

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

FROM: RALPH BLEDSOE *Ralph C Bledsoe*
SUBJECT: Agenda and Papers for March 18 CCMA Meeting
DATE: March 11, 1983

The options papers for the Friday, March 18, 1983, meeting of the Cabinet Council on Management and Administration are attached. This meeting is now scheduled for 4:00 p.m. in the Roosevelt Room.

No papers are included for the first two agenda items, which are brief reports on the progress of the CCMA Federal Field Structure Working Group, and the Executive Order on Workspace Management. Both were covered at previous CCMA meetings. The working group began its activities on March 10 at a meeting with Mr. Meese, and is chaired by Mr. Carmen of GSA. Agency comments on the Executive Order on work space management have been received by OMB, and are being incorporated by OMB and GSA.

The third agenda item will include a presentation by OMB of the first quarter's (FY 1983) results toward Reform 88 Phase I goals. An advance paper will be provided prior to the meeting.

The fourth agenda item pertains to options regarding reauthorization of the Office of Federal Procurement Policy. Authorizing legislation for OFPP expires September 30, 1983. The attached options paper was prepared by OMB.

The fifth agenda item will address options for meeting the President's goal for reducing Federal non-defense FTE work years by 75,000 by FY 1984. The attached paper contains options prepared by OMB and OPM for handling the current disparity between agency requests and the goal.

CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

Federal Civilian Employment (CM #307)Options for Meeting the 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 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>
Targets	1,137	1,108	1,088
Planned reductions...	26	55	75

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
Justice	1.5	4.0
Labor	0.4	0.5
State	0.6	0.9
Treasury	4.2	4.2
USIA	0.3	0.7
Railroad Retirement	1.5	1.5
Other	-3.5	0.1
Total	8.8	14.9

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:
 - . Commerce: Census, Patent and Trademark;
 - . Justice: Drug initiative, FBI;
 - . Labor: Job Training Partnership Act;

-2-

- . ~~State:~~ Passports, consular workload, communications systems;
- . Treasury: IRS; and
- . 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.

- This would be "giving up" on an important Presidential goal which would be well received by the Civil Service -- but not elsewhere.
- Another budget review would be required, right on the heels of the one that has just been completed. The Budget Review Board, and possibly the President, would have to become involved.
- Because there are no new facts to bring to bear on the decisions, there is every reason to expect that the process would be a difficult and hard-fought one and that it would become public.
- If additional net savings are claimed as a result of the lower ceilings,
 - . those for FY 1983 would have to be reported to Congress as proposed rescissions, and those for FY 1984 would imply budget amendments -- both of which would give Congress a reason for blaming the Administration for delays in the appropriations process.

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 incorporated into the Mid-Session Review of the FY 1984 Budget (July 1983) or the FY 1985 Budget (January 1984). The latter is

-3-

preferable and much more probable, since it is unlikely that all the reviews can be completed by the end of June.

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 two months of FY 1983 indicates a lapse rate of about 2% for the year. 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. We should then follow the monthly FTE reports 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

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.

Brief Analysis

For now, there appears to be little risk in pursuing Option 3, but tight monitoring of the lapse rate would be required. Option 2 could be pursued when the PPSSCC reports are received. Options 1 and 4 would mean taking immediate action, though Option 1 would represent "giving up" on the goal. Option 4 would mean remaining with the goal and negotiating new agency targets as soon as possible.

CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

Procurement Reform (CM #207)

Options on OFPP Reauthorization

I. Issue

What should be the Administration's position on the renewal of the Office of Federal Procurement Policy's (OFPP) statutory authorization, which expires September 30, 1983.

II. Background

The OFPP was established in 1974 for a period of five years, following recommendations made by the Congressionally mandated Commission on Government Procurement. It was reauthorized in 1979 for an additional four years.

Before 1974, many of the procurement activities presently performed by OFPP, and even broader property management policy functions, were organizationally represented in OMB's Management side. The Commission on Government Procurement recommended the establishment of OFPP as a separate, highly visible office within OMB, with its own budget authority. It was further recommended that non-procurement activities should not be assigned to the office, because the Commission believed that type of arrangement was necessary for the development of government-wide procurement policy and implementation of procurement reforms.

