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National Performance
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NATIONAL PERFORMANCE REVIEW - VOL 1

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**REINVENTING
SUPPORT
SERVICES**

NATIONAL PERFORMANCE REVIEW

Accompanying Report Number XX

July 29, 1993

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IMPLEMENTATION CATEGORIES

The following code is located immediately after each recommendation. They summarize who needs to take action on the recommendations. Appendix A organizes all recommendations according to those codes.

- (1) Agency heads can do themselves
- (2) President, Executive Office of the President, or Office of Management and Budget can do
- (3) Requires legislative action
- (4) Good idea, but will require additional work, or may be better suited for future action

LIST OF CONTRIBUTORS

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ABBREVIATIONS

ADP	Automated Data Processing
CASU	Cooperative Administrative Support Unit

CBD	Commerce Business Daily
DL	Depository Libraries
DLA	Defense Logistics Agency
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FBF	Federal Building Fund
FIRMR	Federal Information Resources Management Regulation
FPI	Federal Prison Industries
FPMR	Federal Property Management Regulation
FSUP	Federal Supply Schedule
FTE	Full Time Equivalent
FTR	Federal Travel Regulation
GAO	General Accounting Office
GPO	Government Printing Office
GSA	General Services Administration
IRM	Information Resource Management
IRS	Internal Revenue Service
IT	Information Technology
JCP	Joint Committee on Printing
M&IE	Meal and Incidental Expenses
MAS	Multiple Award Schedule
NIB	National Industries for the Blind
NISH	National Industries for the Severely Handicapped
NTIS	National Technical Information Service
OMB	Office of Management and Budget
USDA	United States Department of Agriculture
USPS	United States Postal Service
VA	Department of Veterans Affairs

SUMMARY

SUMMARY

OBJECTIVES

Our objectives are to improve the quality, expedite the delivery, and reduce the costs of goods and services which directly support federal agencies' missions and programs. We hope to accomplish this by shifting from red tape to results through the stripping away of unnecessary rules and regulations, empowering line managers to manage for results, and increasing choices and competition by reducing mandatory sources.

BACKGROUND

Support services include printing; logistics (supply delivery systems, travel, vehicle fleet management, and personal property disposal); real property; and mail management. Currently, many of these services are provided using decades-old philosophies that embrace the principles of monopolies, central management and control. In many cases, these concepts result in non-responsive or too expensive services that are obsolete in a modern, technology-driven society.

Today, monopolies serve as the primary providers of support services in the federal government. Agencies must comply with myriad rules and regulations in addition to using monopoly providers. While it is recognized that central leadership and monopoly providers may be used to take advantage of economies of scale or to achieve certain social objectives, services in the government today are characterized by excessive centralization and control.

Monopolies hinder competition and reduce incentives for organizations and line managers to satisfy customer requirements in the most cost-effective manner. Further, current excessive controls have not minimized waste, fraud, and abuse and instead have resulted in unacceptable levels of service in the delivery of federal government programs. Central bureaucracies tend not to be fast or flexible enough to meet customer requirements efficiently.

The principles that drove the establishment of these central control and monopoly

SUMMARY

processes were appropriate when established in the late 1940's but have become obsolete, no longer work well, and cost too much. Further, behaviors associated with control and monopoly tend to drive a wedge between the federal line managers who provide support services and the line managers who deliver government programs to the public. First, they hinder the speedy delivery of goods and services to programs that Congress has specifically tasked the executive branch with delivering to the public. Second, they contribute to the public's perception of poor quality federal services and especially government waste. Modern technology and prevailing business practices and trends have rendered central control and monopoly principles less effective.

MAJOR THEMES AND RECOMMENDATIONS

Our objectives to improve quality, expedite the delivery, and reduce the costs of goods and services which directly support the federal government's missions and programs can be accomplished by:

- o Reducing central controls, vesting responsibility for decisions with line managers, and holding them accountable for results.
- o Using guiding principles in place of rigid rules to describe expected management practices.
- o Reducing monopolies and replacing them with competitive enterprises which provide choices to the line manager.
- o Giving line managers incentives to make the right choices.

Our major recommendations in support of these goals include:

- o Eliminating GPO as a monopoly provider and allowing line managers to use normal acquisition processes and modern technology to obtain printing services.
- o Reducing GSA's monopoly and central control over the acquisition of supplies and services, disposal of vehicles and personal property, and

SUMMARY

- acquisition of real property services.
- o Creating a real property asset management function that works cooperatively with federal agencies to meet real estate needs and maximizes the use and disposal of the federal government's vast holdings in real property.
- o Streamlining administrative policies and procedures for travel, fleet management, and the acquisition of goods and services.
- o Pilot-testing innovative approaches under the Multiple Awards Schedule program that increase automation of the acquisition process and test concepts that improve competition and allow new products (especially IT products) to be introduced quickly for sale to the federal government.
- o Aggressively pursuing postage discounts through a governmentwide mail management program that tasks federal agencies with large mail volumes to implement or expand the use of postage discount programs for themselves and other federal, state, and local government agencies at the same location.

INTRODUCTION

This report addresses the federal government's internal support services for printing; logistics (including supply depots, travel, vehicle fleet management, and personal property disposal); real property; and mail management. These services support 2.1 million federal civil servants and 1.8 million military personnel.¹ Collectively, \$29.2 billion is spent annually on acquiring and delivering these support services.²

THE CURRENT PROCESS

Line managers who deliver support services currently use a large network of pre-established or mandatory sources. For example, the Government Printing Office (GPO) is the primary provider of printing services. Even small print jobs costing less than \$1,000 must go through GPO. The General Services Administration (GSA) offers supply sources which are, in many cases, mandatory. Agencies needing office space are required to have GSA acquire, manage, and dispose of it. The disposal of vehicles and personal property must also be done by GSA.

Line managers who deliver support services must also comply with a complex and voluminous set of rules and regulations as part of the acquisition and delivery process.³

PROBLEMS WITH THE CURRENT PROCESS

The use of monopolies to provide federal support services stifles competition, reduces choices, and minimizes innovation. Further, monopolies have little incentive to lower costs, find efficiencies, or control fraud. As a result, line managers cannot currently be held accountable for making good administrative decisions and holding down costs when they have no choice over their sources of supply.

Most of the government's real property is acquired, managed and disposed of by central management agencies similar to those that provide printing services and supplies. The best example of such real property organizations is GSA. GSA has a virtual monopoly

in providing general purpose office space to federal agencies. While some agencies have recently been permitted to manage their own space, there is a need to dramatically decrease monopolistic services in this area. This monopolistic system provides little motivation and few incentives to manage federal real property assets so that their optimum value is realized. This system also hinders the federal government in planning strategically for the use of its real property assets.

Federal supply and depot systems were established at a time when the only way to achieve savings for federal consumers was to buy goods in bulk, store them in federal warehouses, and deliver them when requested. Modern technology and innovations in delivery and inventory management now permit direct and immediate delivery by private suppliers at significantly reduced costs, thereby rendering this distribution network virtually obsolete.

The same factors are at work in the case of printing. Centralized printing oversight began in the last century in response to scandals and a need for efficiencies in the federal government's printing operations. The monopoly printing provider, GPO, was formed when printing was produced on expensive, labor-intensive typesetting equipment. However, technology has changed printing from paper reproduction to electronic databases. It has put the production of printed information on the personal computers used by federal employees. Modern equipment and copying techniques have made mass communications easy and have put inexpensive reproduction capability in every office. These are reasonably priced, alternative means of production and attempts to control their use are highly counterproductive.

Finally, the federal government spends over \$1 billion annually on postage, yet lags behind the private sector in taking advantage of postage discount programs. It is estimated that the government could save over \$100 million annually through an aggressive mail management program which tasks agencies with large mail volumes to implement worksharing initiatives such as presorting and prebarcoding for themselves and other federal agencies at the same location.⁴

A VISION FOR SUPPORT SERVICES

Internal support service providers need to be accountable to their customers - the line managers in line agencies. They need to focus on quality and meeting customer time frame requirements. This can be accomplished by reducing unnecessary rules and procedures and expanding the competition and choices for support services. Monopolies should be turned into competitive enterprises or go out of business. The goal should be to optimize and balance the use of monopolies with competition. When service providers compete, the results are three-fold: (1) costs are driven down; (2) response to customers' changing demands is quick; and (3) customer needs are satisfied.

End Notes

1. data provided by__.
2. Data provided by ____.
3. Includes the Federal Acquisition Regulation (FAR); Federal Information Resources Management Regulation (FIRMR); Federal Property Management Regulation (FPMR); and Federal Travel Regulation (FTR) to name a few.
4. U.S. Comptroller General, *Mail Management: GSA Needs to Improve Support of Agency Programs*. Report to the Chairman, Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs, U.S. Senate, GGD-90-49 (Washington, D.C., August 1990), pp. 3 and 8.

**PART 1:
PRINTING**

PRINTING INTRODUCTION

THE CURRENT PROCESS

Federal printing is big business, totaling \$1.0 billion annually.¹ Approximately 7,100 people perform printing or printing-related services in the federal government.² The Government Printing Office (GPO), an organization of the legislative branch, provides printing services for the entire government. GPO is a monopoly. It is the mandatory source for all federal printing, with the exception of some limited in-house production capabilities that agencies have to perform high-speed photocopying of time-critical or sensitive documents.

GPO satisfies Congress' printing requirements directly through its in-house facilities. GPO uses in-house capacity when free from congressional work, but for the most part, passes the executive branch's printing through to commercial sources on a competitive basis. GPO charges an overhead fee of 6 to 9 percent for each print order. GPO is responsible for the dissemination of printed government information to the general public through 1,400 local and university libraries and other institutions designated as depository libraries.

GPO is overseen by a congressional committee, the Joint Committee on Printing (JCP). JCP's original mission was to reduce abuses, contain costs, and eliminate duplicate government printing efforts.³ JCP is responsible for establishing printing policy for all federal agencies including standards for printed materials, photocopying, use of color and paper quality.

PROBLEMS WITH THE CURRENT PROCESS

Agencies feel that the JCP "micro-manages" their printing programs. This is supported by the following discussion.

Because of its monopoly status, GPO has no incentive to assure excellent and cost-effective service. Customer agencies have major problems with GPO's billing system which

PRINTING INTRODUCTION

is neither timely nor accurate in its billing practices. Agencies also question the need for GPO to serve as a middleman. Printing officials in federal agencies are restricted from working directly with contractors that process their orders. This results in rework or unsatisfactory printed products which could have been avoided with direct communication.⁴

JCP has provided agencies with minimal authorities for acquiring small print orders under \$1,000 directly from the private sector; however, it has attached administrative requirements to this delegation, in essence negating its use. Agencies are required to obtain a waiver from GPO for these simple print jobs before going directly to commercial printers. This is particularly inefficient when, in fiscal year 1992, 71 percent or 270,000 printing transactions performed by GPO were under \$1,000 each.⁵ This control is far more restrictive than those placed by Congress on similar value acquisitions of other goods and services. Agencies are currently allowed to make small purchases below \$2,500 with no competition and below \$25,000 with streamlined competitive procedures. Yet, the rules for printing are different and without good cause.

Finally, the policy and procedures governing printing were originally designed to cover a technology in which printed materials were produced by manual processes and industrial equipment. Today's technology has moved away from these processes and placed high-powered, automated capabilities in the hands of the average employee. Current JCP policy which controls the acquisition of modern, high-speed duplication and desktop publishing capabilities is diametrically opposed to advances in technology and customer service. For example, a scientist who drafts journal articles on a personal computer can produce complex graphs and charts, use color to illustrate complex variations in given factors, and then prepare a file or camera ready copy of the article to be used by the graphics department for final print production. The need for technicians to do manual layout and design as a prelude to printing has virtually been eliminated.

OUR VISION OF A NEW PRINTING PROCESS

PRINTING INTRODUCTION

Agency managers in charge of delivering support services should have the freedom to choose delivery systems that meet agency time frames and are the best value for the government. We recommend eliminating the GPO monopoly over executive branch printing and freeing the line manager to obtain printing services from the highly competitive commercial marketplace using the same federal acquisition processes used to procure commercial goods and services.

Further, technology, modern work place requirements and a compelling need for efficient government have made the application of rigid rules and controls from a central source outmoded. Responsibility for executive branch printing policy should be transferred to the General Services Administration. The new policy should be considerably more flexible, take advantage of the rapidly changing technology environment, and use guiding principles versus rigid rules to describe printing policy.

End Notes

1. U.S. Comptroller General, *Government Printing Office: Monopoly-Like Status Contributes to Inefficiency and Ineffectiveness*, Report to Joint Committee on Printing, GGD-90-107 (Washington, D.C., 1990), p. 14.
2. Office of Personnel Management, *Occupations of Federal White Collar and Blue Collar Workers*, (Washington, D.C., September 1991), p. 124, pp. 156-158.
3. U.S. Government Printing Office, *Impact of Proposed Federal Acquisition Regulation (FAR) Revision on the Federal Printing Program*, By Andrew M. Sherman (Washington, D.C., June 1987) as cited by Harold C. Relyea, Title 44 United States Code - Public Printing and Documents: "A Brief Historical Overview," (Congressional Research Services, Report No. 79-36, February 23, 1979), p 6.
4. Interviews with departmental printing officers, April and May 1993; and U.S. Comptroller, *Government Printing Office - Monopoly-Like Status Contributes to Inefficiency and Ineffectiveness*, pp 46-49.
5. Government Printing Office, *Fiscal Year 1992, Billing Breakdown and Billing Stratification by Dollar Amount*, report prepared by Financial Management Division.

**SUP01: AUTHORIZE THE EXECUTIVE BRANCH TO ESTABLISH
PRINTING POLICY THAT WILL ELIMINATE THE CURRENT
PRINTING MONOPOLY**

Background

The Joint Committee on Printing (JCP), a congressional committee, makes printing policy for the entire federal government.¹ This situation is unique for the executive branch, which normally makes policy for its administrative programs with Congress exercising an appropriate level of oversight.

The JCP was originally established in 1860 to reduce profiteering and abuses by the commercial sector, contain printing costs, and eliminate duplication of effort.² JCP's oversight is far reaching. In fact, federal agencies feel that the JCP "micro-manages" their printing programs. For example, the use of parchment paper for the Naval Academy graduation certificates requires the approval of the JCP when the decision should, in fact, rest with the Department of Defense.³

The Government Printing Office (GPO) is the mandatory source for obtaining congressional and executive branch printing. GPO satisfies congressional printing requirements primarily through its in-house printing plants; it meets executive branch needs through commercial contracts, supplementing its own in-house facilities when they are not being used for congressional work. Agencies complain - and the General Accounting Office has confirmed - that printing done in-house by GPO costs 50 percent more than printing done in the commercial sector.⁴

Limited printing services (primarily duplication, photocopying and small print jobs) are also offered by the General Services Administration (GSA) and the Federal Prison Industries (FPI). These organizations provide a much-needed service to field and regional locations. The Department of Defense's in-house printing capabilities are more sophisticated and extensive in order to meet internal needs but are supplemented with GPO

services.

The federal government spends approximately \$1.0 billion annually on printing. Executive branch expenditures comprise 75 percent or \$750 million of that total.⁵

Need for Change

There has been little incentive for GPO to ensure that its printing services are competitive or that its customer service is satisfactory since it is the "only game in town." Though improvements have been made, agencies feel GPO still has a long way to go.⁶ For example, significant improvements would be needed to correct GPO's billing process: agencies are virtually unable to verify billings, many of which actually show up several years after the printed product was delivered. Also, agencies are restricted from working directly with the contractors that GPO has selected to process agency orders, resulting in rework at additional cost or unsatisfactory printed products which could have been avoided if agencies had worked directly with contractors.

The JCP has delegated to agencies some minimal printing authorities outside of the GPO printing monopoly, such as establishing small in-house production operations and acquiring small printing jobs under \$1000 from commercial contractors. However, in recent years, the JCP has moved to take these authorities away. The JCP now requires agencies to obtain a waiver from GPO before they can acquire the under \$1000 small print jobs from outside contractors.⁷ This waiver process is costly and time consuming, particularly in light of the fact that the majority of executive branch printing transactions are under \$1000. In fiscal year 1992, approximately 71 percent or 270,000 printing transactions performed through GPO were under \$1000.⁸ Further, agencies have a legitimate need for limited in-production operation which they use for time-critical and sensitive materials production; at midnight when the Secretary puts the finishing touches on a report due to members of Congress the next day at 8:00 a.m., agency administrative personnel must have the capability to provide limited printing production to meet this critical delivery time frame.

The executive branch should be responsible for the establishment, oversight, and operation of its printing program, just as it is for other administrative programs. The executive branch should be able to meet its printing needs in a number of ways and from a multitude of sources.

Recommendations

1. **Give the executive branch the authority to make its own printing policy that will eliminate the mandatory printing source.** (3)

Congress should modify Title 44 of the U.S. Code to (1) remove the executive branch from coverage, (2) transfer policymaking for the executive branch to the General Services Administration, and (3) eliminate the mandatory requirement to use the Government Printing Office.⁹ These actions will allow the executive branch to manage its printing needs. The removal of the mandatory source will improve delivery time frames and product quality, as well as reduce costs.

2. **Develop a new executive branch printing policy for the 21st century.** (1)

Within 180 days after receiving legislative authority, the General Services Administration should develop the new executive branch printing policy. The policy should be developed in collaboration with a designated advisory body of customer representatives, specifically the existing Interagency Council on Printing and Publication Services. This council should be officially recognized as an integral part of the executive branch policymaking process.

The new executive branch policy should, at a minimum:

- provide high-level guidance with examples of best practices
- take advantage of the rapid changes in printing technology

- not include in its definition of printing (1) documents produced on common automation equipment such as laser printers, or (2) photocopying (regardless of volume)
- not mandate sources for obtaining printed materials. Agencies should be authorized to acquire printing from any source that meets business needs and time frames at competitive costs
- require agencies to meet printing needs by primarily using commercial sector contracts versus in-house printing production and use the current Federal Acquisition Regulation for this purpose
- provide some level of oversight and approval for the acquisition of "printing" equipment. The policy should clearly define this category of equipment, however, it should not include desktop publishing, other off-the-shelf hardware and software, laser printers, and any future technology which facilitates the modernization of the printing/publication process by putting these capabilities directly into the hands of federal employees at a reasonable cost.
- increase and emphasize electronic input and output for printing (e.g., Federal Register)
- minimize agency reporting requirements
- ensure the dissemination of printed information to the public and specifically the depository libraries. Agencies, rather than a central organization, should be responsible for disseminating their own printed materials.

The Joint Committee on Printing can be assured that the new executive branch policy contains costs and minimizes duplication of effort by coverage of these minimum requirements. Specifically, the emphasis on using commercial sector contracts which can be obtained through normal federal acquisition procedures will preserve cost controls. Further, line managers will be given greater control over the development and acquisition of printed materials which support their agencies' critical mission programs.

3. Make the Government Printing Office cost competitive and fully reimbursable.

(1, 2 & 3)

Congress should enact legislation to transfer the Government Printing Office (GPO) operations not retained for its own printing needs to the General Services Administration (GSA). GPO operations not retained by Congress should be significantly downsized since commercial sector contracts will be the primary source for obtaining executive branch printing. GSA should be allocated appropriate FTE and funding levels, including costs for downsizing, and provided a three-year transition period for rightsizing the remaining GPO operations. At the end of the transition period, any printing services offered by GSA should be fully reimbursable. This recommendation also anticipates that those GPO operations retained by Congress will be encouraged to market their services to the executive branch at competitive prices to help defray the costs of idle equipment when not performing congressional printing.

