Hey! In case you've not been following the news, you may not be aware that both Congress and the Executive Branch Departments and agencies agree on something! They both agree that Executive Branch Departments and agencies spend too much taxpayer funds on travel-related costs.

It all started with the GSA "conference" spending spree, and then in May 2012, the Office of Management and Budget issued a **Memorandum** called "Promoting Efficient Spending to Support Agency Operations." The OMB Memo required that, in Government Fiscal Year (GFY) 2013, each agency must spend 30 percent less on travel expenses then it did in GFY 2010. The travel expense reductions must continue through GFY 2016. The Memo stated—

In addition, agencies shall include in their FY 2014 budget submission to OMB a description of how they will make these travel reductions sustainable, including the specific process changes and technology investments necessary to reduce their reliance on travel.

The Memo also stated—

In addition, to assist agencies in achieving these reductions in travel expenses, no later than 180 days from the date of this memorandum, the Department of Defense and the General Services Administration (GSA), in consultation with OMB, shall review the Joint Federal Travel Regulations and the Federal Travel Regulation (FTR) to ensure that the policies reduce travel costs without impairing the effective accomplishment of agency missions.

Suggested policy changes included:

- Have employees share vehicles

- Ensure per diem payments are reduced when a third party provides meals

- Ensure that employees capture lower airfares by "appropriately timing the purchase of airfare"

- Ensure that refunds for unused or partially used airline tickets are collected

Next, Deputy Defense Secretary Ashton Carter issued his own Memo, directing the DOD Comptroller "to reduce spending on travel, conferences, and other agency operations," according to **this story** . The directed spending reductions align exactly with those called-for by the OMB Memo.

Finally, Federal Times **reported** that the GSA is "considering" lowering existing per diem rates by up to 30 percent. The Federal Times story said, "GSA recently discussed with travel industry officials the possibility that it will revise how it calculates average per diems by removing more costly hotels from its averages — lowering the resulting per diem." The story quotes a knowledgeable person as stating that, if the cuts go into effect, then about 85 percent of hotels in Washington, D.C., would exceed the lodging limits within the per diem rates. The story quoted the spokesperson as follows—

McBurney said Marriott and Sheraton would be among hotel chains most affected. Feds could be priced out of many hotels in more expensive markets, such as New York, San Francisco, Chicago and Baltimore, in addition to Washington, he said.

This story contained a call for action by the hotel industry, to try to stop GSA's per diem cuts. We were interested in the mechanics of the GSA lodging rate-setting process found in the story. It said—

Currently, GSA solicits room rate data and then determines hotel average daily rates (ADR) by including rates from hotels in the 'mid-price range.' Those rates are gathered from independent, midscale, upscale, upper upscale properties. GSA omits rates from economy and luxury hotels from the data as it considers them outside the mid-price range (too low and too high, respectively). After determining ADR for locations throughout the US, GSA then reduces those rates by 5 percent and establishes per diem rates at that discounted level.

Under the proposed new system, GSA may include only lower hotel rates in the mid-price range when calculating ADR. If GSA does so, it will be intentionally reducing room rates rather than reflecting average room rates, according to the American Hotel & Lodging Association.

This story at **Hotel News Now** reported that "In a presentation to members of the hotel industry prepared by the GSA, an example of the new methodology showed the federal standard per-diem rate decreasing from $136 to $107."

So what does this all mean?

Well, you should know that the GSA per diem limits (lodging plus meals/incidentals) are also, generally, the limits on the amount of allowable travel costs that you can bid and bill to your Federal customers. (See the Travel Cost Principle at FAR 31.205-46.) Thus, if GSA does cut its per diem reimbursement rates, the amount of your allowable per diem will be reduced as well. If you do nothing, the additional unallowable travel costs will come out of your profit dollars.

So you should do something. *Now*. Be proactive for once, will you?

It's time to reexamine and reevaluate your existing travel policies in light of the (probable) per diem reductions. Take a look at the bulleted points from OMB and consider weaving those strategies into your travel policies and procedures. Consider specifying less "swanky" hotels—i.e., moving away from Westin, Sheraton and Marriott, and toward Holiday Inn and the like. Put pressure on your preferred hotel partners to give you rates commensurate with what they offer GSA, and make sure your rates scale down if GSA gets lower rates.

We don't agree that GSA's methodology results in fair lodging rates, but that's not our call to make. The fact is, if GSA lowers the lodging limits, you need to be ready—unless you are willing to see your unallowable travel costs increase by a relatively significant amount.

Remember, you heard it here first.