [continuing]. feel good. But I understand that was a difficult decision on your part.

Ms. WORTHEN. You testified that you had incurred—like you had not been able to pay some bills, and as a result, your credit score has suffered. Is that correct?

Ms. WORTHEN. Yes, ma'am.

Ms. WEXTON. Okay. Now, I serve on the Financial Services Committee, and one of the things that we are looking at is to have legislation that would require that credit reporting bureaus correct the score and not downgrade your credit for—for shutdown-related delinquencies in payment.

Would that help you in the terms of correcting your credit score, and giving you the ability to refinance some things that you're not able to—

Ms. WORTHEN. Sure, that would definitely—definitely help. Because with my bank, PNC, they was able—because I had my home for five years, never missed a payment until this furlough, they let me enter into this agreement to where if they give you six months—even though you don't pay your mortgage every month, but within that six months, as long as you still come up with the money, but there will be no late charge or nothing on it. But still—you still got to look at it this way: If you still enter into that agreement and you're still going back to work because of furlough, your money don't go up. You still got bills piling up. You know what I'm saying?

Ms. WEXTON. So it your bank accommodate you in terms of stretching out those mortgage payments, but they still reported it to the credit bureaus?

Ms. WORTHEN. No, no. But some of the establishments did do that.

Ms. WEXTON. Okay.

Ms. WORTHEN. Which I told them that that was very unfair, because I did my part as far as submitting a furlough letter. And when you submit that furlough letter, that is to let you know that you was affected with the furlough, that they will waive your late charges.

Okay. But then two—but March and April, now they getting back—want to give you the late charge. And I go back and tell them, No, I'm still part of the furlough. Because if you're a month behind, what makes you think I'm going to be a month ahead? The money don't go up.

Ms. WEXTON. Right.

Ms. WORTHEN. You just got bills and stuff piling up, and you got stuff on your credit. And I had real good credit. Now I can't even refinance my house. So I'm looking at avenues of what I'm going

to do. Because I'm very consistent in paying my bills. I'm not consistent in staying home. I like to work.

Ms. WEXTON. We hear that a lot. We hear that a lot.

May I ask just one question?

Mr. CONNOLLY. Yes, ma'am.

Ms. WEXTON. Mr. Crescenzo, you were talking about the impact on—on your organization. And I understand that you're a part of the Northern Virginia Technology Council. Is that correct?

Mr. CRESCENZO. Yes.

Ms. WEXTON. And have you observed that—that many other businesses within the council have been affected—were affected adversely by the shutdown in the same ways that you were?

Mr. CRESCENZO. Not only many other businesses during the shutdown, but we're also a mentor for a service-disabled veteran-owned business and a woman-owned business. And both were very badly mauled during the shutdown in terms of the—both the financial and the—and the H.R. impact.

We, for example, didn't have a single employee who missed a paycheck, and yet, our voluntary turnover doubled as a result of the shutdown. And every time you lose a billable resource, you lose the revenue that goes with that resource.

Ms. WEXTON. And just following up on that, if I may very briefly. You talked about cross-clearing your employees—

Mr. CRESCENZO. Yes, ma'am.

Ms. WEXTON [continuing]. for the clearances that they have.

Mr. CRESCENZO. Yes.

Ms. WEXTON. Is there a streamlined process to make that happen? Or is it just—is there any economy of scale of getting them cross-cleared at the same time? I understand that's probably a different hearing that we're going to have to have.

Mr. CRESCENZO. Congresswoman, it is the opposite of the streamlined process. It was a kluge that, because with have a full-time general counsel who is a brilliant legal scholar, we figured after a lot of time and effort, we found a way to do that that made it reasonable for us to do it for most of our employee population, but certainly not all, just the ones we felt would be most at risk in a shutdown.

Ms. WEXTON. Okay. Thank you. And thank you for doing that. And that's a future hearing idea.

Mr. CONNOLLY. While the good news is, Federal IT falls within the purview of this subcommittee. So maybe we'll have your back, Mr. Crescenzo, and we can pursue—

Mr. CRESCENZO. Very happy to do that, sir.

Mr. CONNOLLY [continuing]. what Ms. Wexton has just identified.

Mr. RASKIN.