Fiscal Impact (in millions of dollars)

	1994	1995	1996	1997	1998
Budget Authority	174	170	115.5	61.3	61.3
Outlays	174	170	115.5	61.3	61.3
Changes in FTEs	3730	3025	2017	1467	1467

Note: All costs/impacts of transferring GPO from the legislative to executive branch are not reflected above. Only increased FTE and salary and benefit costs for the transfer and those costs (e.g., severance pay, accrued annual leave payments) required to significantly downsize GPO are reflected. Other costs (e.g., facilities, equipment, utilities, etc) must be determined and transferred to GSA.

This display also reflects 50% savings of GPO surcharges for printing transactions that will be eliminated when agencies contract directly with the commercial sector for printing.

End Notes

1. Title 44, U.S. Code - Public Printing and Documents, 1970 ed., §101-103.
2. U.S. Government Printing Office, *Impact of Proposed Federal Acquisition Regulation (FAR) Revision on the Federal Printing Program*, By Andrew M. Sherman (Washington, D.C., June 1987) as cited by Harold C. Relyea, Title 44 United States Code - Public Printing and Documents: "A Brief Historical Overview", (Congressional Research Service, Report No. 79-36, February 23, 1979), p 6.
3. Letter from Wendell H. Ford, Chairman, Joint Committee on Printing to Secretary of Defense, Les Aspin, April 22, 1993.
4. U.S. Comptroller General, *Government Printing Office: Monopoly-Like Status Contributes to Inefficiency and Ineffectiveness*, Report to the Joint Committee on Printing, GGD-90-107 (Washington, D.C., 1990) p 4.
5. Government Printing Office, *Fiscal Year 1992, Billing Breakdown and Billing Stratification by Dollar Amount*, report prepared by Financial Management Division.
6. Interviews with departmental printing officers. April and May 1993.
7. Letter from Wendell H. Ford, Acting Chairman, Joint Committee on Printing to Heads of Departments and Agencies, #93072, March 19, 1993.
8. Government Printing Office, *Fiscal Year 1992, Billing Breakdown and Billing Stratification by Dollar Amount*, Prepared by Financial Management Division.
9. Title 44, U.S. Code - Public Printing and Documents, 1970 ed., §501. --

Cross-References to Other NPR Sections

None

SUP02: ASSURE PUBLIC ACCESS TO FEDERAL INFORMATION**Background**

Government information is a valuable national resource. It provides citizens with knowledge of their government, is a means to ensure the accountability of the government to its citizenry, and is itself a commodity often with economic value in the marketplace. Depository libraries (DLs) - local public and university libraries - play a key role in making government publications and information available for free use to the general public.

Congressional legislation provides the Joint Committee on Printing (JCP) with central authority for the designation of depository libraries and the Government Printing Office (GPO) with responsibility for ensuring the dissemination of printed material to the DLs. There are approximately 1,400 DLs nationwide.¹ Congress appropriated \$25 million in fiscal year 1993 to GPO to provide copies of federal information to the DLs.² Federal agencies are also required to provide GPO with copies of printed materials for distribution to DLs when they do not use GPO for printing production. Approximately 71,000 documents were distributed to DLs in fiscal year 1992.³

The JCP is particularly concerned over protecting the public's access to federal information. The JCP feels that federal agencies do not comply with materials dissemination requirements and therefore, has used a monopolistic policy approach and the GPO as insurance for the DLs.⁴ The DLs have significant requirements for federal information, both printed and electronic, which needs to be assured.

Need for Change

Federal agencies feel that GPO's funding for information dissemination to the DLs is inadequate and that the current distribution system needs refining. In light of advances in computer access and database technology, the requirement for the majority of libraries to

receive and retain copies of each type of printed federal information is significantly reduced. Further, most libraries are equipped with personal computers and modems to access available databases or location of federal information.

With advances in technology, federal information is moving away from a printed to electronic medium but the federal government's current access networks are not integrated or easily accessible to the public.⁵ The problem lies in the fact that there is no one place for the public to either access or obtain federal information.⁶ Scientific information is available from the National Technical Information Service (NTIS). Non-scientific documents are sold or distributed by GPO and other federal organizations through a number of outlets. The need for a federal locator is acute. And, the efficiencies and cost savings associated with one-stop shopping for the sale and distribution of documents are now easily achievable with current technology.

Recommendations

1. **Give the executive branch responsibility for the distribution of printed federal information to depository libraries.** (3)

Congress should retain authority over the designation of depository libraries (DLs) but modify Title 44 of the U.S. Code to transfer to the executive branch the responsibility for the distribution of printed federal information to the public and DLs. The executive branch printing policy should include provisions for this dissemination requirement. This change will make the executive branch directly accountable for ensuring public access to federal information.

2. **Disseminate federal information effectively and efficiently.** (1)

Within 180 days after the transfer of authority, the General Services Administration

(GSA) should present a plan which identifies the most effective and cost efficient methods for disseminating information to the public through the depository libraries (DLs). This would include recommendations on appropriate funding levels to acquire personal computers for the DLs, if required, and agency funds (e.g. a percentage of each agency's printing budget would be set aside) to cover printing and dissemination to the DLs. At a minimum, GSA should involve representatives from federal agencies (printing officers), the Office of Management and Budget (including OIRA), congressional members or staff, and representatives from the library association in identifying recommendations. By controlling distribution costs, agencies will comply and congressional, agency, and public concerns over ensuring the public's access to federal information will be resolved.

3. Expand the NTIS gateway/locator for public access to federal information.

(2 & 3)

Congress should adopt and expand the gateway/locator developed by the National Technical Information Service (NTIS) as the public's access to federal databases and information. Congress should appropriate sufficient funds for initial start-up and expansion over a four-year time period. Funding the expansion of the NTIS locator will improve public access, as well as avoid expending unnecessary funds to satisfy the requirement established by law that requires the Government Printing Office to develop a similar locator/database.

4. Create one-stop-shopping for the sale and distribution of federal documents. (3)

Congress should enact legislation which creates one-stop-shopping for the distribution and sale of federal documents. The NTIS gateway/locator should be used for this purpose. As appropriate, federal centers which sell and distribute federal information (e.g. NTIS, GPO, GSA) should be consolidated. In the longer term, GSA should study the feasibility of using private sector bookstores for the sale of federal documents.

Fiscal Impact (in millions of dollars)

	1994	1995	1996	1997	1998
Budget Authority	4.7	6.5	5.5	3.0	1.1
Outlays	3.4	8.0	6.1	6.1	5.8
Change in FTEs	4	10	11	11	11

Note: Reflects additional costs needed to expand the NTIS network to serve as the public's gateway/locator to federal information.

End Notes

1. American Library Association, Washington Office, Fact Sheet, "The Essential Federal Role in Support of Libraries," report prepared by Distribution Division.
2. Office of Management and Budget, *Budget of the U.S. Government* (Washington, D.C., 1994), pp 186-187.
3. Government Printing Office, Superintendent of Documents, "Fiscal Year 1992 Distribution to Depository Libraries," report prepared by Distribution Division.
4. Title 44, U.S. Code - Public Printing and Documents, 1970 ed., §1911.
5. U.S. Comptroller General, *Federal Information: Users' Current and Future Technology Needs*, Fact Sheet for the Joint Committee on Printing, U.S. Congress: GGD-89-20FS (Washington, D.C., November 1988), p 1.
6. National Technical Information Service, "Fedline: A Feasibility Study of the Establishment and Operation of FedWorld™. A Government-wide Information Locator System for NTIS," April 28, 1993.
7. Public Law S.2813, "Gateway to Government Act of 1992," enacted on June 8, 1993.

Cross-References to Other NPR Sections

SUP01: Authorize the Executive Branch to Establish Printing Policy
 Which Will Eliminate the Current Printing Monopoly
 Information Technology paper

**PART 2:
LOGISTICS**

THE CURRENT PROCESS

Logistics includes federal supply depots and delivery systems, the Multiple Awards Schedule program (MAS), personal property disposal, and travel. Approximately 3,600 people in the General Services Administration currently provide logistics services to federal customers. This figure does not include logistical support personnel within each federal agency.¹

The federal government manages a supply distribution network of depots and warehouses. This system seeks to leverage volume purchases of commonly used supplies into cost savings for the government. This requires warehouses to maintain large stocks for delivery to consumers, as required. Purchases of supplies from depots is not mandatory for purchases up to \$5,000. In addition, GSA manages various supply sources through its MAS program. Under the MAS program, GSA negotiates and manages competitive contracts that offer office equipment, supplies, furniture, scientific and laboratory equipment, and automated data processing and telecommunications products and services for sale to the federal government. Many products sold under the MAS program are mandatory.

GSA retains central control over the disposal of personal property that the federal government has determined it no longer needs. GSA sets policy and conducts operations for property screening, donation, and sale. GSA also manages official federal travel through the Federal Travel Regulation (FTR). Finally, GSA sets policy for managing the federal government's vehicle fleet, with Congress setting limits in agency appropriations on the type, number, and prices of vehicles that can be bought. GSA establishes vehicle replacement standards and serves as the mandatory source for the disposal of all federal government used vehicles. GSA also operates a program which leases 136,000 vehicles to various federal agencies on a reimbursable basis and at a cost of \$1.1 billion annually.²

PROBLEMS WITH THE CURRENT PROCESS

PART 2: LOGISTICS INTRODUCTION

The depot and warehouse system has become costly to maintain. In contrast, direct supply sources have become extremely efficient and competitively priced due to the advance of technology, modern delivery services and streamlined inventory management practices. Depot and warehouse programs have been superseded by technology and the private marketplace. Although GSA has reduced its depots from 16 to 4, further reductions are possible in the Departments of Defense and Veterans Affairs, other government agencies, and GSA.

The MAS program is troubled by allegations that the government may actually be paying higher prices for the commercial products it offers than vendors charge to the private sector. Agencies have also complained that the process for acquiring goods and services from the schedules is cumbersome and in need of further automation to expedite ordering.

The current lack of an automated system coupled with legislative mandates on disposal and donation priorities cause long lead times and increase costs for personal property disposal. Further, GSA controls all property disposal no matter how little residual value remains. The process forces agencies to hold great amounts of generally low value, old property for extended periods of time thereby tying up valuable warehouse space and needlessly consuming staff time. Agencies indicate that disposal processing timeframes range from six months to one year.³ The rules permit managers little discretion in making local decisions about disposal. The paradox is that the bulk of excess federal equipment returns only a few thousand dollars for hundreds of old and used up items, yet takes inordinate intervention and time to accomplish.

Similarly, line managers face legislative, regulatory, and administrative barriers which hinder effective management of vehicles. These include inconsistent replacement standards, restrictions on the number and types of vehicles that can be purchased, and artificially low limits on the use of the government credit card for emergency repairs.

Travel regulations include overly complex procedures and unnecessarily restrictive rules, as well as minimal delegations to line managers for travel decisions. Agencies also

PART 2: LOGISTICS INTRODUCTION

have a tendency to supplement these fairly explicit regulations with their own complex rules and procedures. Finally, the current negotiated airfare contracts do not provide a wide range of travel routes for federal travelers to choose from. As a result, travelers are required to extend travel times or take circuitous routes.

OUR VISION FOR A NEW LOGISTICS PROCESS

The reinvention of logistics functions will reduce administrative rules and regulations, give line managers more authority for decisionmaking, and provide increased choices for obtaining goods and services in support of federal program delivery.

The purchase of products offered through the MAS program should not be mandatory. Further, GSA and the Department of Veterans Affairs (VA) should move aggressively to enhance the automation capabilities of the supply schedules to improve customer access, streamline the acquisition process and increase vendor access and competition. Increased use of an electronic marketplace could potentially increase vendor competition and reduce item prices, as well as incentivize agencies to delegate to line managers the ability to acquire goods and services without going through procurement personnel. Though GSA has significantly reduced its number of depots from 16 to 4, depot and warehouse systems throughout government should continue to be scaled back as cost effective direct delivery contracts with the private sector are put in place.

GSA should eliminate the barriers to efficient excess property management by freeing agencies to choose how to sell surplus property, quickly implementing a nationwide screening electronic bulletin board currently under development, and shortening screening time frames. Congress should be encouraged to pass legislation which allows agencies to keep a portion of the proceeds from personal property disposal. GSA should work directly with agency travel specialists, managers, and travelers to streamline the federal travel regulations and give line managers more flexibility and authority over decisions regarding travel expenditures.

End Notes

1. General Services Administration, Federal Supply Service, Office of the Commissioner, (as of July 1993) .
2. General Services Administration, Office of Transportation and Property Management, Prepared by Fleet Management Division, (as of July 1993).
3. Interviews with agency line managers and senior executives, April and May 1993.

SUP03: IMPROVE DISTRIBUTION SYSTEMS WHICH WILL REDUCE COSTLY INVENTORIES**Background**

A distribution network is a combination of fixed facilities including warehouses and transportation hubs, inventories of materials and supplies, operating equipment, data systems, support personnel and transportation links. Distribution networks focus on the principles of leveraging volume purchases, storing and maintaining stock, and delivering items to customers.

The federal government manages large distribution networks which deliver goods and services to line managers for use in the course of their daily work. Approximately 24,000 people operate these depot systems governmentwide.¹ The distribution network manages a broad spectrum of inventory that includes paper and pencils to toilet paper to medical supplies. The value of this inventory is estimated at \$99.8 billion.² Some of the products available through this network result from government-unique specifications as opposed to commercial item descriptions. In recent years, commercial suppliers have stated that they must charge the government more for items which conform to government specifications when, in fact, commercially available items are satisfactory.³

To obtain goods from the distribution networks, line managers prepare the appropriate paperwork identifying desired products, submit the paperwork through an often elaborate approval process, including senior approving officials and budget personnel, to procurement personnel who then order the goods from the distribution centers. Much of this process is paper intensive.

The use of these federal depots and warehouses in the distribution network is mandatory for federal line managers for certain products or services. For example, goods and services provided by the Federal Prison Industries (FPI), National Industries for the Blind (NIB), and National Industries for the Severely Handicapped (NISH) are mandatory.

Federal managers, logisticians, suppliers and federal auditors have become critical of federal distribution systems. With increasing costs for labor, storage, handling, and distribution, federal depots and warehouses have begun to lose their inherent cost advantages. Moreover, significant improvements in automation and enhanced commercial delivery systems have reduced the viability and cost effectiveness of federal distribution networks.⁴ Although federal government sources of supply, such as the General Services Administration (GSA), the Department of Veterans Affairs (VA), and the Defense Logistics Agency (DLA) have historically been mandatory to users, these entities have realized the need to broaden competition and reduce costs by using alternative delivery systems.

Need for change

Competition between federal depot systems and the private sector is resulting in a major shift in the distribution paradigm. Private sector delivery systems are now becoming viable, customer-driven alternatives. By increasing the use of commercial sources of supply, federal organizations can improve service to their line managers by lowering costs from the manufacturer and delivering goods when needed. These facts, along with the benefit of private and public sector evaluations of distribution networks, show that significant changes are needed in the federal government's traditional distribution networks.⁵

The new focus needs to be on increased choices: increased use of information technology including electronic commerce for ordering and payment; innovative contracting strategies including leveraging of volume where cost beneficial; using third party distribution strategies; and establishing longer-term relationships with vendors. Mandatory supply sources should be retained only when required to ensure standardization or the achievement of executive policy. For example, the government should continue to maintain contract coverage for high demand items and services such as health care, safety and critical supply needs of the Department of Defense. Further, supply and customer agencies should be encouraged to voluntarily establish team pools where the leverage of aggregate

purchasing is necessary to achieve significant cost savings. All agencies should evaluate internal supply monopolies to ensure that they are consistent with sound management practices and effectively serve the needs of line managers.

In the case of mandatory sources such as the Federal Prison Industries (FPI), agencies need to be given the option of using alternative sources when the FPI cannot meet agency delivery schedules. For example, agencies have waited over nine months to receive furniture ordered from FPI. These delivery time frames are hardly compatible with most agency requirements. In return, FPI needs to be freed from legislative restrictions which do not allow it to compete like the private sector; this includes stockpiling materials, building and creating an inventory of high volume sales items (e.g., desks and dividers) to quickly satisfy incoming customer orders rather than only buying materials and building goods after receipt of an agency's order.

Additionally, contracting officers need legislative authority to make more than one contract for critical items or services where there is a need for a continuous and reliable source of supply.

Line managers are not so much interested in from whom or how they get their items. Rather, they need distribution systems which are responsive, dependable, flexible, provide high quality products and are reasonably priced.

Recommendations

1. Permit customer choice in sources of supply. (1)

By April 1994, the General Services Administration (GSA) and the Department of Defense (DOD) should revise applicable regulations and directives to eliminate mandatory sources of supply. This will also affect the distribution systems of the Department of Veterans Affairs (VA). The timing of these changes should be planned in accordance with obligations under existing contracts. Further, by December 1994, GSA, DOD and VA

should have developed a plan that aggressively reduces the federal government's investment in the existing inventories as part of the transition away from mandatory sources and dependency on central distribution systems. Finally, federal agencies should revise internal policies and procedures to eliminate mandatory sources except where there are compelling reasons to do so.

2. Compare depot distribution costs with commercial distribution systems. (1)

Agencies should reduce dependency on depot systems by pursuing direct vendor supply contracts. Depot systems should only be used when there is an economic advantage, national security interest or socio-economic benefit required by public policy. This should result in greatly decreased inventories governmentwide.

3. Allow the Federal Prison Industries to operate like its commercial competition (3)

Congress should modify Title 18 of the U.S. Code to allow the Federal Prison Industries (FPI) to act as a viable business concern by giving it authority to procure and stock raw materials and produce and inventory specific high sales volume items prior to receiving agency orders.⁶ With these authorities, FPI would be able to improve its service delivery time frames.

4. Allow agencies greater latitude in using Federal Prison Industries products. (1)

By February 1994, GSA should revise the Federal Property Management Regulation (FPMR) in consultation with the Federal Prison Industries (FPI) to allow agencies to obtain products which the FPI cannot produce within required time frames from alternative sources. This would also include a requirement for FPI to reply to an agency within 15

business days after receipt of a work request on its delivery time frames. A reply which indicates FPI's inability to meet required time frames or failure of FPI to respond to requests for quotations within 15 business days will result in an automatic waiver to the agency to seek alternative sources. The Federal Acquisition Regulation (FAR) should also be revised to reflect the FPMR changes. Implementation of this change would allow FPI to remain a preferential source of supply, but would give line managers greater flexibility when this mandatory source cannot meet mission critical time frames.

5. Increase the use of electronic commerce. (1)

All federal agencies, including those which currently operate depot systems and warehouses (e.g., GSA, VA, DLA, FPI) should expand the use of electronic commerce for the ordering and payment processes.⁷

6. Increase the use of commercial item descriptions. (1)

All federal agencies, including those which currently operate depot systems and warehouses (e.g., GSA, VA, DLA), should increase the use of commercial item descriptions for required products in lieu of federal/military specifications. Greater reliance on commercial item descriptions will reduce administrative costs by eliminating the need to write and maintain sophisticated specifications, reduce product costs and increase competition.⁸

7. Provide agencies with parallel contracting authority. (3)

Congress should amend the Federal Property and Administrative Act and the Armed Services Procurement Act to provide civilian and defense agencies with the authority to award more than one contract to satisfy supply or service requirements.⁹ The use of

multiple contracts is necessary to maintain a continuous and reliable source of supply for critical items or services and to satisfy projected needs resulting from a high demand for the supply or service.