III. Alternatives

There are three basic approaches to continuing the activities currently assigned to OFPP:

- o Alternative 1: Reauthorize OFPP in its Present Form (i.e., as a distinct unit within OMB). This alternative would seek reauthorization of OFPP as it is presently constituted, with the exceptions of transferring the Federal Acquisition Institute to GSA and integrating OFPP's appropriation into the OMB budget. The reauthorization could be for a specified period of time (e.g. three or five years), or be "open-ended."

- Pros

1. Significant organizational and functional stature and visibility within OMB: a clear signal of continued Executive Branch emphasis on procurement reform.
2. Effective mechanism for implementing the President's procurement reform program.

-2-

3. Facilitates consistent, government-wide reform for which Reform '88 was established.
4. Least likely to incur opposition of Members of Congress whose support is useful for Reform '88.

- Cons

1. Separately authorized office reduces the ability of the OMB Director to direct the procurement function and activities.
 2. Integration of procurement with other management concerns, e.g., personnel management, cash management, is made more difficult by a separately authorized office.
- o Alternative #2: Functional Reauthorization. This option would specifically authorize OMB to carry out the activities currently assigned to OFPP, and would provide funding in the OMB budget. Responsibility for the activities would be assigned to the Management side of OMB. The requirement for a separate unit may or may not be specified in the statute.

- Pros

1. Would allow for greater integration of procurement reforms with other management reforms.
2. Would give the Director of OMB greater opportunity to direct procurement activities.
3. Can be rationalized by saying that the development of the Uniform Federal Procurement System has satisfied a major rationale for the establishment of OFPP as a separate unit.
4. Consistent with the Reform '88 approach to other management activities.
5. Forces Congress to react to an Administration proposal rather than putting us in the position of fighting a more restrictive Congressional proposal and thus appearing inconsistent with Reform '88.

- Cons

1. Congress may resist not having a statutorily established office to which it can look for leadership on procurement matters.

-3-

2. Might be perceived by the agencies as reduced priority and support for procurement reform.
 3. Is inconsistent with the draft legislation included in the Uniform Procurement System proposal OMB submitted to Congress in February 1982.
 4. OMB Director loses buffer on controversial procurement matters.
- o Alternative 3: Do not seek reauthorization. Under this alternative, no authorization would be sought. Procurement activities would be carried out mainly by OMB's Management side based on existing OMB statutory authority.

- Pros

1. Would allow for better coordination and greater integration of procurement reforms with other management reforms.
2. Would give the Director the most opportunity to direct procurement activities.
3. Can be rationalized by saying that the Uniform Federal Procurement System has satisfied a major rationale for the establishment of OFPP as a separate unit.
4. Least resistance from agencies with substantial procurement activity. (e.g., DOD, GSA, Treasury).

- Cons

1. OMB would lose specific authority to deal with procurement and most likely the resources; past legal opinions have questioned whether OMB's current statutory authority is sufficient to carry out the function.
2. Might be perceived by agencies as reduced priority and support for procurement reform.
3. Congress is reported as likely to resist not having a statutorily established office to which it can look for leadership on procurement matters.

-4-

4. Could be viewed as a signal that the Administration will not stand behind the programs for consistent government-wide reforms that are the basis for Reform '88.

IV. Recommendation

Alternative 2: Authorize OMB to carry out the activities currently assigned to OFPP.

With the submission of the Uniform Procurement System to the Congress, a major reason -- if not the major reason -- for statutorily maintaining OFPP as a separate unit has been satisfied. Accordingly, there is not justification for reauthorizing OFPP in its present form (Option 1).

Option 2 (functional reauthorization) is consistent with the Administration's policy and the Reform '88 program to pursue management reforms through consistent, government-wide approaches.

Choosing Option 3 (do not seek reauthorization) would send a signal that we are not pursuing our management improvement policy. Also, not seeking reauthorization means that the interested Congressmen probably will introduce a bill consistent with Option 1, and we will be in the position of fighting management reform.

The issue can be handled through the standard OMB legislative clearance process.