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Conversion of Commissaries to Nonappropriated Fund Instrumentalities and NAFing Commissary Workforce

Items for consideration for Defense and Congressional policy-makers

DoD is proposing to convert commissaries to nonappropriated fund instrumentalities. DoD is presuming that some level of appropriations would be provided and that they would use legislative authority to “convert” appropriations to nonappropriated funds.

ALA Position

- Before any employees are considered to be converted to NAF, ALA recommends expanding the existing statutory authority for portability of benefits to provide parallel protections.
- NAFing the DeCA workforce could be a pre-cursor to eliminating appropriations for commissaries.
- NAFing the workforce is predicated on successful implementation of commissary revenue generating pilots, which have not been conducted nor validated.
- NAFing the commissary agency is predicated on Congress allowing the conversion of nearly \$1 billion in appropriations to nonappropriated funds and effectively taking this funding off-budget with ensuing loss of visibility by the appropriations committees over use of this funding.

Any implementation of this concept should consider:

- Benefits of reduced costs of commissary operations and to include reducing appropriations without diminishing patron benefits.
- Impact on patrons through potential reductions in appropriations.
- Loss of visibility on appropriated fund execution by the appropriations committees.
- Impact on the Defense Working Capital Funds.
- Loss of Treasury float on surcharge funds.
- Increased potential for anti-deficiency violations.

- Impact on the workforce for loss of benefits and lower wages.
- Whether true economics can be realized through the conversion.
- Impact on mandated programs for appropriated fund entities such as EEOC, small business mandates, and contracts for disadvantaged including the National Institutes for the Blind and the National Institute for the Severely Handicapped.

DoD on NAFing the DeCA Work Force

“Conversion provides the Defense Commissary Agency (DeCA) with the tools and latitude to reshape its workforce over time. Nonappropriated fund entities offer greater pay band flexibility and private sector based wages that tend to be lower than appropriation-based activities. DeCA pays on average roughly 20% higher wages than the exchanges for comparable in-store roles so conversion could permit significant saving in pay scale. Nonappropriated fund entities also have greater flexibility in employee benefits for retirement, health, and workers compensation, which should generate savings. Additionally, DeCA would be able to take personnel actions more dynamically, make business-based decisions to adjust the size and composition of the workforce with consideration to market conditions and offer performance-based pay.”

“Conversion opens the door to leveraging experience, expertise, processes, and technology across the Defense Resale Enterprise, since all of the individual systems would be using the same business model. Sharing services and staff could kick-start the implementation of merchandising, flexible pricing, and other elements of a more commercially-structured marketing mix, as well as the launch of a managed or brokered private-label product line.”

Concerns and opposition to concept by beneficiaries and Congress

In testimony before the House Armed Services Committee this past January, the Military Coalition said:

“We have some concern about other proposals requiring legislative action that will have a potential employee impact. Many of DeCA’s employees are military affiliated, meaning they are military family members or veterans/retirees themselves. In 2012, approximately 27% of DeCA’s 15,276 employees were military spouses or family members. BCG proposes that savings can be achieved in store operations by reducing dependence on contract labor and increasing the number of employees, but with all under a Non-Appropriated Fund (NAF) system. This includes converting current employees under the General Schedule (GS) system to NAF positions. Such a conversion includes a significant cut in wages and benefits for these employees.

“We understand this conversion will result in congruency for business and IT systems necessary to achieve savings. It is our hope that plans going forward will include equivalent substitute compensation packages for employees being converted to NAF status and that retirement and other benefits already earned will be “cashed out” for

deposit in the new system. Where possible, we would urge that such changes be done through natural attrition.”

Although Congress continues to encourage DoD to search for ways to save money within DeCA, perhaps through restructuring, in a February 25 letter to the Secretary of Defense, fifteen prominent Senators cautioned the department to *“proceed carefully with any proposal that could harm the commissary benefit, including conversion of DeCA employees to non-appropriated funds employees.”* (enclosed).

The American Federation of Government Employees has said the proposal to convert employees to nonappropriated-fund status “would hurt the military families it ostensibly wants to protect.” And that “Walmartizing the DeCA workforce in order to generate fake and punitive economies at the expense of American workers.

Enclosures

- January 25 letter from Senate to Secretary of Defense
- AFGE testimony for the record, House Armed Services Committee January 13, 2016
- ALA testimony, House Armed Services Committee, January 12, 2016
- AFMC testimony, House Armed Services Committee, January 13, 2016
- Military Coalition Testimony, House Armed Services Committee, January 13, 2016
- National Military Family Association testimony, House Armed Services Committee, January 13, 2016