Fiscal Impact (in millions of dollars)

	1994	1995	1996	1997	1998
Budget Authority	(44)	(64)	(84)	(104)	(124)
Outlays	(44)	(64)	(84)	(104)	(124)
Changes in FTEs					

Note: Reflects governmentwide savings from reduced prices of supplies purchased directly from vendors as opposed to federal depots. This display does not reflect savings from downsizing or closing federal depots.

End Notes

1. Department of Veteran Affairs (280 employees), Office of Acquisition and Material Management, Material Management Service; Department of Defense (22,700 employees) and the General Services Administration (1099 employees), General Services Administration, Federal Supply Service, Office of the Commissioner.
2. Department of Veterans Affairs (\$60 million), Office of Acquisition and Materiel Management, Material Management Service; Department of Defense (\$99.5 billion) and General Services Administration (\$251 million), General Services Administration, Federal Supply Service, Office of the Commissioner.
3. Center for Strategic & International Studies, *Integrating Civilian and Military Technologies: An Industry Survey*, (Washington, D.C., April 1993).
4. U.S. Comptroller General, *General Services Administration: Increased Direct Delivery of Supplies Could Save Millions*, Report to the Chairwoman, Government Activities and Transportation Subcommittee, Committee on Government Operations, House of Representatives, GGD-93-32 (Washington, D.C., December 1992).
5. Interview with Associate Deputy Assistant Secretary for Acquisitions, Department of Veterans Affairs, Washington, D.C. May 1993.
6. Title 18, U.S. Code - Crimes and Criminal Procedures, chap. 307.
7. National Performance Review, "Expanded Electronic Commerce", (Washington, D.C., 1993), PROC15.
8. National Performance Review, "Foster Reliance on the Commercial Marketplace", (Washington, D.C., 1993), PROC14.
9. Title 41, U.S. Code, Competition in Contract Act 1984, 253(b)(1), (Supp. III, 1985); Title 10, U.S. Code, Armed Services Act.

Cross-References to Other NPR Sections

PROC14	Foster Reliance on the Commercial Marketplace
PROC15	Expand Electronic Commerce

SUP04: STREAMLINE AND IMPROVE CONTRACTING STRATEGIES FOR THE MULTIPLE AWARD SCHEDULE PROGRAM**Background**

The General Services Administration (GSA) manages the Multiple Award Schedule (MAS) program for the federal government. Under this program, GSA negotiates and awards contracts to more than one vendor for comparable commercial products (e.g., office furniture, calculators, typewriters, appliances and information processing items such as personal computers, peripherals and off-the-shelf software) and services at varying prices. GSA then creates a "schedule" for a particular good or service identifying all vendors that have been awarded contracts and the negotiated item prices. Additionally, the Department of Veterans Affairs (VA) is delegated the authority from GSA to negotiate and award single and multiple award contracts for pharmaceutical and medical items.

The goal of this program is to provide federal customers with a convenient, cost effective mechanism for obtaining goods and services needed to support mission programs. Although use and sales under the MAS program are extremely high - 1.8 million orders totalling \$4.9 billion - customers and other interested parties have voiced a number of concerns regarding its effectiveness.¹

Federal agencies obtain information about items for sale on the schedules in two ways - through the automated system provided by GSA or through vendor catalogues. Both GSA and VA maintain mailing lists of agencies that want to receive vendor catalogues either by product line or vendor. These listings are provided to the supply schedule vendors that mail their catalogues directly to agencies. Agencies refer to the schedules, identify the vendor with the lowest cost for the desired item, and then place orders and make payments directly with the selected vendor. There are over 154 schedules in the MAS program. Of these schedules, 117 are mandatory for civilian federal agencies.²

Though the schedules facilitate the acquisition process by providing a readily

available source of vendors and prices, agencies are still required to comply with the Federal Acquisition Regulation (FAR), Federal Information Resources Management Regulation (FIRMR) and the Federal Property Management Regulation (FPMR) when ordering from the schedules.

There are approximately 365 employees who manage the Multiple Awards Schedule program at GSA and VA.³ This program is funded through a direct appropriation. Agencies do not pay a service fee or increased product cost for items purchased from the supply schedules.

Need for change

The Office of Management and Budget (OMB), the General Accounting Office, and the Office Inspector General are concerned about the effectiveness of the Multiple Awards Schedule program.⁴ They are particularly concerned that the government may be paying higher prices because of deficiencies in information provided by vendors that is used in the negotiation process. Their concern is so significant that the MAS program has been included on the OMB high risk list which identifies weaknesses in federal programs that warrant the personal attention of the agency head and the Congress to ensure correction.⁵

Agency personnel who order from the supply schedules have a number of complaints: (1) it is difficult to readily identify items they wish to purchase because the schedules include a vendors' full product line and the automated system's product-referencing capabilities are inadequate. (2) item price information in vendor catalogues is generally outdated. Agency personnel who do not use the automated information must call vendors to obtain the most current price. This protracts the ordering process and delivery of required products. (3) there are delays in replacing expiring contracts. Agencies must wait until GSA negotiates new contracts to replace those that have expired or expend administrative resources and time to purchase directly from the open market in lieu of using a schedule. In many cases, months pass before new vendors are identified for agency

ordering, (4) there are delays in adding new products for sale that result from rapidly changing technology, and (5) the procedures are different for acquiring IT items (e.g., personal computers, off-the-shelf software, and related supplies) and other products off of the schedules. The FIRMR currently requires that any IT acquisition over \$50,000 be synopsisized in the *Commerce Business Daily* (CBD). This results in increased acquisition time frames and costs for the administrative processes to prepare the solicitation and review and respond to bids received from non-schedule vendors. The negotiation process which results in vendors being selected for a supply schedule should be sufficient to ensure an appropriate level of competition without placing additional burdens on the acquisition process. Differences should only be allowed where fully justified and in the best interests of the government.

There is also a need to further automate the acquisition process associated with the schedules program, as well as the entire federal acquisition process. There are a number of federal initiatives in this regard that should serve as models. For example, the Government Acquisition Through Electronic Commerce (GATEC) project in the Department of Defense (DOD) partially automates the acquisition process by using an electronic bulletin board. DOD organizations use the electronic bulletin board to advertise their requirements, receive quotations from vendors and issue purchase orders. According to DOD, this process significantly streamlines and expedites the acquisition process. It takes approximately five business days to conduct a procurement transaction under GATEC whereas it may take 3 weeks or more under the normal acquisition process. The General Services Administration (GSA) has also mandated by October 1, 1993 that all vendors that it deals with directly be able to receive orders electronically. Yet, other agencies have not automated their vendor interfaces.

Finally, products offered for sale under the MAS program should not be mandatory. Rather, they should be a source of choice for customers. Mandatory supply sources should be retained only when required by law or where agencies voluntarily establish team pools to aggregate purchasing and achieve significant cost savings.

Recommendations**1. Eliminate mandatory supply schedules. (1)**

By January 1994, GSA should revise the Federal Property Management Regulation (FPMR) and Federal Information Resources Management Regulation (FIRMR) to remove any mandatory requirements for goods and services under the Multiple Award Schedule program (MAS). Mandatory sources should only be retained when required by law to support federal socio-economic programs or where agencies determine that aggregate purchasing will significantly reduce costs. This change will also affect contracts of the Department of Veterans Affairs. The Federal Acquisition Regulatory Council (FARC) should also revise the Federal Acquisition Regulation (FAR) to incorporate changes to the FPMR and the FIRMR.

2. Eliminate the synopsis requirements for IT acquisitions off of supply schedules (1)

GSA should revise the Federal Information Resources Management Regulation (FIRMR) to eliminate the need to synopsise supply schedule buys for IT equipment in the *Commerce Business Daily* (CBD).

3. Raise the maximum order limitations for IT acquisitions off of supply schedules. (1)

GSA should revise the Federal Information Resources Management Regulation (FIRMR) to raise the ordering limitation for acquiring IT items off of supply schedules from \$300,000 to \$500,000 and provide a higher limit for individual items costing above \$500,000. GSA should implement this increase with the next round of schedule negotiations

in order to achieve price discounts commensurate with the threshold increase.

4. **Reduce the administrative burden for acquisitions under \$10,000 from supply schedules.** (1)

By February 1994, GSA should revise the Federal Property Management Regulation (FPMR) and the Federal Information Resources Management Regulation (FIRMR) to eliminate the requirement to check other prices/vendors on items under \$10,000 on the supply schedules. This will simplify the acquisition process, which will in turn permit agencies to allow line managers, rather than procurement personnel, to order directly from the schedules for small dollar items. The Federal Acquisition Regulatory Council (FARC) should revise the Federal Acquisition Regulation (FAR) to incorporate changes to FPMR and FIRMR.

5. **Accelerate the enhancements to the automated Multiple Award Schedule system.** (1)

By June 30, 1994, GSA and VA should complete the enhancements currently underway or planned for the automated Multiple Award Schedule system. They should immediately survey a representative sample of customers who use the automated system to ensure that planned enhancements will facilitate the ease and use of the automated system. Any additional requirements identified by agency users should be incorporated into the current effort and completed by June 30, 1994, where practical. Improved system automation will enhance ordering efficiency and time frames and reduce administrative costs and paperwork burdens.

6. **Limit the number of vendors on supply schedules.** (1 & 3)

Congress should amend the Federal Property and Administrative Services Act to permit GSA to limit the number of vendors on a particular schedule.⁶ This will streamline the current process by not requiring GSA to place virtually every vendor which submits an offer. Further, GSA will save administrative resources and time negotiating with fewer vendors and agencies will be able to improve acquisition time frames by not having to review as many vendor price lists in order to comply with ordering procedures. This authority to reduce the number of contractors will not result in reduced competition for individual orders or increased product costs. After enactment, GSA should revise the Federal Property Management Regulation (FPMR), the Federal Information Resources Management Regulation (FIRMR) and the Federal Acquisition Regulation (FAR) to incorporate this legislative change.

**7. Pilot test innovative approaches under the Multiple Award
Schedule program.**

(1)

By September 1994, GSA should begin three pilot tests under the Multiple Award Schedule program (MAS). These tests should be evaluated by an interagency group designated by the GSA Administrator and include IRM and procurement specialists and line managers from federal agencies. The interagency group would determine the appropriateness of expanding the test concepts to the entire schedule program, as well as the appropriateness of increasing ordering limitations to \$1,000,000 for IRM equipment if these test concepts are adopted.

Each proposed pilot tests the efficiencies of increased automation in the acquisition process as well as one or more of the specific concepts below:

- the need for GSA to negotiate statutorily required contract terms and conditions or prices to be put on supply schedules,
- methods to increase competition, and
- methods to allow faster introduction of new products.

especially IRM products, to the federal government.

GSA should also integrate into these pilots the ability for agencies to delegate to line managers the authority to order directly off of the schedules without having to go through procurement personnel; this can be accomplished in pilot a. for items under \$10,000 and c. using a small sample of line managers.

Following are the proposed pilots under this recommendation:

a. *Use an electronic bulletin board for re-quote or spot bid procedures on items above \$100,000.* GSA would continue to negotiate prices, as well as terms and conditions. Prices negotiated would be used by agencies to place orders up to \$100,000. The current procedures would be used in placing orders (the ordering agency selects the lowest priced item that meets their needs). For orders over \$100,000 the ordering agency would invite schedule contractors to lower their prices for the individual order using a requote procedure. The ordering agency would then select the lowest priced item based on the result of the requote process. The Price Reduction Clause should not be applied to orders that are placed through the requote process. This clause provides that if the contractor gives a customer (buying under like terms and conditions) a price that is lower than the schedule prices, the contractor must subsequently provide customers placing orders under the schedule the same price. GSA should make product and pricing information available to agencies electronically and provide a mechanism for the ordering agencies to conduct the requote process electronically as well. Information on all transactions would be posted on the bulletin board for reference by vendors and ordering agencies.

b. *Use an electronic bulletin board for spot bid procedures for all acquisitions, regardless of dollar value.* GSA should negotiate standard terms and conditions but not prices. Ordering agencies would post their requirements on an electronic bulletin board provided by GSA. Schedule contractors would provide price quotes for individual agency requirements. The ordering agency would then select the lowest priced item that meets their requirements and place the order. All transactions made through the system would automatically be posted on the bulletin board for reference by vendors and ordering

activities.

c. *Test a fully "electronic marketplace".* GSA should negotiate standard terms and conditions but not prices. Schedule contractors' products and prices should be listed in an "electronic marketplace." Ordering agencies would simply select the lowest priced item that meets their requirements and place the order electronically. Schedule contractors should be permitted to add new products and to change prices at any time. Adding new products and services could be done without going through GSA since vendors would certify under the original terms and conditions that new products added would meet those same terms and conditions. Information on each order would automatically be posted in the "electronic marketplace" for reference by vendors and ordering agencies. This "electronic marketplace" would operate in a paperless mode similar to the way in which the existing National Association of Securities Dealers Automated Quotations (NASDAQ) or the London Stock Exchange electronic stock market. This approach will test the theory that the visibility of the prices and the competition for a share of the federal market will drive the prices to an appropriate competitive level and allow line managers easy access to rapidly changing technology.

Fiscal Impact

None

End Notes

1. General Services Administration, Office of Acquisition Policy, (as of July 1993).
2. General Services Administration, Federal Supply Service, Office of the Commissioner and General Services Administrations, Office of Acquisition Policy.
3. General Services Administration, Federal Supply Service, Office of the Commissioner; Office of Information Resources Procurement and Department of Veterans Affairs, Office of Acquisition of Materiel Management Service.
4. U.S. Comptroller General, *Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders*, Report to the Chairman, Committee on Government Operations, House of Representatives, NSIAD-92-88 (Washington, D.C., May 1992).
5. Office of Management and Budget, High Risk Areas for Management Improvement, Fiscal Year 1992, General Services Administration Federal Supply Service and Information Resources Management Service Multiple Award Schedules.
6. Title 40, U.S. Code, Federal Property and Administrative Act of 1949, as amended, §259.

Cross-References to Other NPR Sections

IT paper

SUP05: EXPAND AUTHORITIES AND ELIMINATE CONGRESSIONAL LIMITS ON FEDERAL VEHICLE FLEET MANAGEMENT**Background**

The federal government, excluding the U.S. Postal Service, operates a fleet of 551,000 vehicles. Annual governmentwide expenditures for vehicle fleet management - including acquisition, maintenance, operation, and disposal - are estimated at \$4.6 billion.¹

The General Services Administration (GSA) sets policy for fleet management through the Federal Property Management Regulation (FPMR). While agencies can buy or lease their own vehicles, GSA offers these fleet services on a cost reimbursable basis to federal line managers. GSA has exclusive disposal authority for all government vehicles.

Congress establishes thresholds in agency appropriations on the type, number and price of vehicles which can be acquired.

Need for change

Currently, the line manager is faced with statutory, regulatory and administrative barriers which preclude effective use and management of vehicles. These barriers are evident in the acquisition, maintenance, and disposal processes.

In the acquisition arena, governmentwide replacement standards are not applied uniformly. The FPMR allows replacement of sedans after 6 years or 60,000 miles, whichever comes first. For the past several years, GSA has operated under its own waiver from the FPMR allowing it to replace sedans and station wagons every 3 years or 60,000 miles. In 1992, GSA issued a temporary regulation which allows all federal agencies to use the 3-year replacement cycle for sedans and station wagons provided they perform a cost-trade study that justifies this action.² GSA has found the 3-year replacement cycle to be cost effective, yet they have not made this effective governmentwide without placing an

administrative burden on agencies to perform independent studies.

In addition, the limitations which Congress imposes on agencies through the appropriations process has restricted agencies from determining their own priorities and needs which often results in the inefficient use of vehicles. For example, statutory limitations on the number of sedans and station wagons which can be purchased require agencies to use less efficient vehicles such as vans and light trucks to transport passengers. Congressional limitations on the purchase prices for sedans and station wagons severely restrict the replacement and/or acquisition of security and law enforcement vehicles. The acquisition costs for these specialized vehicles normally exceeds congressionally authorized limits.

In the maintenance arena, GSA operates a highly efficient vehicle leasing program for use by federal agencies on a reimbursable basis. One criticism of this program involves the current limitation on the U.S. Government National Credit Card that is solely used for GSA's leasing program. GSA requires government employees who use leased vehicles to use this card for emergency repairs and fuel purchases. The current limit is \$50 for any emergency repair action. Repairs over \$50 require prior approval from a GSA maintenance control center. It has been years since a simple vehicle repair, such as the replacement of a battery or tire, has cost less than \$50. Employees using GSA leased vehicles need to be freed from this \$50 limitation for minor repairs.

Agencies are required to use GSA for the disposal of agency-owned vehicles. The use of a third party - GSA - naturally delays the vehicle disposal process which often results in the loss of proceeds from increased depreciation, as well as the expenditure of additional funds for storage and reconditioning. Agencies should have a choice in determining the best method for disposing of vehicles.

The President's Council on Management Improvement (PCMI) studied the federal government's vehicle fleet management practices and identified a number of areas that could be improved. The PCMI was comprised of line managers from most of the large federal agencies. As a result, a number of recommendations were made that dealt with

acquisitions, operations, maintenance, disposal, alternative cost comparison studies, and future analyses of the federal fleet program. This study has been accepted by GSA and the Office of Management and Budget. Additionally, the National Performance Review endorses implementation of the PCMI recommendations.³

Recommendations

1. Update vehicle replacement standards. (1)

By January 1994, GSA should revise the Federal Property Management Regulation (FPMR) to reflect a governmentwide vehicle replacement requirement (e.g., 3 years or 60,000 miles) for all government-owned sedans and station wagons. GSA should immediately initiate a pilot study on reduced replacement cycles for light trucks and vans and revise the FPMR to reflect the study results. This would ensure that vehicle replacement is done in a consistent manner and based on criteria that determines the best return on investment.

2. Eliminate appropriation language limitations on government vehicles. (3)

Congress should eliminate the specification in agency appropriations of limitations on the type, number and purchase price of new vehicles, including law enforcement and security vehicles. Agencies should be allowed to make decisions regarding the type and number of replacement vehicles based on available funding and within the context of the entire appropriation and agency needs and priorities.

3. Increase emergency repair limits. (1)

By January 1994, GSA should revise its internal fleet management policy to raise

the emergency repair limit to \$150 on the U.S. Government National Credit Card without prior approval. This modification will simplify and expedite the process without jeopardizing vehicle warranties.

4. Provide incentives and authorize agencies to dispose of agency-owned vehicles. (3)

Congress should revise the Federal Property and Administrative Services Act to give federal agencies the authority to dispose of agency-owned vehicles. The revised legislation should retain the provision that allows agencies to use the proceeds of sold vehicles to purchase new ones. This would give agencies a choice, including the use of GSA, to dispose of vehicles, as well as create incentives for quick disposal and save additional costs for storage and reconditioning.

