

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

FROM: RALPH BLEDSOE *Ralph Bledsoe*

SUBJECT: Additional Papers for March 18, 1983 CCMA Meeting

DATE: March 15, 1983

Attached are additional papers for the CCMA meeting now scheduled for Friday, March 18, 1983, at 4:00 p.m. in the Roosevelt Room. The first paper contains a series of tables with information from the Reform 88 First Quarter Report for FY 1983. Some of the key data elements will be described in greater detail by Joe Wright. Since this is the first of what will become quarterly management results reports to CCMA, your suggestions and comments are encouraged.

The second paper is a revised version of the paper pertaining to the agenda item on Federal Civilian Employment (CM#207). Please substitute this March 15 (revised) version for the previous paper on this topic.

(Revised March 15, 1983)

CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

Federal Civilian Employment (CM #307)Options for Meeting the 75,000 FTE Reduction Goal

When the FTE reduction targets for nondefense civilian employment were set in September 1981, the baseline was 1,163,100 FTE's and the annual targets and planned reductions were (in thousands):

	<u>FY 1981</u>	<u>FY 1983</u>	<u>FY 1984</u>
Targets <u>1/</u>	1,137	1,108	1,088
Planned reductions	26	55	75

1/ The targets established in September 1981 for FY 1982 and FY 1983 were modified later to provide staff to carry out high priority initiatives of the Administration, e.g., the South Florida anti-drug initiative.

Actual FTE employment in FY 1982 was 1,098 thousand, or 39 thousand below the target. In other words, actual FTE employment was 3.5% below the ceilings assigned to the agencies.

The FTE ceilings assigned to the agencies during the FY 1984 budget process were, in the aggregate, about 9,000 above target for FY 1983 and about 15,000 above target for FY 1984. The main sources of the increases were (in thousands):

	<u>FY 1983</u>	<u>FY 1984</u>
Commerce	1.6	1.5
Energy	2.2	1.5
HHS	0.7	---
Justice	1.5	4.0
Labor	0.4	0.5
State	0.6	0.9
Transportation	0.6	0.4
Treasury	4.2	4.2
USIA	0.3	0.7
Railroad Retirement	1.5	1.5
Other	<u>-4.4</u>	<u>-0.1</u>
Total	9.2	15.1

These increases reflect two factors:

- the rejection by the Congress of: (a) the proposed reorganization of Energy, and (b) the proposed privatization of the railroad retirement system; and
- Administration initiatives in other agencies, specifically:
 - o Commerce: Census, Patent and Trademark;
 - o Justice: Drug initiative, FBI;
 - o Labor: Job Training Partnership Act;
 - o State: Passports, consular workload, communications systems;
 - o Treasury: IRS; and
 - o USIA: VOA, Democracy program.

Failure to meet the FY 1983 and, especially, FY 1984 targets would, of course, be embarrassing to the Administration. There are several options for dealing with the problem.

Option 1: Reduce Ceilings Now

The Administration could revise the ceilings downward to the initial targets. While this will be desirable in time, it would not be advisable now for several reasons.

- Another budget review would be required, involving not just OMB but the Budget Review Board and possibly the President as well.
- Because there are no new facts to bring to bear on the decisions, the process would be difficult and hard-fought and would become public.
- This would create a no-win situation for the Administration:
 - o creating the image that the Administration's processes for making budget and employment decisions are uncoordinated and haphazard;
 - o raising doubts in the minds of the congress about how seriously to take the President's budget, which is currently being reviewed by Appropriations Subcommittees and Budget Committees; and
 - o leading to demands by the congress for formal documentation (as proposed rescissions or budget amendments) of any claimed savings.

Option 2: Use PPSS Reports as Basis for Reviewing Employment Ceilings

The reports of the President's Private Sector Survey, which are scheduled to be made sometime during the spring, are expected to make a number of recommendations that would, if feasible, permit the work of the Federal Government to be done with fewer employees. These reports can be the basis for asking agencies and OMB to review the FTE needs of the agencies, with the objective of reducing them.