Mr. RASKIN. Mr. Chairman, I want to thank you for your leadership in calling this hearing, and bringing us together as a DMV delegation, as well as members of the Government Operations Committee.

And I'm very excited about putting together this package of proposals which go further even than the excellent legislation that Congresswoman Norton advanced during the shutdown. But we're learning a lot from this hearing and from all of the contacts. So I

look forward to working with PSC on putting all of this together and pushing it—pushing it through the House.

Mr. Ford, can I come back to you for a second?

Mr. FORD. Uh-huh.

Mr. RASKIN. Where is your shop?

Mr. FORD. I'd would prefer not to spell it out specifically, because I don't want my doing business out in the public light, because I try to maintain a neutral political position.

Mr. RASKIN. Gotcha.

Mr. FORD. Because I want to serve both sides of the aisle, so to speak.

Mr. RASKIN. Yes. And you probably have a number of aisles in your store.

Mr. CONNOLLY. So Mr. Ford welcomes Republicans and Democrats to his coffee shop.

Mr. FORD. I have numerous—yes, the Vice President has visited me. I've had numerous Republican and Democrat—I don't want to alienate either side, either party.

Mr. RASKIN. I gotcha. And we don't want to—

Mr. FORD. I would love for you to come visit. I could give you off the record where I am and come on in.

Mr. RASKIN. Can you—can you tell us what your monthly rent is, and who you write your check to?

Mr. FORD. I write my—no, because I would lay out who I lease from and where I am.

Mr. RASKIN. It goes to the U.S. Treasury?

Mr. FORD. It goes to the U.S. Government.

Mr. RASKIN. Okay.

Mr. FORD. And my lease is approximately \$6,800 per month, is what I'm paying.

Mr. RASKIN. Okay. So during the shutdown, you paid something around \$6,800 for that time. Did you literally shut the store down—

Mr. FORD. No, sir.

Mr. RASKIN [continuing]. or there was just no action?

Mr. FORD. My revenue was not zero, but my revenue was down considerably. I mean, substantially, actually.

Mr. RASKIN. So it stayed open, but there was—

Mr. FORD. I stayed open. I can't—I mean, I'm one—I'm one coffee shop competing against—I'll call it the S word that has got 27,000 coffee shops.

Mr. RASKIN. Yes.

Mr. FORD. I don't want to lose the few—I don't want to lose—I don't want people to break the habit of coming to me and then going someplace else. So I remained open to try—in fact, I stopped my own paycheck in an effort to remain solu—whatever—solvent throughout this.

Mr. RASKIN. And your suggestion is that for small businesses, restaurants, coffee shops that are in the situation like yours, where your landlord is the Federal Government, that there would be a rent abatement during the course of the government shutdown?

Mr. FORD. During the course of the government shutdown.

Mr. RASKIN. On the theory that the government has shut down as an employer, but they haven't shut down as a landlord; they're still collecting money, but—

Mr. FORD. Correct. Now, here's part of my—my personal challenge for my shop.

The agency from whom I rent was not shut down; therefore, they ruled that we don't need to abate your rent, because we were open for business and you were not impacted.

They had their blinders on. They didn't look at the fact that I've also got Department of Interior, Department of State, Office of Personnel Management, Department of Homeland Security.

Mr. RASKIN. Right.

Mr. FORD. All of those represent 70 percent of my business. And the agency from whom I lease from represents less than 40 percent—30 to 40 percent.

Mr. RASKIN. Gotcha.

Mr. FORD. So—and they also said it's not our fault. And I'm like, you're right, it's not. Absolutely it's not their fault.

Mr. RASKIN. Mr. Contreras, let me ask you something.

The workers that you represent, I'm wondering whether they experienced this as something completely out of the blue, like a natural disaster, it was like a hurricane or earthquake, or did they see this as continuous with other assaults on the Federal work force and efforts to undermine their position, their pay, their benefits and so on?

Mr. CONTRERAS. I mean, it was—it was like a tsunami. I mean, you know, they're used to a day or two or couple of days government shutdown. And 35 days is just unbearable. You know, some of these workers, when they heard somebody on the other side of the aisle say, Well, you should just go tell your landlord that you will not paint their walls, or cut their trees or something as a way to pay, you know, help—you know, they were just offended.