Fiscal Impact

None

End Notes

1. General Services Administration, Office of Transportation and Property Management, Fleet Management Division.
2. Federal Property Management (FPMR), (Temporary, G-55, January 28, 1992).
3. *Recommended Improvements for Federal Motor Vehicle Fleet Management*, Federal Agencies' report to the President's Council on Management Improvement, (Washington, D.C., July 1992).

Cross-References to Other NPR Sections

None

**SUP06: ELIMINATE THE MONOPOLY WHICH WILL DEVOLVE
PERSONAL PROPERTY MANAGEMENT AUTHORITIES****Background**

Personal property includes a wide range of government items such as chairs, desks, calculators, personal computers, lab equipment, etc. It does not include real property and real property-installed equipment. The disposal of personal property that has become excess to the needs of an agency can be an unnecessary and costly burden for the line manager. Valuable operating and storage space within an agency's facilities may be tied-up for prolonged periods of time to store excess property which is in the disposal process. Further, with few exceptions, agencies are required to use the General Services Administration (GSA) to dispose of excess property. In fiscal year 1992, GSA processed 1.7 million line items of excess personal property.¹ This included:

- o \$1.1 billion of property transferred to other federal agencies
- o \$604 million of property donated to eligible recipients (e.g. state and local governments and non-profit organizations)
- o \$156 million in sales of surplus property²

The current screening requirements, donation priorities, and sales methods are established by law or by GSA in the Federal Property Management Regulation (FPMR). The combination of the legal and regulatory requirements and the manual disposal process have resulted in excessive costs and lengthy time frames for property disposal. Further, there are no incentives for agencies to dispose of surplus personal property because they are prohibited by law from retaining any sales proceeds. These funds are returned to the Treasury's general fund.

Need for change

The disposal of excess personal property does not require special expertise. This discounts the need for GSA to be a monopoly for personal property disposal. Further, there is no automated process to facilitate and expedite the screening of excess property across the government or by entities that can obtain property through the disposal process. The heavy reliance on manual processes only delays an already overburdened disposal process and increases agency disposal costs. Agencies have cited numerous examples of lengthy delays of up to one year to dispose of aged office furniture or technologically obsolete computers and peripherals with current values of less than \$5,000.³

Finally, the legislative impediment which precludes retention of disposal proceeds provides little incentive for agencies to dispose of property they have determined to be unneeded or excess.

Recommendations

1. Eliminate the monopoly on personal property disposal services. (1)

GSA should revise the Federal Property Management Regulation (FPMR) to allow agencies to dispose of excess or surplus property. The FPMR should also be revised to allow for the concurrent screening of excess property by federal agencies and state and local governments with federal agencies having the right of first choice. This recommendation does not eliminate the need for agencies to comply with statutory requirements and priorities for property disposal and donation. These changes will allow agencies greater flexibility and choice in determining the method for property disposal, including the use of GSA services on a reimbursable basis, as well as expedite the disposal process.

2. Automate the personal property screening process. (1)

By April 1994, GSA should develop and implement an electronic bulletin board which agencies must use to advertise their excess or surplus property. This will provide an expeditious and cost effective tool for the existing screening process.

3. Provide incentives to agencies to dispose of excess property. (3)

Congress should amend the Federal Property and Administrative Services Act to (1) allow agencies to retain the proceeds from the sale of excess property not transferred or donated, and (2) spend funds to recondition property if this will increase sales value.⁴ This will give agencies an incentive to quickly dispose of excess property and reduce costs for prolonged storage.

Fiscal Impact

None

End Notes

1. A line item equates to one type of item being disposed of regardless of volume. e.g., one or 1,000 desks.

2. General Services Administration, Office of Transportation and Property Management, Property Management Division, (as of July 1993).

3. Interviews with federal agency line managers and senior executives, April and May 1993.

4. Title 40, U.S. Code, Federal Property and Administrative Act of 1949, as amended, §485.

Cross-References to Other NPR Sections

None

SUP07: SIMPLIFY TRAVEL AND INCREASE COMPETITION**Background**

Travel by civilian personnel in federal agencies is governed by the Federal Travel Regulations (FTR). The General Services Administration (GSA) is responsible for establishing travel policy through the FTR. Federal agencies generally supplement the FTR by promulgating internal policies and regulations even though the governmentwide travel rules and regulations are fairly specific with little room for interpretation. Because of their uniquely different missions, the Department of Defense (DOD) and the State Department have different regulations which provide guidance to uniformed service members and foreign service personnel.

The administrative requirements associated with the travel program are extensive. For each trip, the traveler is required to prepare a travel authorization which must be approved by higher level management and financial management personnel who ensure the availability of travel funds. After the travel has been completed, the traveler must complete a detailed travel voucher which is again signed by higher level management, audited by technicians specifically trained on the travel regulations, accounted for in the financial ledgers, and processed for payment. Some agencies have automated certain aspects of the travel process, but for many others, it remains paper and labor intensive.

Need for change

Each year, GSA negotiates unrestricted fares with airlines for federal travel between various cities. This competitive process allows the federal government to save a great deal of money from the published airfares without paying penalties for changes to itineraries, which is commonplace for federal travelers. However, GSA limits the types of routes for bidding, and as a result, airlines frequently bid routes that are circuitous or otherwise

inconvenient for travelers (e.g. Washington, D.C. to Orlando, Florida via Detroit, Michigan). Consequently, travelers must either extend their travel time or justify more expensive routes outside of the negotiated airfares.

The commercial sector offers a number of off-the-shelf software packages that specifically automate the federal government's travel process. Further, federal agencies have also developed programs to automate their travel processes. Automation of the federal travel process would minimize the paperwork burden, standardize the process, reduce errors, speed up reimbursements to the travelers, and allow line managers to better manage travel budgets by providing current information on travel expenditures. Despite the availability of automation tools, many federal agencies still rely on the labor and paper intensive processes.

Recommendations

1. Streamline the travel regulations. (1)

GSA should streamline and simplify the Federal Travel Regulation (FTR). GSA should designate a task force of agency travel specialists, managers and a cross section of federal employees who travel frequently to participate in rewriting the FTR. The intent of the FTR rewrite should be to (1) adequately address travel issues on a governmentwide basis, (2) provide maximum flexibility to line managers, (3) delegate to the lowest feasible managerial level the authority for travel decisions, and (4) minimize the need for agencies to supplement the FTR with additional internal policies and regulations.

2. Increase choices for federal travelers. (1)

GSA should enhance the city pair contracts to offer more choices (e.g. non-stop, no change of plane flights, etc.). This would provide federal travelers with increased flight

choices to meet travel schedules at the lowest possible rates.

3. Pilot-test a tender system for airfares. (1)

GSA should pilot-test, in a reinvention laboratory context, the use of a tender system, similar to the one used by the trucking industry, to establish airfare rates. Under the tender system, each airline would submit discount rates from a published coach rate for a city-pair for each class of service (e.g., non-stop, direct with stop(s), one-stop with change, multiple-stops with change(s)), valid for a stated period of time. Airlines may update their rates during the stated effective period but only to quote lower rates. This system has the potential to increase competition which would result in lower airline fares for federal travelers, as well as give agencies greater flexibility in managing their travel requirements.

4. Automate the travel process. (1)

Federal agencies should move aggressively to automate their travel administration processes (travel authorization, voucher preparation, voucher auditing, payment, and accounting) by using readily available off-the-shelf software or software developed by other federal agencies. The automation of travel processes will free travelers and clerical personnel from the paperwork burden, reduce errors, expedite the travel reimbursement process, accelerate accounting and improve management oversight of the travel budget.

Fiscal Impact

None

End Notes

None

Cross-References to Other NPR Sections

FM06 Financial Management team paper

**PART 3:
REAL PROPERTY**

THE CURRENT PROCESS

Real property and related services are a necessary component in the delivery of government services and programs. The government owns real property assets with an original cost of about \$175 billion and leases space costing approximately \$2.5 billion per year.

A number of federal agencies provide real property support services. Most agencies provide these services through internal monopolies. That is, the Department of State provides foreign diplomatic properties; the Department of Veterans Affairs deals with veterans hospitals; and the Department of Justice provides prison properties. Office space is provided by a central monopoly - the General Services Administration (GSA). In addition to being the primary provider of office space and services, GSA promulgates and enforces policies with respect to space usage by federal agencies.

PROBLEMS WITH THE CURRENT PROCESS

From a services standpoint, the current monopoly structure fails to provide adequate performance incentives. Line managers who need real property services to deliver government services lack the power to take their business elsewhere. Consequently, the providers of real property and related services lack the motivation to satisfy their customers at the lowest possible cost that only a competitive environment can instill.

From an asset management perspective, there is little incentive to maximize the yield of the government's enormous investment in real property. For example, agencies do not share in any income derived from the use or disposal of the assets under their charge. As a result there is no motivation to think and act like an owner.

The mixed roles of service provider and enforcer played by GSA only ensures that neither job is done in the best possible way. Customers will always resent someone else deciding what is best for them, particularly when it is the same organization providing the

service.

A VISION FOR THE NEW REAL PROPERTY PROCESS

The future of real property services is to allow customers to make their own decisions on how to spend funds allocated for this purpose. Customers will be able to avail themselves of a full array of competitive alternatives, including GSA, for the delivery of real property services. The creation of an ownership enterprise or "asset manager" is also envisioned to provide for the strategic use of the government's portfolio of real property assets. Incentives will be developed for sharing savings on occupancy costs with consuming agencies.

**SUP08: GIVE CUSTOMERS CHOICE AND CREATE REAL PROPERTY
ENTERPRISES THAT PROMOTE SOUND ASSET MANAGEMENT**

Background

The federal government's real property holdings are highly diversified, immense and scattered worldwide. The General Services Administration (GSA) reports that as of September 30, 1990 (the most current date for which figures are available), the federal government owned more than 650 million acres of land and over 450,000 buildings encompassing nearly 3 billion square feet of space. The acquisition cost of this property is estimated at more than \$188 billion. In addition, as of that date, the federal government leased nearly 1.5 million acres of land and over 270 million square feet of buildings.¹ These real property holdings are controlled by 26 different federal agencies, each of which possesses some form of authority to lease, acquire and/or dispose of real property.²

More remarkable perhaps than the scope and magnitude of the real property holdings, is the government's lack of a successful asset management program. There exists no estimate of the current value of the government's real property assets, and no clear strategy to maximize the value of those assets for the benefit of the taxpayer.³ More importantly, there is no system of incentives to encourage the federal government to capture the full value of its enormous investment in real property assets.

Federal agencies that require real property, such as general purpose office space, to accomplish their missions have little choice in their source of supply. In effect, monopolies exist for providing each kind of real property and related services that agencies need. GSA was created in 1949 to be the government's central management agency with primary responsibility for, among other things, acquiring, managing and disposing of general purpose real property.⁴ As a result, with the principal exception of post office and military facilities, GSA's Public Buildings Service (PBS) has a monopoly on the provision of general purpose space. Other agencies, such as the Departments of State, Veterans Affairs

and Justice are monopoly providers for a variety of other types of space.

Monopolies are characterized by central control, inflexibility and inefficient asset management. They also inhibit the achievement of total customer satisfaction. The various federal real property monopolies were established during a time when central control organizations appeared to offer benefits. Today, there is no evidence that such monopolies are best suited to provide real property and related services. In addition, there has been a pattern of criticism of federal real property activities and programs in recent years emanating from a number of sources, such as the General Accounting Office, which indicate a lack of strategic thinking in managing the federal government's real property.⁵ Of late, the real estate industry has directed criticism at GSA, particularly because the agency continues to construct office space in glutted markets.⁶

The procurement, management and disposal of real property assets occur in an environment characterized by diminished government resources, changing priorities for the use of those resources, dynamic technological innovations, changing private sector capabilities, an expansion of market alternatives, and the prevalence of successful business management models that stress decentralization and increased delegation of authority.⁷ Existing real property monopolies are not equipped to operate in such an environment.

Perhaps the best known federal real property monopoly is that held by GSA on the provision of general purpose space. PBS, a major organization within GSA, was formed for the purpose of administering GSA's real property franchise. Virtually every federal agency must obtain its general purpose space and related services through PBS.

The financial foundation of PBS is the Federal Buildings Fund (FBF). The FBF is the account into which the rent agencies pay for space and services is deposited. PBS cannot make use of the funds in the FBF until their expenditure has been authorized and appropriated by Congress for specific purposes. Projects of significant magnitude require authorization by Congress. The law requires that appropriations shall not be made to construct, alter, purchase, or acquire any building to be used as a public building⁸ which involves an expenditure greater than \$1.650,000 unless that action has been approved by

resolutions of the House and Senate Public Works Committees. The same requirement applies to leases costing more than \$1,650,000 per year, and to alterations of leased space costing in excess of \$800,000.⁹ To obtain such approval for public buildings, project proposals known as "prospectuses" are submitted to the Congress. This prospectus process is, in effect, a means of Congressional oversight that focuses on individual transactions, rather than on the overall performance of agencies.

Need for Change

Agencies need to be freed from monopoly providers and given greater flexibility and choice in the acquisition of their space and real property services. They need to be accountable for space costs in the same way they are accountable for all other costs necessary for the delivery of their missions.

GSA, as the government's most visible provider of real property, is well positioned to serve as a model for implementing new federal real property asset management and service provision principles. GSA, as custodian of approximately 8% of the government's real property holdings (excluding land), embodies a system the nature and size of which can be redesigned to engender sound asset management strategies and tactics. GSA is responsible for over 50% of the office property occupied by the government worldwide. The lessons learned by using GSA as a model for the efficient provision of real property and related services can be used to determine the pattern and pace of implementation for other federal real property programs.

A restructuring of GSA is necessary to separate the incompatible roles of service provider and regulator, and to create a new culture where the incentives are based on providing profitable, high quality service and managing assets for the greatest return to the public. The new culture should be one focused on finding the best ways to satisfy the customer and get the job done rather than on conformance to processes and rules.

A rational and efficient system for the provision of real property and related services

should embody certain fundamental principles.¹⁰ First, it should recognize that the authority, responsibility and accountability for accomplishing an agency mission should rest with the head of that agency. Agency heads should have the ability to identify and allocate resources - including real property resources - so that they can achieve the mission for which they are responsible. Second, the federal government needs sound asset management principles for its real property portfolio that maximize the use and value of real property in which it has invested. Third, real property services provided to agencies should be of the highest quality and available at the lowest possible cost. Finally, the management of the government's real property assets should foster design excellence commensurate with the role of the federal government.¹¹

Some foreign governments and American corporations have, in large measure, institutionalized these principles by moving beyond structures of central monopoly providers of real property and related services.¹² In their place, fully competitive, non-monopolistic real property enterprises have been established. These enterprises provide motivations and incentives to achieve the best service possible and get full value for every dollar spent on and invested in real property.¹³ Migration to these new models for providing real property support services is not without some disruption.¹⁴ Government personnel will be challenged in moving from the monopoly to competitive environments. There is also the prospect of users choosing to move out of properties owned by the government thereby affecting the value of those assets. Generally, organizations that have chosen to make the changes believe that the benefits substantially outweigh the costs.¹⁵

Real property enterprises created to achieve maximum efficiency should be fully able to compete with alternative providers of real property services. Barriers to the competitiveness of these enterprises should therefore be eliminated. The two most significant barriers are the prospectus approval process and the lack of commercial-equivalent flexibility in the Federal Buildings Fund (FBF).

A need exists to provide Congress with improved real property oversight mechanisms consistent with a system that embodies agency choice, the use of true asset

management principles and the provision of real property and related services by competitive organizations. The current prospectus approval process will not satisfy this need. In its place, a more strategic process should be substituted that provides Congress and others with legitimate oversight authority with business plans that focus on how real property decisions meet strategic investment objectives in specific markets or communities. Strategic business plans should clearly delineate needs, objectives and performance measures, and should provide the flexibility necessary to undertake rational transactions that are in the best interests of the government. In other words, such business plans should not lock the government into a particular transaction structure that places a limit on options and puts taxpayer money at unnecessary risk.

In addition to changes in the Congressional oversight process, substantial changes are needed to the FBF to provide a businesslike financial system to support more commercially comparable structures. The FBF should be a true revolving fund where funds may be expended from revenues without prior authorization or appropriation.

To accommodate different rent structures, the FBF should be reorganized to permit an accumulation of enough capital to cover operations, maintenance, repairs and alterations, but generally not funds for new construction or acquisition. Funds for new construction and acquisition should generally come from receipts from the disposal of federal real property, direct appropriations, or other financing mechanisms.

To the extent that the government requires the ownership or real property service enterprises to perform functions that are not reimbursable, a direct subsidy should be made to the enterprise. For example, if the government requires the retention of properties for their historical or environmental value, then the government should separately appropriate the cost of carrying that property.

A system of incentives for aggressive asset management should be woven through the FBF. Such incentives are necessary if excellent performance by federal managers is to be assured. For example, allowing the retention of proceeds will encourage managers of real property assets to dispose of property in a timely manner and leverage under

performing assets in other valuable ways.

Recommendations

1. **Give agencies authority to choose their sources of real property services.**

(1 & 3)

Effective April 1, 1994, GSA should delegate to all federal agencies the authority to lease their own general purpose space and to acquire independently the real property services they need (e.g., acquisition, operations and maintenance, design and construction). The delegations should be without restrictions for smaller amounts of space, as defined by the planning group provided for in Recommendation 7. For larger amounts of space, the delegations should be subject to the asset management principles articulated by the planning group.

Congress should enact legislation permanently authorizing agencies to lease space and acquire real property services on their own account.

2. **Create competitive enterprises to provide real estate services on a fee basis.**

(1)

GSA should, by January 1, 1994, establish competitive enterprises to deliver the services they currently provide (e.g., leasing, space planning, relocation, development, design, construction, etc.). The enterprises should be fully operational by October 1994. Services of the enterprises should be marketed to agencies and funded from fees paid by agencies. Agencies should have the ability to use the competitive enterprises or alternate public or private sources. The competitive enterprises should make maximum use of modern information technology (e.g., electronic bulletin boards) to enhance the ability of all

private sector firms to compete for such business and to make agencies aware of the many choices available to them in the marketplace.

3. Create centers of expertise for real property services. (1)

GSA should designate certain functions as "centers of expertise" (e.g., architectural design, planning, energy conservation, child care and fitness facilities, building operations, budgeting for major repairs and alterations, and training for real estate and facilities personnel). These centers of expertise should provide, through internal and/or external resources, consultation and guidance to agencies for free or at cost.

4. Create a customer service organization for real property services in GSA. (1)

GSA should, by January 1, 1994, establish an organization of client (agency) account managers to act as single points of contact and responsibility for coordination with GSA and access to its services. Account managers should be readily available for agencies to use at no cost in the facilities planning and space utilization process that supports their missions. Account managers should support strategic planning for and management of the government's portfolio and ensure that agencies have continual awareness of current and future alternatives within the federal portfolio.

5. Provide agencies with information about all possible real property alternatives. (1)

GSA should act as a clearinghouse to offer agencies alternatives that satisfy agencies' real property requirements. These alternatives should encompass assets in the government's portfolio, or other assets the government may construct or otherwise acquire.

Alternative assets may be those held by other entities of the federal government (e.g., the Department of Veterans Affairs, the Department of Defense), as well as those held by state and local governments, or private sector properties in the custody of the Resolution Trust Corporation, the Federal Deposit Insurance Corporation, or in the control of financial institutions such as banks and insurance companies.