Depending upon when the reports are received, the reviews can be planned to be completed in time for the results to be included in the planning guidance for the 1985 Budget. New ceilings would be given to the agencies as soon as possible and those that evolve from the budget review process will be incorporated into the FY 1985 Budget (January 1984).

This option has the distinct advantage that the action required to carry it out would be both logical and expected. The Administration would be responding to serious recommendations by a public group, and the reviews could be fitted into the budget process. For reasons mentioned below, the delay of a few or even several months relative to the first option does not appear to be a serious disadvantage.

Option 3: Take the Lapse Route

It is possible that a major part of the 75,000 FTE reduction will be achieved if a hard line is held against further increases in the ceilings. As is noted above, the FTE reduction achieved in FY 1982 was 39,000 more than planned. This is because there was a lapse rate (a shortfall relative to the ceiling) of 3.5%.

Over the past several years, the lapse rate for nondefense civilian employment has ranged from about 0.7% to the 3.5% of FY 1982. If the lapse rate in FY 1983 is 0.8% and that in FY 1984 is 1.4%, the initial ceilings for those years--the 75,000 FTE reduction--will be achieved. The experience of the first three months of FY 1983 indicates that there was an implied lapse rate of about 1.7% for the period. Assuming that neither the Administration nor the Congress adds significantly to the agency ceilings in FY 1983 or FY 1984, the chance that the 75,000 FTE reduction will be achieved is better than 50-50 if we hold the line against any further increases and try to maintain the lapse rate. The monthly FTE reports will be followed very closely to see whether the present trend holds. To the extent that the Congress adds an identifiable number of FTE's, the Administration can properly deny responsibility for a breach of the 75,000 FTE reduction.

Option 4: Joint Review by OMB and OPM to Reduce Ceilings Now

A fourth option is a joint review by OMB and OPM of each agency's ceiling. The goal would be to freeze employment levels for certain agencies, and apply partial freezes for most other non-defense agencies. This review would, to the extent possible, take into account current lapse experience, agency operating plans, and potential congressional actions.

This option has the same drawbacks as Option 1.

Brief Analysis

There appears to be little risk over the next few months in pursuing Option 3, but tight monitoring of the lapse rate would be required. Option 2 could be pursued when the PPSS reports are received (now expected in the spring and early summer). Options 1 and 4 would mean taking immediate action to reduce the ceilings established in the FY 1984 Budget, which was transmitted on January 31.

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REFORM 88 COST REDUCTION INITIATIVES--PROGRESS REPORTS
FIRST QUARTER REPORT - FY 1983

March 10, 1983

	1983 Goal	Q1 Goal	Q1 Progress
INITIATIVE			
Improve Cash Management			
a. Interest saved.....	*	*	0.0
b. Tax collections.....	*	*	0.0
c. Interest penalties.....	0.0	0.0	0.0
d. Amt bills pd 5 days early.....	0.0	0.0	90.6
Increase Debt Collection			
a. Collections.....	2855.0	635.0	895.5
Surplus Property			
a. DOI Sales (Acres).....	20.0 ^{a/}	*	0.0
DOI Sales (Dollars).....	10.0 ^{a/}	*	0.0
b. GSA (Pieces of Property).....	386.0	*	55.0
GSA (Dollar amt sold).....	369.9	*	16.7
Audit Recoveries			
a. Recoveries.....	*	*	14.3
Internal Controls			
a. Vulnerability Assessments.....	100%	100%	93.0
b. Managers w/A-123 in perform agreement.....	100%	100%	30.9
Employment Reduction			
a. FTE usage.....	1003930	240723	227537
Procurement Reforms(Activities are to be listed in progress reports.)			
Publications and Audiovisuals			
a. Expenditures.....	198.9	40.8	29.3
b. Reduction Actions.....	6056	1499	1679.0
Unliquidated Obligations			
a. Recoveries.....	*	*	1280.8
Travel Management			
a. Savings.....	50.0	12.5	<u>b/</u>
Paperwork Reduction			
a. Burden hours(1982 base 1274.5).....	1166.6	n/a	1185.3
Space Reduction.....(GSA has not completed planning for this initiative.)			