And, you know, they had to do personal loans. You know, if they work a cleaner in a Federal building in the day and security officer part-time at night, you know, they—they were furloughed in the day, they had to go clean houses on the weekend. You know, and these are not folks who have savings. I mean, they work two and three jobs because they have a lot of responsibilities. I mean, they spend it. You know, money in/money out.

Mr. RASKIN. Yes. There were some statements made by people very high up in government that this is something like a day off or a vacation.

Mr. CONTRERAS. Terrible.

Mr. RASKIN. This is more like an eight or 10 percent pay cut that people took.

Mr. CONTRERAS. Yes.

Mr. RASKIN. When you strip a month of their salary away and introduce all of that stress and anxiety.

Mr. Chairman, I yield back to you. Thank you.

Mr. CONNOLLY. Thank you, Mr. Raskin.

Let me pick up on that, Mr. Contreras.

So your members, they're all making six-figure salaries, right?

Mr. CONTRERAS. Right, that would be nice. I mean, our members, they—you know, they, what, make 30,000 a year, maybe less. Some a little longer, depending on how long they've been on the job.

Mr. CONNOLLY. Right. So we are talking really lower end of the income spectrum.

Mr. CONTRERAS. Absolutely.

Mr. CONNOLLY. And, Ms. Worthen, you're in that same boat?

Mr. CONTRERAS. Yes.

Ms. WORTHEN. Uh-huh.

Mr. CONNOLLY. And to take a 35-day period of not being paid is not a minor or trivial issue in the lives of your members or you, Ms. Worthen; is that correct?

Mr. CONTRERAS. Absolutely.

Mr. CONNOLLY. Mr. Hall, tell us about your—the people you represent. Who are they?

Mr. HALL. Individuals with significant disabilities employed in AbilityOne, where they go to work. I mentioned Mr. Picket had been with us for 27 years. We have lots of employees—

Mr. CONNOLLY. Right. And if they didn't go to work through your auspices—and there are some other organizations similar.

Mr. HALL. They're sitting at home.

Mr. CONNOLLY. They're sitting at home.

Mr. HALL. They're sitting at home.

Mr. CONNOLLY. And what does that do to self-esteem if you are—

Mr. HALL. It lowers morale. It creates a lot of stress for some of our employees. They didn't have the money to go buy groceries. We had to start a food campaign. So, we stayed in touch with them, talked to them often. Eventually, we were able to make everyone whole, due to the generosity of our foundation and some donors. But during that 35-day period, it was hell for them, quite frankly.

Mr. CONNOLLY. Right, the longest ever, so nobody planned for 35 days.

Mr. HALL. No.

Mr. CONNOLLY. The hope was, well, this would be a temporary—

Mr. HALL. Why can't I go back to work and do my job?

Mr. CONNOLLY. Exactly.

Mr. HALL. That's what I want to do.

Mr. CONNOLLY. And I would think it must have been a challenge for some of those folks to explain what this was.

Mr. HALL. They didn't understand why they were pawns in this political battle which they really didn't understand.

Mr. CONNOLLY. And, likewise, to Mr. Contreras' membership, you know, the folks you are talking about are not making six-figure salaries.

Mr. HALL. No. On average, they make about \$13 an hour.

Mr. CONNOLLY. \$13 an hour. So the loss of this income—

Mr. HALL. Means that they're—

Mr. CONNOLLY [continuing]. very devastating personally, but financially also.

Mr. HALL. Financially, certainly during that—you know, they had to talk to landlords, miss car payments, had difficulty riding

the Metro. Forget going to a movie or eating out. That all went away.

Mr. CONNOLLY. Ms. Worthen, you described a little earlier in your testimony—and I don't want you to describe your personal medical information. But you suffered a medical situation because you could not afford, as I understood it, the medicine you needed for an underlying medical condition. Is that correct?

Ms. WORTHEN. Right. Or pay the premium.

Mr. CONNOLLY. Or pay the premium.

Ms. WORTHEN. I don't mind sharing any personal thing, because it's a personal thing I went through. So it's good to let the record know that I don't mind sharing my story with anybody, because that's what I went through.

Mr. CONNOLLY. Right.