In fulfilling this clearinghouse function, GSA should make maximum use of government programs, data bases and geographic information systems that can supply information relevant to real property decisions. For example, GSA should consider making use of digitized satellite imagery available through the government's LANDSAT program in conducting site searches and evaluations.

6. Create an enterprise for the sound management of federal real property assets.

(1)

GSA should, by April 1, 1994, create an ownership enterprise (the "asset manager") to hold title to and manage the government's portfolio of general purpose real property assets and obligations. This enterprise should be fully operational by October 1994. This enterprise will act like an owner/investor managing the government's general purpose assets for the greatest return to the public.

The asset manager should offer to agencies incentives to encourage them to occupy federal portfolio properties. Such incentives may include a new rent structure that offers below-market rent and accelerated acquisition time.

If the asset manager believes a viable, lower cost alternative for an agency requirement exists within the federal portfolio and an agency wishes to execute an alternative transaction, the asset manager will have the ability to have the proposed transaction reviewed by an external board. The board will consider the respective needs of the agency and the asset manager. The external board should be composed of representatives of GSA, the Office of Management and Budget (OMB), and client agencies.

The board will be authorized to waive usual asset management guidelines, if appropriate.

7. Establish governmentwide policy for asset management. (1)

GSA should establish governmentwide policy for asset management by convening a planning group comprising representatives from the OMB, government-wide real property stakeholders, and representatives of the private sector with expertise in real property. The planning group should be convened within 30 days of the date this report is issued. The planning group should, within 90 days of its formation, develop asset management principles to guide the ownership enterprise. Within that time it should address such issues as existing assignments in leased space; occupancy in space with unamortized tenant improvements; classes of actions not subject to federal portfolio analysis; subsidies for retention of historic properties; and location criteria stemming from public and/or social policies articulated by law or executive order.

8. Establish performance benchmarks for the enterprises. (1)

GSA should establish commercially comparable performance benchmarks for the competitive service and asset management enterprises. The enterprises should be run much like private businesses. As such, they should have performance measures which are comparable to their commercial counterparts. This will provide oversight organizations like Congress and OMB with ways to measure the overall performance of the enterprises, rather than the current transaction-by-transaction approach.

9. Reduce lease costs through an efficiency dividend. (1)

As an initial benchmark for success, and working with each agency, OMB should require agencies currently leasing space from GSA to return to OMB a 2 percent per year

efficiency dividend for some period of time, beginning with the effective date of their receipt of authority to lease. The dividend should be computed on the basis of space costs prior to the delegation of authority. As an additional incentive, agencies should be allowed to keep any savings above the 2 percent efficiency dividend. When agencies have choice in their source of real property and related services, 2 percent per year is a reasonable expectation of the savings that can be realized.

10. Commercialize the Federal Buildings Fund. (3)

Congress should enact legislation permitting the Federal Buildings Fund (FBF) to be used by the new enterprises without explicit appropriation and authorization, and in a manner that will provide it with the kind of financial flexibility exercised by similar commercial enterprises. The FBF should allow the enterprises to establish appropriate financial incentives to motivate excellent and profitable performance of its workforce.

11. Promote competition between existing real property service providers. (2)

OMB should issue a directive promoting competition for the real property business of federal agencies among those federal agencies that currently provide such services (e.g., the Army Corps of Engineers, the Department of Veterans Affairs, GSA). The directive should encourage managers seeking real property services to immediately look beyond their internal suppliers to find the best available source among government providers.

12. Eliminate statutory impediments to the ownership enterprises. (3)

Congress should adopt legislation to eliminate statutory impediments inconsistent with the nature of the new enterprises. If the enterprises are to be held accountable for their

performance, they should be permitted to perform in a businesslike manner. Congress should enact legislation eliminating the existing process of reviewing and approving prospectuses transaction-by-transaction and substitute a process involving the review of strategic business plans that establish real property needs and objectives in specific communities and markets, and provide for flexibility and performance measures in the satisfaction of those needs.

Fiscal Impact (in millions of dollars)

	1994	1995	1996	1997	1998
Budget Authority	(96)	(105)	(112)	(118)	(126)
Outlays	(96)	(105)	(112)	(118)	(126)
Changes in FTEs					

Note: Reflects savings from 2% efficiency dividend on space costs (rental, leases).

End Notes

1. U.S. General Services Administration, Public Buildings Service, "Summary Report of Real Property Owned by the United States Throughout the World as of September 30, 1988," report prepared by GSA, September 30, 1988.
2. Department of Transportation staff study.
3. Interview with John V. Neale, Assistant Commissioner, Federal Property Resources Service, GSA.
4. Federal Property and Administrative Services Act of 1949, as amended; Pub. L. 152, Ch. 288, 63 Stat 377.

5. United States General Accounting Office, Report to Congressional Requesters, "Building Purchases: GSA's Program Is Successful but Better Policies and Procedures Are Needed," report prepared by L.Nye Stevens, Washington, D.C., October 31, 1989.

U.S. General Accounting Office, Statement of L. Nye Stevens Before the House Committee on Government Operations. "GSA: A Central Management Agency Needing Comprehensive Congressional Oversight, Washington, D.C. October 29, 1991.

6. Based on a series of round table discussions with industry representatives held around the nation between June 21 and July 2, 1993.

7. Undated GSA working paper entitled "Real Property: Planning, Acquisition, Management and Disposal".

8. Pursuant to Section 13 of the Public Buildings Act Amendments of 1959, Pub. L. 86-249, Sept. 9, 1959, 73 Stat 479, as amended, 40 U.S.C. 601-619, "public building" means "any building, whether for single or multi-tenant occupancy, its grounds, approaches, and appurtenances, which is generally suitable for office or storage space or both for the use of one or more Federal agencies or mixed ownership corporations, and shall include: (i) Federal office buildings, (ii) post office, (iii) customhouses, (iv) courthouses, (v) appraisers stores, (vi) border inspection facilities, (vii) warehouses, (viii) record centers, (ix) relocation facilities, and (x) similar Federal facilities, and (xi) any other buildings or construction projects the inclusion of which the President may deem, from time to time hereafter, to be justified in the public interest; but shall not include any such buildings and construction projects: (A) on the public domain (including that reserved for national forests and other purposes), (B) on properties of the United States in foreign countries, (C) on Indian and native Eskimo properties held in trust by the United States, (D) on lands used in connection with Federal programs for agricultural, recreational, and conservation purposes, including research in connection therewith, (E) on or used in connection with river, harbor, flood control, reclamation or power projects, or for nuclear production, research, or development projects, ((F) on or used in connection with housing and residential projects, (G) on military installations (including any fort, camp, post, naval training station, airfield, proving ground, military supply depot, military school, or any similar facility of the Department of Defense), (H) on Veterans' Administration installations used for hospital or domiciliary purposes, and (I) the exclusion of which the President may deem, from time to time hereafter, to be justified in the public interest."

9. Sec. 7, Public Buildings Act of 1959, as amended; Pub. L. 86-249, Sept. 9, 1959, 73 Stat. 479, as amended, 40 U.S.C. 601-619. The thresholds noted are in effect through the end of 1993. These thresholds are changed annually based upon changes in the Consumer Price Index.

10. Ibid.

11. Discussion with the Vice President at Tollgate 3, July 15, 1993.
12. U.S. General Accounting Office, untitled draft report dealing with alternative real estate support structures in Australia, Canada, Great Britain and Sweden.

The Industrial Development Research Foundation, *Strategic Management of the Fifth Resource: Corporate Real Estate*, Corporate Real Estate 2000-Phase 1, report 49, May, 1993.

13. John Mellors, *Commercialisation of Administrative Services: Who Gains When Users Pay?*, Hobart, 26-28 (Department of Administrative Services, May 1993).

14. Ibid.

The Industrial Development Research Foundation, *Strategic Management of the Fifth Resource: Corporate Real Estate*, Corporate Real Estate 2000-Phase 1, report 49, May, 1993.

15. Ibid.

Interviews with senior Australian officials on July 23 and 24, 1993.

Cross-References to Other NPR Recommendations

- FM10 Manage fixed assets for the long term
- BUD1 Provide strong leadership from the top with national frameworks
- BUD2 Develop performance agreement with senior political leadership reflecting organizational and policy goals
- DOI Divestiture and acquisition of federal property
- DOI Rationalizing federal land ownership

SUP09: SIMPLIFY PROCEDURES FOR ACQUIRING SMALL BLOCKS OF SPACE TO HOUSE FEDERAL AGENCIES**Background**

The procedures used by the government to acquire large leases are essentially similar to those used to acquire small leases. The contract clauses, solicitation provisions, and most of the administrative procedures used to acquire a lease for 1 million square feet are also required to acquire a typical lease of 5,000 square feet.¹ As a result, the cost of acquiring a small lease is disproportionate to its size. Moreover, the overall cost of acquiring small leases far outweighs the relatively small percentage of total leasing costs that small leases represent.

To gain perspective on the scope of this problem, one need only look at how it affects the General Services Administration (GSA). GSA was established in 1949 to be the federal government's central management agency for, among other things, acquiring, managing and disposing of real property.² GSA is primarily responsible for leasing general purpose office space to house federal agencies. GSA administers approximately 6,718 leases comprising 120 million square feet of office space with an annual rental cost of \$1.9 billion and a total rental cost, over the full term of the leases, of approximately \$18.1 billion. Seventy percent of these leases are for blocks of space smaller than 10,000 square feet, which are considered small leases. The annual cost of these small leases is approximately \$282.2 million or 15 percent of the annual rental cost of all GSA leases. The rental cost of small leases over their full term is approximately \$2.1 billion or only 11.6 percent of the total rental cost of all GSA leases over their entire term.³ Thus, even though small leases comprise a majority of GSA's leases, they represent a relatively small proportion of total leasing costs.

In order to promote efficiency and economy in contracting, and to avoid placing unnecessary burdens on agencies and contractors, the Federal Property and Administrative

Services Act of 1949, as amended, authorizes the establishment and use of special simplified procedures for small purchases (currently \$25,000 or less) of property or services.⁴ The intent of this provision of the law is to make small procurement more economical and expeditious. It also makes it easier and less costly for contractors to participate in the often cumbersome federal procurement process.

Although the statutory provision for simplified small purchase procedures applies to acquisitions of leasehold interests in real property, it has no practical effect. This is because leases are generally needed - and therefore written - for a period of years; when the total value of the lease contract over its full term is calculated, it almost always exceeds the \$25,000 threshold for simplified procedures. Thus, the government is effectively precluded from using more economical and expeditious acquisition procedures when acquiring a small leasehold interest in real property.

As a result, the procedures that must be used do not ensure the expeditious and economic acquisition of small blocks of space, because they are subject to a wide array of relatively complex and costly administrative steps, solicitation provisions, and contract clauses. The resultant burdens are felt not only by the government, but also by the private sector.

Need For Change

Legislative changes that simplify procedures for the acquisition of leasehold interests in real property of less than 10,000 square feet are needed to (1) increase competition, (2) reduce acquisition costs, (3) reduce the time it takes to acquire small leases, and (4) ensure that small lease acquisitions are efficiently and inexpensively conducted.

Prospective lessors are often discouraged by the paperwork burdens and associated costs that are required when doing business with the government and choose not to compete for government lease contracts. This is particularly true in tight real estate markets, where space can easily be leased to commercial tenants (this is not a problem in current markets,

which cannot be described as "tight"). The use of small purchase procedures for acquiring small leases will reduce the paperwork burden such acquisitions now entail. This will lower the costs prospective lessors incur in offering their space, thereby encouraging more businesses to compete. Increased competition fostered by lower costs to enter the competition will generally result in lower rental rates, enabling the government to acquire better quality space for its money.

The use of small purchase procedures will substantially reduce the administrative costs incurred by the government by eliminating unnecessary contracting and leasing provisions. Many of the paperwork burdens involved in acquiring small leases are not cost-effective. These burdens - and their costs - will be substantially alleviated if legislation is enacted to permit small purchase procedures to be used when the government acquires small leases. This cost reduction can be achieved without a detrimental effect on the quality of space leased, because most of the unnecessary requirements that would be eliminated from the leasing process are not related to the space itself.

Time is money; unnecessary costs are incurred when small leases cannot be provided quickly. The application of small purchase procedures to small leases will reduce the time it takes to execute such leases by a substantial amount. This will enable the government to satisfy its needs for space in a more timely and cost-effective manner. More expeditious leasing of small amounts of general purpose space will also increase competition, which will in turn reduce leasing costs. Prospective lessors cannot hold space off the market for extended periods of time because it reduces their rental income. Frequently, offers are withdrawn and space is leased to commercial tenants because the government cannot process the contract action fast enough.

Recommendations

1. Simplify the procedures for small purchases of leased space. (3)

Congress should amend the Federal Property and Administrative Services Act to authorize the use of simplified small purchase procedures for leasing blocks of 10,000 square feet or less.⁵

Fiscal Impact

No estimate of fiscal impact has been made, but it is believed that implementing the recommendation will provide substantial savings.

End Notes

1. Staff of the Public Buildings Service, General Services Administration.
2. Federal Property and Administrative Services Act of 1949, as amended; Pub. L. 152, Ch. 288, Stat 377.
3. Public Buildings Service, General Services Administration, July 29, 1993.
4. Federal Property and Administrative Services Act of 1949, Section 303.
5. Section 303 of the Federal Property and Administrative Services Act of 1949, as amended (41 U.S.C. 253).

Cross-References to Other NPR Recommendations

SUP08	Give customers choice and create real property enterprises that promote sound asset management
PROC15	Increase threshold and simplify small purchases.

**SUP10: ESTABLISH NEW CONTRACTING PROCEDURES FOR THE
CONTINUED OCCUPANCY OF LEASED OFFICE SPACE****Background**

A large number of federal agencies are housed in leased space. The most recent published statistics indicate that the government occupies over 270 million square feet of leased space under more than 70,000 leases.¹ The Federal Property and Administrative Services Act requires that, for most executive agencies of the government, when the lease for an agency's space expires and the agency still needs the space, a new competition must be conducted to replace the expired lease.² Such competitions are costly and time-consuming for both the government and prospective lessors competing to win the right to lease the space to the government. The law permits a number of exceptions to the requirement for formal competition, but no exception is allowed for satisfying continuing government needs for leased space.

When the government leases space, it typically incurs substantial costs to customize the space and install telecommunications systems to meet agency requirements. Alterations are also required to make the space accessible to people with disabilities and to ensure that the space meets stringent fire and other safety requirements. These are substantial investments of federal funds. If an agency is relocated, the government incurs moving costs. Moreover, the operations of the agency being moved are disrupted, resulting in inconvenience and additional expense to the public and the government.

When the government conducts a competition to replace leased space for which there is a continuing need, it takes into account the costs of relocation, disruption and space modifications in deciding whether or not it is economical to relocate. Thus, because of the government's investments in leased space and the expense associated with relocation, incumbent lessors who wish to continue leasing their space have a significant competitive advantage over their competitors. Competitors find this advantage almost impossible to

overcome. In effect, the offers of potential lessors are burdened with the costs of moving the agency and making new investments in the space, whereas the offer of the incumbent lessor is not. As a result, most competitions result in the incumbent lessor winning a lease that provides for continued occupancy of the space initially occupied by the government.

Need for Change

The government needs simpler procedures to award leases to replace those that expire. Under current procedures, a costly and virtually meaningless process of competition is conducted to replace leases for continuing space needs. Further, a substantial amount of time and money can be saved if agencies are given the authority to negotiate directly with and award leases to existing lessors for continuing leases.

The benefits of a simpler process will accrue to both the government and the private sector. The federal leasing process will be more efficient. Resources previously spent on conducting a formal competitive leasing process having no value can instead be spent on other functions such as the fulfillment of agency missions. Potential lessors will not be encouraged to prepare bids that have no chance of being accepted, and which provide the government with no additional negotiating leverage. In short, the government will cease to invite prospective lessors to incur unnecessary costs.

Some may argue that the use of procurement procedures other than full and open competition will result in the government paying higher lease costs. This will not occur for two reasons. First, those conducting the lease negotiations will continue to obtain relevant pricing information to support their negotiations. Second, the government will retain the option to solicit competing bids, either formally or informally, for the purpose of driving the hardest bargain possible on the terms of the continuing lease.

Recommendations

1. Simplify the procedures for renewing leases. (3)

Congress should amend the Federal Property and Administrative Services Act to authorize executive agencies to negotiate a new contract with the incumbent lessor when a determination is made that the occupant agencies have a continuing need for the space, the space meets the agencies need, and the incumbent lessor is willing to provide the space at a fair market price.³

Fiscal Impact

None

Endnotes

- 1.U.S. General Services Administration, Public Buildings Service, Office of Governmentwide Real Property Relations, "Summary Report of Real Property Leased by the United States Throughout the World as of September 30, 1989."
2. Title III, Federal Property and Administrative Services Act of 1949, as amended (Pub. L. 152, Ch. 288, 63 Stat 377).
3. Sec. 303(d)(1), Federal Property and Administrative Services Act of 1949, as amended (Pub. L. 152, Ch. 288, 63 Stat 377).

Cross-References to Other NPR Sections

SUP08	Give customers choice and create real property enterprises that promote sound asset management.
PROC15	Increase Threshold and Simplify Small Purchases

**PART 4:
MAIL MANAGEMENT**

THE CURRENT PROCESS

The government mails from approximately 69,000 individual locations and spends over \$1 billion annually on postage. Approximately 32 mailing locations generate 25 percent of the total federal postage bill. These mailers primarily disburse checks and publications. The General Services Administration (GSA) has been assigned responsibility for the governmentwide mail management program. However, agencies have significant authority for their mail management programs. Most mail managers have this function as a collateral duty. The U.S. Postal Service offers a wide range of programs to reduce postage costs such as presorting, prebarcoding, and mail metering. However, it is an agency's discretion to participate in these programs.

PROBLEMS WITH THE CURRENT PROCESS

There is a lack of clearly assigned authority and responsibility within agencies for mail management. This is especially problematic for agencies that mail large volumes of material and would directly benefit, through significant savings, by implementing postage discount programs. Many agencies have made significant reductions in postage costs while others have done little or nothing. This disparity can be directly related to resources that agencies have assigned to mail management.

OUR VISION FOR A NEW MAIL MANAGEMENT PROGRAM

The federal government needs to establish a governmentwide initiative that tasks agencies with identifying and implementing opportunities for reducing postage costs through improved mail management. This initiative should be led by the General Services Administration and include other agencies that have significant experience with postage discount programs. Key elements of this mail management initiative include (1) creating

PART 4: MAIL MANAGEMENT INTRODUCTION

teams of federal agency experts to work with large volume federal mailers to implement worksharing programs, and (2) identifying agencies to take lead responsibility for enhancing or implementing worksharing initiatives, including metering, presorting, and prebarcoding for themselves and all federal agencies at the same location. Larger savings can best be accomplished if federal mailers commingle their volume with other federal, state, and local government mailers, as well as commercial, private sector mailers.

**POSTAGESUP11: REDUCE COSTS THROUGH IMPROVED MAIL
MANAGEMENT¹**

Background

The federal government spends over \$1 billion annually on postage.² Federal agencies pay the same rates as other postal customers and are not entitled to send penalty/official mail at nonprofit or subsidized rates. Large private sector mailers systematically seek out ways to reduce mail costs, yet the federal government lags behind in its use of postage discount programs. Seeking out ways to reduce government mail costs is a role which was assigned to the General Services Administration (GSA) in the Federal Records Management Amendments of 1976.