* Goals not set.

^{a/} Surplus property planning estimates--not goals.

^{b/} Travel savings will not be available until April.
Savings July to June 1982 = \$26.2 million.

REFORM '88 COST REDUCTION INITIATIVES-PROGRESS REPORT
FIRST QUARTER REPORT - FY 1983

3-14-8

	Status	Q1 Findings	Problems Identified	Corrective Actions
1. IMPROVE CASH MANAGEMENT				
Interest saved	Goal: None set On target	Agencies developing plans	None	Treasury and OMB will start start working with agencies to set dollar goals in Q2.
Amount of bills paid 5 days early	Goal: Zero On target	\$90.6M	HHS \$78.2M due to system deficiencies Justice \$9.9M due to informal agreements and automation processing problems. DOD progress payments not reported as early payments	System revised Practices being modified. DOD to continue its current practice pending DOD's presentation of additional information on its progress payment policy by April 1, 1983
Tax collections	Goal: None set On target	Treasury did not report	Increased receipts from TEFRA will occur in Q2	This item will not be tracked in Q2
Interest penalties because of late payments of bills	Goal: Zero On target	Less than \$30,000	None	None.
2. INCREASE DEBT COLLECTION				
Collections	Goal: \$635.0M Analysis incomplete	\$895.5M	-Agencies need to assume greater responsibility for improving debt collection practices -Education rate of collection increased from \$46M to 108.9M -Treasury collections (\$738.3M) higher than anticipated (\$365M) -VA one-time sale of loan portfolio increased from \$42M to \$325M.	-Lead agencies to develop governmentwide models which address parts of the credit cycle Result of encouraging due diligence by educational institutions -Collections are expected to even out over the year.

REFORM '88 COST REDUCTION INITIATIVES-PROGRESS REPORT
FIRST QUARTER REPORT - FY 1983

3-14-8

	Status	Q1 Findings	Problems Identified	Corrective Actions
Debt Collection (Continued)			<p>-USDA's appropriation language allows the Secretary to defer payments of principal and interest on outstanding loans and forego foreclosure on delinquent loans.</p> <p>-HHS funded schools not diligent in collecting certain student loans.</p> <p>-DOL has not demonstrated that they consider debt collection as a top DOL priority.</p>	<p>-The 1984 budget proposes to delete the moratorium authority</p> <p>-HHS has proposed guidelines that would limit school's participation in Health Profession and Nursing Student Loans if delinquencies exceed 5% of loans outstanding.</p> <p>-OMB will intensify its involvement with the DOL Office of Assistant Secretary for Administration and Management to obtain more cooperation/support on the part of top level managers.</p>
3. INCREASE SURPLUS PROPERTY SALES				
Sales	<p>FY 1983 Plan:</p> <p>GSA \$369.9M On target</p> <p>DOI \$10M</p>	<p>\$16.7M sold</p> <p>DOI sales to begin in Q3.</p>	<p>-None</p> <p>-Management goals expected to be achieved</p>	N/A

REFORM '88 COST REDUCTION INITIATIVES-PROGRESS REPORT
FIRST QUARTER REPORT - FY 1983

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	Status	Q1 Findings	Problems Identified	Corrective Actions
4. INCREASE AUDIT RECOVERIES				
Recoveries	No target set	\$14.3 million	-DOI, USDA, DOD and NASA do not have systems to monitor this activity -DOD expects to have automated systems in time for Q2 reports -HUD and SBA collected less than \$30,000; VA reported zero recoveries but will report recoveries in Q2 -Significant differences between Q1 reports and agency Reports of Financial Condition	-Monitor DOI, USDA, DOD AND NASA plans to implement systems. -Encourage agencies to increase collections -Work with agencies to reconcile differences
Audits over 6 months old, #'s of	Not due this quarter	N/A	N/A	N/A
Audits over 6 months old, \$ related to	Not due this quarter	N/A	N/A	N/A
Commitments to recover	Not due this quarter	N/A	N/A	N/A