Ms. WORTHEN. So to that factor, by me not being able to pay my premium, I'm not able to pay the copay to go see the doctor so that he can figure where I'm at with my A-1. You know what I mean?

Mr. CONNOLLY. And that's not something—I mean, that's not something that's optional for you.

Ms. WORTHEN. Right.

Mr. CONNOLLY. You have to have that medicine?

Ms. WORTHEN. I've got to have it.

Mr. CHAIRMAN. Mr. Ford, why do you hire ex-convicts?

Mr. FORD. A gut feeling. When I interview them and I talk to them—I haven't hired all of them. I've hired a few. When I sit down and have a long heart-to-heart conversation with them, and I realize that they are truly remorseful and that they want to get back as a productive citizen, I'm willing to give them a chance.

I have hired some, and I have put them right back in jail because I caught them stealing money from me. I have no qualms about that. However, the ones that I have that have taken the opportunity are probably my single most loyal employees that I own—I wouldn't say I own—that I have. They'll walk with me to the end of the Earth. It's been a wonderful experience. And I think a lot of people should reconsider when an ex-con walks up.

I have conversations with their probation officers. Two of them are right now still on active probation. I have conversations weekly, monthly, with their probation officers. I know what they're doing. I understand what they're doing, and they know what I'm all about. And they understand that I don't give—I don't care—as long as they are working and don't take anything from me, they will have a job.

Mr. CONNOLLY. Yes.

Mr. FORD. If I can possibly maintain the employment.

Mr. CONNOLLY. I commend you for that.

And I hope that the press that's here has captured the human impact of a 35-day government shutdown. Low wage workers trying to make ends meet, don't have savings to fall back on, devastating.

A small businessman who wants to give people a second chance in American society, and is thwarted from doing so when the government shuts down, through no fault of his own. You know, a security guard at one of our museums faces health crisis because she can no longer pay her premiums and her copayments for necessary

medication, creating a health crisis for herself, again, through no fault of her own. And a whole cadre of people who have an opportunity to achieve work and the self-esteem that comes with that, who are denied that, again, through no fault of their own because of a 35-day shutdown.

The impacts are considerable. None of these impacts were particularly focused on during the 35-day shutdown. But they're very real, in real life. And we thank you all for coming here and sharing those experiences.

Ms. NORTON. Mr. Chairman—

Mr. CONNOLLY. Ms. Norton.

Ms. NORTON [continuing]. could I just make one statement in context? Almost none of the witnesses appearing today would have been appearing, I guess, when I was a kid growing up in D.C. And the reason they're here—remember, we have about 2 million Federal employees, where we have more than 3 million Federal contract employees.

Mr. CONNOLLY. Right.

Ms. NORTON. Well, how did we get to that point? The Federal Government has, over time, made a decision to outsource much of the work of the Federal Government. That leaves these employees sometimes without leave they would have if they worked for the Federal Government, without pensions that you have if you're a Federal employee.

So the Federal Government did that with great malice aforethought. They wanted to get that leave, they wanted to get those pensions, and, yes, they wanted to get those salaries off of the straight-out Federal budget. It doesn't seem to me that the Federal Government can, having made that decision, be allowed to escape responsibility—

Mr. CONNOLLY. Yes.

Ms. NORTON [continuing]. for what it has benefited from in saying to the private sector, "You do it, do it cheaper than we could do it, and we'll give you as many contracts as we can find." And I think we need to make sure that that isn't harming people who would otherwise work for the Federal Government if we did what we did only a generation ago.

And thank you, Mr. Chairman.

Mr. CONNOLLY. Great observation. Thank you, Ms. Norton.

I want to thank all of our witnesses for your testimony today.

Without objection, all members will have five legislative days within which to submit additional written questions for the witnesses, if they can do that, through the chair, and they will be forwarded for their responses.

I ask our witnesses, if you are given additional followup questions, to respond as expeditiously as possible.

I want to thank our staff, our committee staff, our subcommittee staff, my personal staff, our recorders for making this look easy when I know it's not, when we do a field hearing. But thank you.

And, again, thank you to George Mason University for their hospitality.

We are adjourned.

[Whereupon, at 11:47 a.m., the subcommittee was adjourned.]