The U.S. Postal Service (USPS) initiated postage discount programs, called worksharing programs, as part of an effort to streamline its own operations. The thrust behind the worksharing program was to incentivize mailers to implement procedures that reduced the USPS's internal processing of mail; in return, the USPS shared the savings with mailers from its reduced processing. Postage discount programs were not targeted for the standard federal mail room. Rather, mailers with large mailing requirements that used databases and/or computer generated products (e.g., checks, statements of account, forms, and computer-generated letters) were prime targets for the worksharing programs.

In 1989, at the request of Congress, the General Accounting Office (GAO) obtained information from GSA, the U.S. Postal Service, agency mail program officials, and the private industry to review the effectiveness of GSA support to agencies in managing and reducing mail costs. GAO reported that GSA should aggressively pursue mail management initiatives with federal agencies to include acting as a central training source, conducting research benefitting governmentwide activities, sharing expertise, and using contractors rather than provide mail management services directly. GAO estimated that federal agencies could save over \$100 million by taking advantage of postal discount/worksharing

programs and through GSA's active approach to mail management responsibilities.³

Currently, GSA regulations for the mail management program identify opportunities for achieving savings but lack specific requirements to effectively manage the program and motivate agencies with large mail volumes to reduce costs. Many agencies have made significant reductions in postage costs while a few others have done little or nothing.

Need For Change

Postage rates have gone up 32 percent since 1988.⁴ This includes the increase in first class rates from 22 cents to 29 cents. The federal government's postage bill has increased from \$900 million to \$1.0 billion - an increase of 8.4 percent.⁵ This is a significantly smaller reduction than the total USPS postage rate increase and a reflection of individual agency's efforts to manage postage costs.

Because most rate incentive programs are available only to large volume mailers, the savings realized to date in government postage costs have been the result of only a few of the larger agencies. For example, a Department of Treasury office in Philadelphia has achieved a savings on the monthly mailing of Social Security checks of \$300,000 monthly or \$6 million per year. There is a need to encourage other large volume federal mailers to seek out and implement cost-effective alternatives.

There has also been a significant increase in the use of overnight delivery, due in part to the deeply discounted prices obtained by GSA, and the desirability of this quick delivery service. Alternatively, agencies have indicated that overnight delivery service is overused.⁶ Agencies need to develop consistent policies on the use of overnight delivery services and implement methods to identify mailers who may be using these services on a regular basis in order to ensure that services are properly used and that delivery was, in fact, accomplished in the specified time. This enhanced service costs taxpayers millions of dollars and agencies need to ensure that this alternative is properly used.

A separate analysis of individual mailing locations having postage costs exceeding

\$1 million revealed that 32 mailing locations generate approximately 25 percent of the total federal postage bill.⁷ Though some of these locations already participate in worksharing programs, they do so independently of other mailers in that geographic area. These locations need to be reviewed to determine whether they can serve as anchor sites for presort contracts or in-house operations for cooperative efforts with other agencies located in or near the city. For example, the Defense Finance and Accounting Service could lead the other 40 agencies represented in the existing Cooperative Administrative Support Unit (CASU) in Denver. The CASU program, facilitated by GSA, reduces agency costs through the consolidation of administrative services among federal agencies in a single community or multi-city area. CASUs already exist in 42 locations throughout the nation. Currently, the San Francisco CASU, with the Department of Labor serving as the lead agency, has contracted with a local vendor to meter, barcode, and zipcode sort mail for federal agencies and state and local jurisdictions in the Bay Area. Federal agencies will obtain the highest possible cost savings only if they commingle their mail with other federal, state, and local government mailers, as well as commercial, private sector mailers.

There appears to be a lack of clearly assigned authority and responsibility within agencies for mail management. Less than 50 percent of federal agencies have full-time staff working in mail management.⁸ Most mail managers have this function as a collateral duty and, as a result, do not have the time to devote to learn about or implement major cost-saving programs within their agencies. This is especially problematic for agencies that mail large volumes of material and would directly benefit, through significant savings, by implementing worksharing programs. A direct correlation can be made between the greater resources applied to mail management and the greater savings achieved.

For example, the Internal Revenue Service (IRS) documented the following example of how investment of time and energy in mail management resulted in significant savings. In fiscal year 1991, the IRS avoided approximately \$4.1 million in postal costs by increasing use of presort/barcode/third-class discounts in its ten service centers. IRS also increased its use of special fourth-class in place of first-class for forms distribution for an

offset of \$1.5 million. Decisions made several years ago on presorting and elimination of forwarding for certain classes of tax packages avoid annual costs of approximately \$10 million. Through these and similar measures, IRS has managed to maintain a postal budget which is 14 percent lower than would be necessary if the agency did not have an active mail management program.⁹

Further, in 1986, the U.S. Department of Agriculture (USDA) had only one full-time staff member assigned to mail management, and in 1987, two additional staff members were added. As a result, metered mail and presort programs were implemented. In addition, a mail management training program for headquarters and field offices was developed. USDA's presort programs have saved approximately \$1.1 million annually. In 1990, USDA's mail costs were \$47.8 million. In 1991, costs were \$45.4 million, a savings of \$2.4 million.¹⁰ When considering the 1991 U.S. Postal Service postage rate increase, USDA avoided approximately \$6 million in postage costs.

It is clear from these two examples, that significant savings can be achieved with a minimum resource investment. As a whole, the federal government could save at least \$100 million annually with an aggressive mail management program.¹¹

Recommendations

1. **Create work groups to assist agencies with implementing worksharing programs.** (1)

GSA should create work groups consisting of mail managers from successful agency mail management programs who have experience in properly and creatively managing mailing programs. These work groups would assist individual agencies with large-scale mailing operations with implementing or expanding postage discount programs. These work groups should also be tasked with developing a publication for use by other agencies in implementing worksharing programs.

2. Identify agencies to lead cooperative mail management initiatives. (1)

GSA should identify agency mailing locations and programs that would most likely yield savings through improved mail management. These locations should include at least one major mailer that would take lead responsibility in implementing worksharing initiatives, including metering, presorting, and prebarcoding for themselves and all federal agencies at that location.

3. Issue guidelines which encourage postage savings through the implementation of mail management initiatives. (1)

By October 1993, GSA should issue a Federal Property Management Regulation on mail management which sets policy for an effective governmentwide mail management program. The regulation should provide incentives for agencies to participate in worksharing programs and reduce their postage costs.

Fiscal Estimates (in millions of dollars)

	1994	1995	1996	1997	1998
Budget Authority	(19.4)	(39.4)	(59.4)	(79.4)	(99.4)
Outlays	(19.4)	(39.4)	(59.4)	(79.4)	(99.4)
Changes in FTEs					

Note: Reflects governmentwide savings of postage costs. Reflects increased costs for contracts used in postal savings programs (e.g., barcoding, presorting)

End Notes

1. Bob Gililand and June Bryan, U.S. Department of Agriculture, "Reduce Postage Costs Through Improved Mail Management", (Consultation, Jeff Thurston and Joan Rau, General Services Administration, Washington, D.C., July 1993).
2. Intergovernmental Mail Management Task Force, "Mail Management Initiative", (Washington, D.C., October 1992), p. 1.
3. U.S. Comptroller General, *Mail Management: GSA Needs to Improve Support of Agency Programs*, Report to the Chairman, Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs, U.S. Senate, GGD-90-49 (Washington, D.C., August 1990), pp. 3 and 8.
4. Intergovernmental Mail Management Task Force, "Mail Management Initiative.", (Washington, D.C., October 1992), p. 3.
5. Ibid., p. 4
6. Ibid., p. 7.
7. Ibid., pp 9-10.
8. Ibid., p. 11. p236X8.
9. Ibid., p. 11.
10. U.S. Postal Service, "Official Mail Accounting System for FY 1990 and 1991".
11. U.S. Comptroller General, *Mail Management: GSA Needs to Improve Support of Agency Programs*, GGD-90-49 (Washington, D.C., August 1990), pp. 3 and 8.

Cross-References to Other NPR Sections

None

APPENDIX A: SUMMARY OF RECOMMENDATIONS BY TYPE OF IMPLEMENTATION ACTIONS NEEDED

Agency heads can do alone (1)

- SUP01.2: Develop a new executive branch printing policy for the 21st century.
- SUP01.3: Make the Government Printing Office cost competitive and fully reimbursable.
- SUP02.2: Disseminate federal information effectively and efficiently.
- SUP03.1: Permit customer choice in sources of supply.
- SUP03.2: Compare depot distribution costs with commercial distribution systems.
- SUP03.4: Allow agencies greater latitude in using Federal Prison Industries products.
- SUP03.5: Increase the use of electronic commerce.
- SUP03.6: Increase the use of commercial item descriptions.
- SUP04.1: Eliminate mandatory supply schedules.
- SUP04.2: Eliminate the synopsis requirements for IRM acquisitions off of supply schedules.
- SUP04.3: Raise the maximum order limitations for IRM acquisitions off of supply schedules.
- SUP04.4: Reduce the administrative burden for acquisitions under \$10,000 from supply schedules.
- SUP04.5: Accelerate the enhancements to the automated Multiple Award Schedule system.
- SUP04.6: Limit the number of vendors on supply schedules.
- SUP04.7: Pilot test innovative approaches under the Multiple Award Schedule program.
- SUP05.1: Update vehicle replacement standards.
- SUP05.3: Increase emergency repair limits.
- SUP06.1: Eliminate the monopoly on personal property disposal services.

Appendix A: Summary of recommendations by type of implementation

- SUP06.2: Automate the personal property screening process.
- SUP07.1: Streamline the travel regulations.
- SUP07.2: Increase choices for federal travelers.
- SUP07.3: Pilot-test a tender system for airfares.
- SUP07.4: Automate the travel process.
- SUP08.1: Give agencies authority to choose their sources of real property services.
- SUP08.2: Create competitive enterprises to provide real estate services on a fee basis.
- SUP08.3: Create centers of expertise for real property services.
- SUP08.4: Create a customer service organization for real property in GSA.
- SUP08.5: Provide agencies with information about all possible real property alternatives.
- SUP08.6: Create an enterprise for the sound management of federal real property assets.
- SUP08.7: Establish governmentwide policy for real property asset management.
- SUP08.8: Establish performance benchmarks for the real property enterprises.
- SUP08.9: Reduce lease costs through an efficiency dividend.
- SUP10.1: Create work groups to assist agencies with implementing postal worksharing programs.
- SUP10.2: Identify agencies to lead cooperative mail management initiatives.
- SUP10.3: Issue guidelines which encourage postage savings through the implementation of mail management initiatives.

President, EOP, or OMB can do (2)

- SUP01.3: Make the Government Printing Office cost competitive and fully reimbursable.
- SUP02.3: Expand the NTIS gateway/locator for public access to printed federal information.
- SUP08.11: Promote competition between existing real property service providers.

Requires legislative action (3)

- SUP01.1: Give the executive branch the authority to make its own printing policy that will eliminate the mandatory printing service.
- SUP01.3: Make the Government Printing Office cost competitive and fully reimbursable.
- SUP02.1: Give the executive branch responsibility for the distribution of printed federal information to depository libraries.
- SUP02.3: Expand the NTIS gateway/locator for public access to federal information.
- SUP02.4: Create one-stop-shopping for the sale and distribution of federal documents.
- SUP03.3: Allow the Federal Prison Industries to operate like its commercial competition.
- SUP03.7: Provide agencies with parallel contracting authority.
- SUP04.6: Limit the number of vendors on supply schedules.
- SUP05.2: Eliminate appropriation language limitations on government vehicles.
- SUP05.4: Provide incentives and authorize agencies to dispose of agency-owned vehicles.
- SUP06.3: Provide incentives to agencies to dispose of excess personal property.
- SUP08.1: Given agencies authority to choose their sources of real property services.
- SUP08.10: Commercialize the Federal Buildings Fund.
- SUP08.12: Eliminate statutory impediments to the ownership enterprise.
- SUP09.1: Simplify the procedures for small purchases of leased space.
- SUP10.1: Simplify the procedures for renewing leases.

APPENDIX B: METHODOLOGY

The Reinventing Support Services team reviewed four principal areas of support: printing; logistics (including supply depots, vehicle fleet management, travel, and personal property disposal); real property; and mail management.

Members of the team were selected from agencies throughout the federal government with specific expertise in these support functions. Further, many team members had been agency line managers responsible for delivering or receiving federal government support services. Team members came from the General Services Administration; the Departments of Veterans Affairs, Commerce, Agriculture, Defense, Transportation, and Treasury; the Office of Management and Budget; and the National Aeronautics and Space Administration. The team had a proper mix of field and national office experience.

Between April and July 1993, the team reviewed and analyzed previous government and private studies and reports; met with representatives of foreign, state and local governments; held discussions with the academic community; and - in the case of real estate - participated in industry forums around the country. The team also interviewed approximately 200 people within the federal government (including line managers), held teleconferences with regional and field locations of government agencies, and met with liaisons from various federal agencies.

The final products of the teams' research are a series of issue papers analyzing potential areas of reinvention within support services and approximately 50 recommendations for executive, legislative, and agency action. The printing, logistics, and real property issue papers have been included in this report, along with an issue paper developed by the Department of Agriculture on mail management.

FISCAL IMPACT OF RECOMMENDATIONS

(In millions of dollars)

FY 1995FY 1998Cumulative Change

ID# Recommendation BA Outlays BA OutlaysBA Outlays in FTEs

SUP01Authorize \$170.0 \$ 62.3 \$409.1 2263

executive branch

to establish printing

policy which will

eliminate printing

monopoly

SUP02Assure public \$ 8.0 \$ 5.8 \$ 26.0 11

access to

federal information

SUP03Improve-\$ 64.0-\$124.0-\$376.0

distribution systems

which will reduce

costly inventories

SUP05Expand authorities

and eliminate

congressional limits

on federal vehicle

fleet management

Appendix D: Fiscal Impact of Recommendations

SUP08 Give customers-\$105.0-\$126.0-\$461.0

choice and create

real property

enterprises

SUP11 Reduce postage-\$ 39.4-\$ 99.4-\$256.0

costs through

improved mail

management

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Rethinking Program Design

Divider Title: _____

**RETHINKING
PROGRAM
DESIGN**

NATIONAL PERFORMANCE REVIEW

**NPR Accompanying Report
September 1993**

Contributing to this report: Carson K. Eoyang (Team Leader), NASA; Terry D. Feinberg, DOT; Peter D. Spencer, SSA.

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SUMMARY

Despite the best intentions of successive Administrations, the continuing growth of the Federal government has been accompanied by an alarming increase in the number of public programs that are badly designed, ill-conceived, and fatally flawed. Program designs are infrequently characterized by a high degree of rational analysis or understanding of intended and unintended consequences. Often this can be attributed to the poor foundations upon which the programs were built--ambiguous goals, weak operational concepts and careless implementation design.

Both program design and program evaluation will become much more prominent under the new Government Performance and Results Act of 1993. As this Act requires both performance plans and performance reports from the Executive Branch, Agencies will necessarily have to develop sound program designs as well as rigorous program evaluation. In the current context, a program is "a particular combination of authority, organizations, resources and personnel assembled to achieve specific public purposes."

Although the approval and funding of most Federal programs are inevitably shaped by political considerations (both in the Congress and the executive branch), the formulation and design of these programs should be grounded in rational and valid public purposes. Sound designs based on objective criteria will yield programs more likely to win bureaucratic and political approval. Effective and efficient delivery of programs is a major determinant of the public's confidence in its government. An effort to institute a program design discipline which can increase the likelihood of a program's success is especially important in this era of increasingly tight fiscal constraints. In addition, this program design

discipline should be applied to existing programs as part of program review, evaluation and redesign processes. In so doing, the political process will be enhanced with objective design criteria and program analysis.

Government programs can be designed in a variety of ways, not all with equal efficacy or efficiency. To assess the relative merits of alternate program designs, an objective set of program design criteria is an essential point of departure. Whatever the purposes of any public program, rationality dictates the design conforms, at least in part, to the following criteria.

1. Define goals in terms of who benefits and how they benefit.
2. Define and evaluate alternate methods of program delivery.
3. Examine program compatibility and redundancy
4. Assess cost-effectiveness and efficiency.
5. Evaluate consistency with accepted management principles.
6. Ensure financial viability.
7. Determine feasibility of implementation.
8. Provide for program flexibility.
9. Institute performance and program evaluation.
10. Build in cessation provisions.

To establish a credible discipline of program design, the criteria as well as the technology used in successful design should be employed at various levels within the Federal government. The following are recommendations for institutionalizing program design.

1. Create a Program Design Office in OMB.

2. Pilot the usefulness of program design capabilities in one or two Agencies.
3. Encourage Congress to strengthen its own program design capabilities.
4. Commission program design courses.

BACKGROUND¹

Perhaps not since the Great Depression has the American public had such little confidence in the ability of the Federal government to provide the country with the service it deserves. Unlike Watergate, Iran-Contra and other political scandals, the problem is not the episodic vices and failures of individuals; rather, the enduring deficiencies of the institutional processes and structures of government are increasingly called into question.² Americans have growing doubts that the government can provide basic services and functions effectively, economically, on time with even a modicum of rational consistency.³

Increasingly, federal programs are seen to be unworthy of public trust either because they fail to meet the most common expectations of the ultimate beneficiaries or because the costs of the programs are exorbitant. Despite the best intentions of successive Administrations, the continuing growth of the Federal government has been accompanied by an alarming increase in the number of public programs that are badly designed, ill-conceived, and fatally flawed. Bureaucratic horror stories are now so frequent that excellence in the Federal government is widely regarded as an oxymoron. For example, the General Accounting Office has identified seventeen Federal program areas are considered "high risk" and are especially vulnerable to waste, fraud, abuse, and mismanagement.⁴ Additionally, the Office of Management and Budget currently has 104 programs on its "high risk" list.⁵

Consider the recently publicized Federal student loan program.⁶ Since 1965 it has guaranteed \$142 billion in loans, paid \$35 billion in interest, lost \$19 billion in defaulted

loans, yet generates hundreds of millions of dollars in profit every year for private corporations. The federally guaranteed student loan program is based upon a flawed design that incorporates unwieldy relationships, weak accountability, perverse incentives, and convoluted laws and regulations.

The General Accounting Office has documented the needlessly complex process of providing guaranteed student loans (see Figure)⁷. This is a program that is collapsing under the twin burdens of poor program design and weak administration. As a result of the severe shortcomings of the guaranteed student loan program, the Administration has proposed that it be replaced by a direct lending program, that would save the government \$4.8 billion over the first five years of implementation. Yet the absence of an institutionalized source of expertise within the Federal government means that issues of program design will receive inadequate attention as lawmakers and officials respond to the powerful constituencies now contending for dominance over financial aid to students.

THE NEED FOR CHANGE

In a speech at a conference in Atlanta some years ago, a Federal official told a story about a young attorney working on Capitol Hill who was asked to draft a bill to regulate some aspect of the airline industry. He started by looking up and copying the law that addressed similar concerns with the railroads. Finding some provisions which did not seem applicable to railroads, he did further research and discovered that the railroad bill had been lifted 75 years earlier by another attorney from a law passed early in the 19th century to regulate canals. Justice Oliver Wendell Holmes said that "in the law, an ounce of history

is worth a pound of logic."⁸ However in the design of Federal programs, unfortunately both are often missing. Consider the following 1981 testimony from the House Committee on Banking, Finance and Urban Affairs:

"Chairman Blanchard: Have you made any conclusions as to where governmental loans are an effective policy instrument and where they are not? Where loan guarantees are an effective policy instrument and where they are not? How they work, in what instances they work well and where they don't, and where they can be effective and where they aren't? Because we are looking at these in relation to other tools that the government has to operate.... Have there been any studies on...Federal use of direct spending versus loans versus loan guarantees versus the tax code, and then the various types of tax preferences and their effectiveness in different instances?