REFORM '88 COST REDUCTION INITIATIVES-PROGRESS REPORT
FIRST QUARTER REPORT - FY 1983

3-14-8

	Status	Q1 Findings	Problems Identified	Corrective Actions
5. IMPROVE INTERNAL CONTROLS				
Assessments of units vulnerable to fraud/waste	Goal: 100% On target	93%	-Justice 33% -State 30%	-Increased to 78% by January 31, 1983 -Monitor State implementation of its new worldwide system
Actions taken to correct vulnerability	No targets set	Little activity	-Too soon to expect corrective actions	-Stress corrective actions during Q2
Managers w/ A-123 activities in performance agreements	Goal: 100 Not on target	30%	-Period for establishing performance agreements did not occur in Q1. -Lack of a standard definition of manager.	-None -OMB will establish definition in A-123 revision
6. EMPLOYMENT REDUCTION				
FTE usage	Goal: 240,723 On target	227,537 FTE used	-DOE reported usage greater than Q1 target, Congressionally mandated floors and Continuing Resolution prohibitions against reductions	- DOE managers should monitor staffing to assure that FTE usage is held to levels commensurate with budget and statutory requirements
7. PROCUREMENT REFORMS				
Reforms initiated	Goal: None set Significant progress	Agencies implementing OFPP reforms	-Implementation of Federal Acquisition Regulation needed	-Coordinate agency plans
Reforms completed	Goal: None set Significant progress	Agencies implementing OFPP reforms	-Federal procurement system inaccurate and inflexible	-Coordinate GSA and agency activities to improve data quality

REFORM '88 COST REDUCTION INITIATIVES-PROGRESS REPORT
FIRST QUARTER REPORT - FY 1983

3-14-8

	Status	Q1 Findings	Problems Identified	Corrective Actions
8. CONTROL PUBLICATIONS AND AUDIOVISUAL PRODUCTS				
Expenditures	Goal: \$40.8M On target	\$29.3M	-OMB approved goals not always reflected in agency reports	-Bulletin 82-8 will be revised to require update of goals for use in Q2
Reduction Actions	Goal: 1,499 On target	1,679	-None	-None
9. REDUCE UNLIQUIDATED OBLIGATIONS				
Recoveries	Goal: None set No basis for judgement of status	\$1,280.8M recovered	-HHS does not believe report is necessary since it claims to have no problems controlling unliquidated obligations -ED took steps to achieve deobligations beginning mid-January.	-Advised HHS that extra review is not necessary, however, information in this report is needed. -None.
10. TRAVEL MANAGEMENT				
Savings	Goal: \$12.5M Appears to be below 1982 on target	Data not available until April 1	-Reporting against goal slow due to delays in obtaining data from airlines. -Savings understated due to failure of some airlines to report.	-Completed development of a management system which will report savings by agency and not be dependent upon airline data.

REFORM '88 COST REDUCTION INITIATIVES-PROGRESS REPORT
FIRST QUARTER REPORT - FY 1983

3-14-8

	Status	Q1 Findings	Problems Identified	Corrective Actions
11. PAPERWORK REDUCTION				
a. Burden hours authorized	Goal: 1166.6M hours by end of year or -127M hrs below 1982 On target	1185.3M hours level achieved Agencies are within 18M hours of end of year target	-Offsetting increases in burden necessary to implement TEFRA have not been put in place. Burden will increase during Q2 and Q3 before it falls in Q4 and reaches end of year goal	- None
12. SPACE REDUCTION				
	Initiative is still in process of development	N/A	n/A	- Work with GSA to complete planning.