Dr. Rivlin: Let me see if my colleagues know of any such study....

Mr. Shillingburg: We are unaware of any such literature, Mr. Chairman.⁹

Is there a systematic, disciplined approach to program design in the Federal government? After an extensive literature search, and consultation with experts inside and outside government, the overwhelming answer is no. Program designs are infrequently characterized by a high degree of rational analysis or understanding of intended and unintended consequences. Often this can be attributed to the poor foundations upon which the programs were built--ambiguous goals, weak operational concepts and careless implementation design. It is virtually unheard of to compare programs across Agency and department lines in terms of what they do and how they do it. We do not even have a

language with which to compare them.

A rational, disciplined process for program design has not been widely accepted despite past efforts to develop one. In 1985, *A Workbook in Program Design for Public Managers*¹⁰ noted the absence of any preexisting attempt to provide this discipline and recognized its limitations, ". . . at best, this workbook is but a beginning effort."¹¹ In 1986 the classic text *Politics, Position and Power (Fourth Edition)* proposed twelve criteria for evaluating the design and organization of new or existing programs.¹² In 1989 the Urban Institute published a primer on program reviews¹³ that outlined criteria for analyzing program alternatives. While academic interest in program design seems to be growing, actual practice has yet to advance very far.

A Congressional effort to establish a program design discipline for a segment of governmental programs can be found in the 1988 public law which elevated the Veterans Administration to departmental status. It provided for the establishment of a National Commission on Executive Organization, patterned--in general outline--after the first Hoover Commission. Its charter would have included a requirement to ". . . establish criteria for use by the President and Congress in evaluating proposals for Government corporations and Government-sponsored enterprises and subsequently overseeing their performance."¹⁴ This new Commission could have been activated by Presidential initiative, however, it was not. "Over time, legislation has suffered more and more from wishful thinking, sloppy drafting and woeful disregard for public-sector organizational principles."¹⁵

Rigorous assessments of Federal programs and their designs were once an active responsibility of OMB; however, current oversight responsibilities regarding program design

are cloudy. In OMB and many Agencies, program evaluation as a related discipline is also less prominent than it has been in the past.

Both program design and program evaluation will become much more prominent under the new Government Performance and Results Act of 1993. As this Act requires both performance plans and performance reports from the Executive Branch, Agencies will necessarily have to develop sound program designs as well as rigorous program evaluation.

What are the consequences of the absence of a rational program design process? Some public policy experts conclude this results in program designs which are created in isolation from any body of knowledge about how well the design has worked in the past or the potential benefits of alternate designs.¹⁶ It is no wonder that so many well-intentioned Federal programs, developed without regard to current practice or experience, fail to accomplish their objectives. News media, Federal auditors, politicians and taxpayers are critical of a government that too often creates Federal programs which do not meet public expectations. A consequence is sagging public confidence in the ability of government to govern.

For example, flawed program design has resulted in poor public service in food stamp application processing for certain Supplemental Security Income (SSI) applicants and recipients. Congress believed that food stamp program participation would increase, and more streamlined public service would occur, if the Departments of Agriculture and Health and Human Services coordinated the delivery of food stamp services at Social Security Administration (SSA) offices. For SSI clients eligible and wanting to apply for food stamps at SSA field offices, SSA staff are required to complete an application and forward

it to a state food stamp office within one working day.¹⁷ GAO concluded: "The process for taking food stamp applications at SSA has not worked well . . . [f]urther, the process as designed results in duplication of effort and poor service to clients . . . the food stamp applications used are unnecessarily complex and lengthy."¹⁸ There are many other examples of poor programs that have received public criticism because they fail to meet various design criteria . These include:

- Medicare Catastrophic Act - While this program was designed to meet the needs of a vulnerable portion of the population (i.e., the aged), the beneficiaries concluded the program did not produce benefits commensurate with the cost to them. After a strong negative public reaction, the program was repealed the next year. In retrospect, there was inadequate validation of the public need and of the beneficiaries' willingness to subscribe to the attendant costs.¹⁹
- Law Enforcement Assistance Administration - Attempts to decrease burglaries consisted of large expenditures to increase the effectiveness of limited numbers of law enforcement officials, e.g., sophisticated telecommunications systems in police cruisers. These efforts were much less effective than Neighborhood Watch programs which greatly increased the number of people participating in crime surveillance at minimal cost.²⁰ The consideration of alternatives in the design of Federal programs is all too rare. Consequently the allocation of program resources often is not optimal in accomplishing desired ends.
- Federal Catfish Research - The Senate has pointed out that research on catfish is being conducted at four Federal Agencies: Fish and Wildlife Service (Interior);

Animal and Plant Inspection Service (Agriculture); Agriculture Research Service; and, Agriculture Cooperation Service. Although a 1988 report by the Inspector General at Commerce (which also has funded catfish research) recommended that the work be consolidated, it still has not been done.²¹ These programs raise a variety of design questions. How compatible are these research efforts with each other? Are they complementary or redundant? What are the aggregate costs for all these programs and are they justified by the benefits?

- Rural Electrification Administration (USDA) - The Administration was established in 1935 to bring electricity to America's farms. While this goal has long been accomplished, the REA continues at an annual budget of \$2 billion for 1994.²² Lacking any mechanisms to measure performance, REA was able to continue its existence long after its original intent had been achieved.

What is a program? In the current context, a program is "a particular combination of authority, organizations, resources and personnel assembled to achieve specific public purposes."²³ At times, the Federal government's role is very direct, such as payment of cash to Social Security beneficiaries. Alternatively it can be indirect, such as the establishment of tax incentives for the private sector to provide housing for low income individuals.

In the field of public administration, two other levels of analysis have been proposed. One method would be to analyze a set of programs or a program cluster which is aimed at a specific, common target group.²⁴ For example, there are many programs

designed to address the income maintenance needs of that portion of the population with low incomes. Rather than look at one program's design in isolation, the preferred focus is to diagnose the effectiveness of the set of programs as a whole.

A second alternative is to focus on the generic "tools" of government action, the techniques of social intervention used in particular public programs.²⁵ Reinventing Government²⁶ identifies 36 such mechanisms, ranging from grants to jaw boning. In some program designs, more than one tool may be used; therefore, it is helpful to examine how well each tool works, either alone or in combination with others.

Frequently, both perspectives merit consideration. Take for example, a category of programs which has used more than one method of delivery--job training. It has been delivered in many forms including tax policy, grants, loans, loan guarantees, technical assistance, information, referral, seed money and jaw boning. Whatever combination of delivery tools may apply to a specific public purpose, it would be desirable to understand the programmatic impact of the tools individually and collectively in order to design the best portfolio.

Why do we need an emphasis on program design? Although the approval and funding of most Federal programs are inevitably shaped by political considerations (both in the Congress and the executive branch), the formulation and design of these programs should be grounded in rational and valid public purposes. Sound designs based on objective criteria will yield programs more likely to win bureaucratic and political approval. Effective and efficient delivery of programs is a major determinant of the public's

confidence in its government. An effort to institute a program design discipline which can increase the likelihood of a program's success is especially important in this era of increasingly tight fiscal constraints. In addition, this program design discipline should be applied to existing programs as part of program review and redesign processes.²⁷ The American public is willing to support programs if they are confident the programs address issues important to them **and** the solutions have a reasonable probability of success (e.g., health care reform).²⁸

PROGRAM DESIGN CRITERIA

Government programs can be designed in a variety of ways, not all with equal efficacy or efficiency. To assess the relative merits of alternate program designs, an objective set of program design criteria is an essential point of departure. Whatever the purposes of any public program, rationality dictates the design conforms, at least in part, to the following criteria.²⁹

1. IDENTIFY WHO BENEFITS AND HOW THEY BENEFIT

Fundamental imperatives for any program design are the clear, explicit identification of the primary beneficiaries and the specification of the benefits to be derived from the program. Without this foundation, no rational program design methodology can be sustained. Programs designed to solve particular problems should be consistent with the missions of the Agencies responsible. However both the problems addressed and the missions pursued should be framed in the context of who benefits (i.e., *cui bono?*).

Prioritize Beneficiaries The public purposes and program goals must be defined in terms of benefits to individuals and/or groups. There are two levels of beneficiaries. Primary beneficiaries are those who directly benefit from the program. To illustrate, the Department of Veterans Affairs serves veterans; the programs they administer clearly define categories of veterans who qualify as beneficiaries. Other programs' intended primary beneficiaries are not as clear. Consider government programs that provide access to Federal lands to remove trees, where it is not clear if the primary beneficiaries are the loggers, who would otherwise be unemployed, or the logging companies or the recreational users who object to despoiling the environment.

Secondary beneficiaries are those individuals, groups of individuals or organizations that benefit indirectly from the program. For example, State governments are the secondary beneficiaries of Federal grants for education. Clear priorities of primary and secondary beneficiaries should be reflected in the program design.

Tax payers are stakeholders. The tax payers deserve the most effective and efficient design possible to maximize the return on their investment in tax dollars, although for some programs there may be no obvious direct benefit to taxpayers (e.g., tobacco subsidies).

Validate the Need It is essential to verify that the need exists and will persist. The program designers must be able to document that the need is more than a short term aberration. The determination of who benefits and how they benefit should be validated by the intended beneficiaries themselves which is the essence of customer driven government. There must also be justification that the issue should be addressed by the Federal government. It should avoid attending to obsolete problems or needs that are more

effectively solved through State or local initiatives, through the private sector, or by nonprofit organizations.

Determine Size and Scope Program designers must also estimate the size and scope of the population to be served so the course of action matches the problem. How many people are affected? What are the eligibility criteria? How are they distributed (geography, socio-economic factors, etc.)? What level of diversity exists among the populations affected? What is the minimum program size necessary to achieve the results required?

If there is more than one problem to be addressed, the program designers must identify each and be clear on relative priorities to avoid unbalanced or skewed designs. Social Security is an example of a program which has well-defined beneficiaries and mission. It is designed to provide income to individuals (and their eligible family members) who are retired or disabled. The Social Security Administration has for a long time viewed its mission as the right check, to the right person, in the correct amount, on time. Clear eligibility criteria enable reliable estimates of catchment populations and size of benefits.

Inspire Public Confidence Program design should enhance the program's credibility with the public concerning the national interests to be served. There is a common perception that the political process does not always place program priorities on the appropriate beneficiaries. Without strong public confidence, programs suffer severe hindrances both in gaining approval and overcoming resistance during implementation. A Federal program should appear on its face, both in intent and design, as a valid commitment

of public resources.

2. Define and Evaluate Alternate Methods of Program Delivery

After the goals and the beneficiaries of the program are clearly defined, the designers should consider the alternate forms of program delivery that may be feasible. Not all public needs must be satisfied by direct Federal delivery of services (i.e., "programitis"). Options include regulatory requirements, government sponsored enterprises, tax incentives, government guarantees, monitoring and enforcement, etc.

Different methods can often accomplish similar results, although costs and schedule are not likely to be the same. An example of a category of programs which has used more than one method of delivery is aid to education. It has been delivered in many forms such as direct cash payments to veterans, categorical grants to states to fund educational initiatives at the local level, block grants, privatization, etc.

One source of potential alternatives is the list of thirty-six governmental mechanisms that were identified by Osborne,³⁰ or the program tools identified by Salamon. Salamon suggests that the major tools of public action should be compared and contrasted in a coherent framework. "Given the great proliferation of instruments that the public sector uses, and the likelihood that this proliferation will continue as a result of the 'privatization' movement and the resource constraints under which government is operating, the development of a body of knowledge that can help guide the selection of tools and instruct program managers about the consequences of these choices seems increasingly worthwhile."³¹

Review Against Assumptions The alternatives must be reviewed explicitly against fundamental assumptions. What are the critical success factors as identified by the beneficiaries? How have they been measured and how well does each design provide the needs identified? What is each design's ability to serve people, use and adapt to emerging technology, and use existing facilities? What are the possible unintended consequences of each design mechanism? How do they compare to the status quo? Examples of programs which merit review against their initial assumptions include job training, veterans health care and sundry entitlement programs.

3. EXAMINE PROGRAM COMPATIBILITY

It is rare that any new program is so independent and autonomous that it would enter a domain that is totally unpopulated by preexisting efforts; few, if any programs are run in a vacuum. Consequently, program design should consider the implications of compatibility and complementarity with existing infrastructure or related, adjacent programs.

Comparative Advantage What does this program do that no other program does? Would another program or program design perform these functions better? What would one lose if this program did not exist? It is foolish to do more efficiently something that should no longer be done.

Complementarity Does the program complement other programs that serve the same beneficiaries? Does the program duplicate or overlap inappropriately? Does the program foster cooperation or does it create barriers for beneficiaries and administrators?

To illustrate, the concept of "one-stop shopping" contributes to integrated program delivery so the public is able to access related services at one place and thereby foster seamless processing of multiple benefits.

Harmony Is the program consistent with the mission of the Agency which would administer it? Does it create conflict in the Agency? Is it more compatible with another Agency's mission? Are another Agency's programs more interrelated and, therefore, is that Agency a better "fit"? How easy is it to add the program to an existing organizational structure? Will it replace one or more existing programs? Does it create or reduce redundancies?

Catalyst Does the program foster competition, or is it a monopoly? Does it serve as a catalyst? Does the program design result in the empowerment of people and communities so they have a vested interest in how the program is run? Is there positive synergy with other programs or destructive interference? Does the sum total of all programs provide incentives for the right behavior or do perverse incentives motivate dysfunctional behavior?

4. ASSESS COST-EFFECTIVENESS AND EFFICIENCY

Program designers should apply cost-effectiveness and efficiency criteria to the program as a whole and to specific program elements, (including organizational structures, program delivery and administrative support functions) to estimate:

- cost (total, marginal, and/or "administrative," as a measure of overhead) per unit of benefit (defined as program outputs or outcomes);

- productivity; (e.g., unit of benefit per FTE, field office or region).

Program designers also should consider the program's social efficiency; i.e., how the program might be designed to achieve the greatest net benefit to society as a whole. In this context, benefits and costs are defined more inclusively than in analyzing cost-effectiveness, although there probably will be some overlap. To determine efficiency, analysts would employ the standard techniques of benefit-cost analysis to estimate the net social benefits of one or more program designs.

Steps include:

- identifying all relevant impacts of the policy, including direct and indirect impacts on the program's direct beneficiaries, other affected groups, and society as a whole;
- categorizing which are costs and which are benefits for various affected groups;
- quantifying dollar impacts.

In principle, the program design which is estimated to achieve the highest net benefit should be selected. However, typically, optimizing distributional benefits (to either primary or secondary beneficiaries) may conflict with optimizing aggregate social welfare.

Sometimes this may be appropriate (i.e., "targeted" programs). At other times some might criticize the selection of sub-optimally efficient programs as "pork-barrel spending."

Making explicit the inefficient features of certain designs can at least inform the debate.

5. Evaluate consistency with accepted management principles

While the field of management is not a precise science, it does represent an accumulation of knowledge that can be useful in illuminating the strengths and weaknesses of public programs. Using generally accepted management principles to evaluate various program designs may help identify inherent deficiencies and suggest alternative remedies. Where violations of conventional wisdom are appropriate, the justifications should be clear and convincing to help avoid obvious mistakes and anticipate potential criticism.

Among the numerous management principles that could apply to a specific program design, those that should be given particular emphasis are those that are consistent with the core values of reinventing government, namely:

- serving its customers
- empowering its employees
- empowering communities to solve their own problems
- fostering excellence

For example, program designers should consider the following reinvention principles to enhance the efficiency and effectiveness of their programs:

- create a clear sense of mission
- steer more, row less
- delegate authority and responsibility
- replace regulations with incentives
- develop budgets based on outcomes
- inject competition into everything
- search for market, not administrative, solutions

- measure success by customer satisfaction

6. ENSURE FINANCIAL FEASIBILITY

Given the increasingly strong drive to reduce the Federal budget deficit, and competing claims on limited funding, affordability is an inevitable criterion for evaluating new and existing public programs. Although not all programs have direct budgetary impact, many do. Typically cost calculations and estimates can be complicated to derive. Accounting methods interact with funding streams and auditing requirements in ways that are not always sensible or consistent. Nevertheless, confident answers to the question "What will the program cost?" must be formulated if the government is to avoid incurring liabilities that may have no statutory limits. A program's budgetary costs can be determined in a variety of ways, each of different interest to different constituencies. Among the alternate cost elements that may be relevant are:

- Total life cycle costs: the full costs of creating, operating, maintaining and terminating the program from inception to conclusion (where end points are reasonably defined).
- Annual budget requirements: the amount that must be appropriated by year to sustain/maintain the program throughout its lifetime.
- Risk of cost overruns: the probability that actual program costs will exceed approved budget levels.
- Revenue generation: the expected income stream returning to the Treasury as a result of the program's operation.

- Debt management: the ratio of the funds collected or recaptured to the amount owed the U.S. Treasury.

7. DETERMINE FEASIBILITY OF IMPLEMENTATION

Even the best designed program will not be effective in its execution if fatal flaws of implementation are not considered during its design. Unfortunately, those persons most familiar with implementation are not usually those playing key roles in design, depriving policy officials of the opportunity to obtain field validation and assessment before final decisions on design. Without effective implementation, program proponents will not see their decisions successfully accomplished.

Given the number and types of Federal programs, it is unrealistic to formulate universal principles of implementation that can be generalized to all programs. Yet it may be instructive to identify a few common pitfalls that should be considered in the designs of many types of public service programs.

First and foremost, implementation should be embedded in the program design.³² Therefore the more programs explicitly factor in anticipated difficulties and opportunities of implementation, the fewer surprises and the more likely program success. Although detailed operational plans are not usually developed during the program design phase, it would be prudent to address the overall approach to implementation at least in broad outline. However, care should be taken that implementation concerns do not compromise the basic purpose and integrity of the program. If practical realities so dilute the program's integrity that the original intent is no longer served, then managers should abort the design

rather than succumb to the temptation of just getting anything approved.

Second, it is imperative to identify clearly the locus of primary responsibility for the execution and administration of the program. This is necessary not only for accountability, but also to anticipate the strengths and weaknesses of the principal agents of change. We cannot know the barriers and impediments to success without knowing clearly who (which organizations) are charged with carrying out the program. An objective assessment of the capabilities of the agencies through which the program resources and responsibilities will flow could pinpoint potential roadblocks, sources of conflict, and choke points that might hamper implementation. Those responsible for implementing a program must know what they are supposed to do. Policies, if not clear, accurate, and consistent may result in misunderstanding, confusion, and provide discretion that may be used in ways contrary to what the program was intended to achieve. For Federal programs to be more effectively implemented we should give more attention to:

- (a) ways to improve the flow of information and communication of policies and decisions to those bearing the major responsibility for implementation whether it be another unit of government, a field Agency, the private sector, or a contractor;
- (b) ways to minimize distortion of intention and objectives to those responsible for implementation;
- (c) ways to remove vagueness and inconsistencies in decisions/policies that are transmitted; and
- (d) ways to assure that decisions/policies are written/transmitted in ways that encourage creativity, flexibility and adaptability.

Third, an accurate description of the organizational network directly affected by the program would illuminate the critical interfaces and points of coordination required or implied by the program operations. This might include a flow chart of transactions that depict key relationships. Omissions and needless redundancies could be caught more easily and economically in the planning stages than later. Implementing policies and programs requires a coordination of efforts between various groups and organizations, particularly regarding complex policies or decisions. How a program is designed is affected by and affects the structure and organization used. Issues of efficiency, ability to innovate, and fragmentation may all be affected by the structure and organization used. The use, appropriateness and fit of the standard operating policies used by an organization may help or hinder implementation.

Fourth, the time phasing of critical events is absolutely essential. Although many alternate sequences of activities are possible, key milestones may not be discretionary (e.g., budget approvals, legislative requirements, awarding of contracts, etc.) and certain schedules offer distinct advantages over others. More programs suffer from overly ambitious timetables than from unduly conservative ones; effective implementation requires sufficient time.

Fifth, in designing programs, attention is usually given to the issue of resources. However, due to various compromises and conflicts, often sufficient resources are not available to implement a program properly. Program designers may not be aware of inadequate resources or may choose to ignore the problem. Central budget, personnel and other offices may place constraints on permitting a new program to begin operations at

proper resource levels by *assuming* that a program will take an inordinate amount of time to get started. In essence, central agencies may reward tardy implementation. There are several important components of resources that are critical to implementation including:

- (a) adequate staff with the appropriate knowledge (programmatic and managerial);
- (b) sufficient information on how a program or decision is to be implemented and the support/approval of other necessary agencies and participants;
- (c) the necessary authority to permit the programs or decisions to be implemented;
- and
- (d) facilities and equipment necessary to implement the program or decision.

Sixth, while pilot demonstrations are not appropriate for all programs, they are highly desirable under a wide range of conditions such as:

- (a) high risk programs--where the consequences of failure are catastrophic or life threatening;
- (b) where the economic investment is substantial enough to justify small scale experiments;
- (c) where there is significant complexity--either organizational or programmatic (e.g., health care, homelessness, economic renewal);
- (d) where there is great uncertainty surrounding the proper solutions;
- (e) where there is intense public controversy or low political consensus; and
- (f) when there is no immediate urgency that precludes more deliberate exploration of alternate approaches.

8. PROVIDE FOR PROGRAM FLEXIBILITY

Perhaps the only universal element in all Federal programs is uncertainty and even the most carefully formulated plans and policies will not be realized exactly as designed. Given the inordinately long gestation periods for the approval of many public programs, coupled with lengthy implementation periods, it may be as long as five years before a program may be mature enough to sustain a valid evaluation. In the meantime, the conditions and constraints under which a program is to operate may have changed significantly from when it was first conceptualized. Therefore, the design of programs should permit enough management flexibility to allow Agencies to adapt to external changes, unforeseen circumstances, variations in resource levels and schedule. In addition, program designs should allow for flexibility to implementing organizations to tailor programs to meet local circumstances. Where initial rigidity in structure is necessary, waiver authority is essential.

While no one can anticipate every possible contingency, the most likely changes (e.g., budget erosion, schedule slippages, personnel shifts, etc.) should not have catastrophic impact on robustly designed programs. Such programs will be relatively insensitive to minor perturbations internal and external to the responsible Agency. Programs that are dependent on critical, highly sophisticated, specialized, or scarce resources (e.g., key individuals, unproven technology, rare expertise, unique facilities, etc.) are fragile because they are vulnerable to uncertainties in the availability of these essential resources of sufficient quality, in the necessary amount and at the proper time. For example, many attempts to modernize automated information systems often under- or over-estimate the

availability of state of the art technology. This could result in either investments in obsolete hardware/software or costly delays waiting for the technology to catch up.

Two especially critical flexibilities involve schedule and budget. With the enormous vagaries of when and what will survive the approval processes both in the Executive and Congressional branches and the uncertainties of program execution, good program designs must be able to withstand significant variations in time (i.e., date of initiation, rates of progress, completion milestones, etc.) and budget availability (both total amount and annual appropriations). Programs should be designed to absorb with minimal impact reasonable schedule compression or stretch-out. Similarly, robust programs should yield acceptable returns on investment over a wide range of program size (i.e., they should be fairly elastic over different scale levels). Programs that are designed as "all or nothing" versus those that can be "bought by the yard" are especially brittle in the face of inevitable uncertainties in the appropriations and authorizations processes.

9. INSTITUTE PERFORMANCE MEASUREMENT AND PROGRAM EVALUATION

Program designs should incorporate feedback mechanisms to enable managers and policy makers to assess how well a program works in terms of both implementation and achievement of program goals. Program designers first must identify the program's goals and specific performance objectives with sufficient precision to measure accomplishment.

Take, for example, the Customs Service's trade law violation detection program. In fiscal 1991, U.S. Customs did not detect about 84 percent of the estimated trade law violations in imported cargo.³³ Is detection of 16 percent a sign of success? A strong

design should require benchmarks for success/failure and delineate when a program should be redesigned, concluded because successful, or terminated for failure.

Designers, in consultation with potential users of the performance data, should monitor a range of key performance indicators.³⁴ A wide range of types of data could be collected and reported, including a program's:

- inputs (e.g., funding and staff, beneficiary characteristics)
- workload
- outputs (e.g., services/final products)
- outcomes of products or services (e.g., for a job training program, the number of job placements that result in a year's employment)
- efficiency and/or productivity
- beneficiary satisfaction
- employee satisfaction
- service quality and timeliness

The next step in developing a performance measurement system is to identify data sources and to design collection and reporting methods. The value of the information provided should be carefully weighed against the costs of data collection, including the burden imposed on reporting entities (e.g., State and local governments). Where practical, performance reports should be designed to meet the diverse information needs (in terms of both quantity and particular indicators presented) of the various users of performance data: e.g., beneficiaries, line, staff, program managers, senior Agency officials, OMB, etc. Compromises among users may be unavoidable.

The new Government Performance and Results Act will go a long way towards

institutionalizing performance measurement throughout the Federal government. Key elements of this legislation include strategic plans, performance plans, performance reports, managerial flexibility waivers, and performance budgeting. This Act requires a variety of pilot projects which could provide fruitful opportunities for the application of the several program design criteria suggested here.

10. BUILD IN CESSATION PROVISIONS

There is a common perception that some government programs and organizations outlive their usefulness yet continue to exist without rational purpose or benefit. Government has often been criticized as being totally incapable of abandoning programs, despite success, failure or lack of evidence of either. Many government programs do not explicitly provide for their conclusion or termination for any cause whatsoever. A program design which does not address the ultimate fate of the program is at best incomplete, at worst self-perpetuating. Although some programs have no expected expiration (e.g., Social Security), others do possess an ultimate endpoint (e.g., inoculation programs should cease when the disease is eliminated as in the case of smallpox). Determination should be made at the onset as to what marks the success or failure of a program. When these benchmarks are established, it will be easier to decide when to redesign, try a completely new approach or declare success and close up shop.

The Helium Fund Program was created in 1925 to ensure supplies for blimps. It has accumulated a 176-year supply of helium along with a \$1.4 billion debt. All original objectives (except paying for itself) have been met, and private suppliers could meet all Federal needs at lower cost.³⁵ The obvious question is who are the primary beneficiaries of

this program now that the nation has no current need for blimps? Moreover the program lacks any provisions for determining the conditions under which it should cease, an all too common failing in program design.

Sunset laws have a checkered history.³⁶ While enjoying a surge of popularity at the state level in the 1970s and early 1980s, sunset laws have produced mixed results and many States are repealing ineffective sunset legislation. In January 1993, a sunset bill (S.186) was reintroduced in the 103rd Congress which would require formal reauthorization of Federal programs every ten years. Given the amount of controversy around the applicability of sunset requirements to Federal Agencies, the future of this bill is uncertain. Perhaps more promising avenues exist in strengthening reauthorization requirements by building in rigorous connections to performance measurement and enforcing appropriate discipline in both the executive and legislative branches of government.

RECOMMENDATIONS

What can be done to institutionalize program design? Program design criteria are merely the foundation for more efficient and effective Federal programs. To establish a credible discipline of program design, the criteria as well as the technology used in successful design should be employed at various levels within the Federal government. The following are recommendations for institutionalizing program design.

RECOMMENDATION I: CREATE THE PROGRAM DESIGN OFFICE (PDO) IN OMB

The President should direct the creation of the Program Design Office in the Office of Management and Budget to:

- review and contribute to design proposals for new programs;
- evaluate current program designs to ensure they are responsive to the goals and the beneficiaries;
- establish common language for the discussion and evaluation of design options;
- compare programs across Agency lines;
- create "models" for each program type (loans, loan guarantees, grants, contracts, regulatory mandates, tax preferences, etc.), and
- maintain an updated list (taxonomy) of Federal programs by topic (e.g., education, health care, entitlements) as well as by type.

The goal of the Program Design Office is to develop, over time, a sophisticated program design discipline which fosters the creation of effective and efficient new programs and the improvement or elimination of existing programs.

The Program Design Office should report to the Deputy Director for Management in the Office of Management and Budget, as it is consistent with OMB's management responsibilities. OMB is responsible for maintaining program information for use by Agencies as well as for intergovernmental management which could include coordination of Federal agencies' administration of intergovernmental programs.³⁷ Additionally, OMB has some responsibility for program design: "This structure [OMB] is producing new ideas, concepts and initiatives that are at best vague images in our current management practices. New decision processes and ways of thinking about program development and implementation are necessary."³⁸

Part of the PDO staff should be provided by detailing personnel from other Agencies to the Program Design Office. This would not only distribute the costs, but would promulgate the growth of strong program design throughout the Federal government. Detailees would require terms of not less than one year to be effective and to gain experience useful to their respective Agencies. Approximately one half of the staff of 12 (See Appendix for estimated resources required) should be detailed from Agencies.

Program design services should be furnished on a voluntary basis to Agencies in an attempt to minimize the resistance intrinsic in the creation of a new central office. Agencies or Offices creating new programs should be encouraged to engage program design staff for assistance. Annually, the staff would conduct reviews of programs falling into a particular category (government sponsored enterprises, grants, tax preferences, etc.). When design problems become evident--including duplication of programs across Agencies--the staff would then inform the relevant policy officials and include recommendations as appropriate.

A disciplined approach to program design can be integrated in the program approval process to ensure improved designs. Trained design experts would provide agencies and others with advice and guidance in order to assist officials in developing sound public programs. Ultimately, this will lead to program designs which will be better able to withstand impediments to successful implementation.

Staff professionals would not only develop overall expertise in the program design discipline, but specialize in the tools used in the design of programs such as loan guarantees, grants, incentives, controls or tax preferences, etc. By creating such expertise and creating a taxonomy of existing programs and program types, design staff could document and provide advice regarding the strengths and weaknesses of design models and tools. The establishment of a strong, experientially-based discipline becomes essential to force the political process to respond to rational policy choices and more informed policy debates.

Many programs are developed at the cabinet-level and below, while other programs originate in Congress and are designed by Hill staffers. In order to affect the design of these programs, design staff would need to review new and pending legislation to provide advice to responsible Agency/Office officials in identifying design problems.

Program design staff would implement an annual review of programs by type. This would allow identification of strengths and weaknesses within specific technologies, adding to the expertise of staff and reassessing programs which might otherwise escape scrutiny.

RECOMMENDATION II: ESTABLISH PILOT PROGRAM DESIGN CAPABILITIES IN ONE OR TWO AGENCIES

The long term ideal for institutionalizing sound program design is the integration of good design practices in the program formulation and management processes organic to each Agency and Department. One or two Agencies should pilot test program design capability to ascertain the value and costs of this function after a reasonable probationary period such as two years. These pilots would establish a modest program design office in the Agency(s) and staff it with personnel qualified in program design, management and evaluation. The purpose of these offices would be to help senior officials design new programs, assess alternate program designs and review existing programs for design integrity. If the pilot(s) prove successful, the program design capabilities would be expanded to other agencies on an incremental basis.

It is further recommended that staff of these pilots work closely with the proposed Program Design Office. The staffs of each should work together to further expertise and program success. Agency office staffs could be detailed to PDO and vice versa for part of the test period.

The most significant advantage to establishing program design functions at the Agency level is that it brings program design capabilities closer to the customers and program managers. If reinventing government is to be successful, there must be a comprehensive cultural change in the Agencies. The placement of the program design function at the Agency level should help to facilitate cultural change where many program designs originate and where programs are implemented.

A principal disadvantage of this approach is that the design staffs may be unduly constrained and influenced by their immediate environments. They may find it difficult to elevate their perspectives to a higher plane that would foster fresh, creative approaches to

the design of Agency programs. Also, innovative inter-Agency opportunities may be harder to conceive and implement if the program design function is totally embedded within a single Agency. This is less of a liability in the Program Design Office at OMB.

Also, all Agencies should be encouraged to test program design principles in their reinvention laboratories. Principles could be applied to either an existing program or to the design of a new program. The reinvention laboratory would provide a protected setting in which to examine the possibility of improved outcomes based on improved design features. Some agencies (e.g., Interior), have emulated the NPR structure and, therefore, have a program design team. The Agency team can provide advice and assistance to the laboratory regarding the proper use of design principles and the evaluation of success or failure.

RECOMMENDATION III: ENCOURAGE THE STRENGTHENING OF PROGRAM DESIGN IN THE LEGISLATIVE BRANCH

Since many programs originate in Congress, OMB should encourage reinforcing and expanding the program design function in the Legislative Branch. Some Congressional staffs use the Offices of Legislative Counsel to perform this role. Also, the Congressional Research Service (CRS) conducts relevant seminars for Committee staffs. In addition, CRS and the General Accounting Office (GAO) are available to Members and their staffs to provide studies and advice in support of drafting legislation and evaluating Agencies. If all these offices could offer expanded expertise on program design, committees could avail themselves of this service from a variety of sources and no one office would be overly burdened with a monopoly over program design.

Strengthening program design capabilities and encouraging greater usage of existing structure in the Legislative Branch would enhance the formulation of programs by framing the debates which occur on and off the floors of both Houses. Ideally, those working with program design in Congress should cooperate on the design of new programs as well as share expertise concerning tools of public action or obstacles to solid program design. This cooperation should also be extended to the Executive Branch at the Agency level and to the Executive Office of the President and could perhaps reduce some of the traditional friction between these two branches of government.³⁹

RECOMMENDATION IV: COMMISSION PROGRAM DESIGN COURSES

The Program Design Office should commission the development of a family of program design courses to educate and train several generations of current and future policy makers, program designers and managers. If informed, reasoned program design is to flourish throughout the Federal government, training and education will be important factors in that evolution. Given the wide variation in design knowledge and needs across government, a multi-tiered approach to education would be superior to a single course of instruction for everyone. A comprehensive education strategy for program design might consist of the following elements.

- a series of short modules (1-3 days), each focused on a particular modality of public service delivery such as Federal subsidies, tax incentives, voucher systems, government sponsored enterprises/corporations, privatization of services, loan guarantees, regulatory initiatives, etc. The target audience for such courses would be Agency program specialists (GS 12-15), Congressional staffers, budget examiners,

and auditors that have need for in-depth knowledge of a specific type of program design and its strengths and weaknesses. These modules could be made widely available through Agency training programs, OPM's executive development centers, the USDA Graduate School, and commercial/non-profit institutions such as Brookings, NAPA, the Congressional Management Foundation, etc.

- a longer residential course (5-10 days) which would provide a comprehensive overview of program design covering several different design modalities comparing the relative advantages and disadvantages of each. The target audience for this course would be program generalists or senior policy makers (GM 15, SES, and political appointees) who require broader exposure across a variety of programs. This course could be available through the Federal Executive Institute, the Federal Quality Institute, nonprofit organizations and/or academic institutions.
- a variety of academic offerings at graduate schools of public administration, public policy, government, and political science. To reach future generations of public servants, the design of government programs should be taught in graduate curricula. If visible institutions (e.g., Syracuse University, University of Wisconsin, Harvard, USC) were to include program design courses as academic electives or requirements, not only would future civil servants be better educated, but also vigorous research may begin to emerge as faculty and graduate students collect, synthesize, and create material for their courses.
- introduction of program design subjects into existing management development programs such as in Agency executive development courses, OPM offerings, military senior war colleges, and SES candidate development programs.

- a government-wide conference on program design could "jump start" the development of training efforts by convening Agency representatives, Congressional staffers, State and local constituencies, academics, and other policy "wonks," to accomplish three objectives. First is to survey the extent and quality of existing knowledge and expertise on program design. Second is to identify specific opportunities for education and research. Third is to develop a blueprint for a training and development strategy across the government for the next decade. The cost of conducting such a conference would be modest compared to the unbridled costs of poorly designed and implemented public programs.

APPENDIX

Program Design Office

Projected Annual Budget Impact

(FY92\$/person)

2 SES	135,193	270,386
3 GM-15	87,793	263,379
5 GM-14	74,636	373,180
1 GS-12	53,113	53,113
1 GS-8	33,163	33,163
		993,221

(\$ in thousands)

	FY95	FY96	FY97	FY98	FY99
pay	1089	1128	1172	1218	1265
travel support contracts	343	352	360	369	379
	1,432	1,480	1,532	1,587	1,644

Endnotes

1. We wish to acknowledge the contributions of Walter Plosila, Thomas Stanton and Carla McTigue in drafting key sections of this report. Also valuable discussions were held with Lester Salamon, Joseph Wholey, Harold Seidman, Alan Dean, Ronald Moe, and Scott Fosler with other members of the National Academy of Public Administration.
2. See Will Marshall and Martin Schram, *Mandate for Change* (New York: Berkley Publishing, 1993); Bill Clinton and Al Gore, *Putting People First* (New York: Times Books, 1992); and, David Osborne and Ted Gaebler, *Reinventing Government* (Reading, MA: Addison-Wesley, 1992) for more extensive discussion.
3. Similar observations are shared by members of the Senate. See Congressional Record--Senate, S 699, January 26, 1993, by Mr. Reid: S.186.
4. General Accounting Office, GAO/HR-93-1 through HR-93-17
5. Telephone interview with Cindy Salavantis, Management Analyst, Office of Management and Budget-Management Integrity Branch, Washington, D.C., July 20, 1993.
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14. Ronald C. Moe, Reorganizing the Executive Branch in the Twentieth Century: Landmark Commissions, (Washington, D.C.: Congressional Research Service, March 19, 1992, 93-293 GOV), p. 50.
15. Ronald C. Moe, "Let's Rediscover Government, Not Reinvent it," (Government Executive, Vol. 25, No. 6, June 1993), p. 46.
16. Hatry, et al., *Building Innovation...*, pages 5-6
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22. The Lights are Flickering at REA, *Washington Post*, May 2, 1993, p. A1.
23. Lester Salamon, *Beyond Privatization: The Tools of Government Action*, (Washington, D.C.: Urban Institute Press, 1989), p. 25.
24. Joe Wholey, Director, Public Administration, (interviewed at University of Southern California, Washington D.C. campus, May 26, 1993).
25. Lester Salamon, Director, Public Policy, John Hopkins University (interviewed at National Performance Review, May 17, 1993).
26. David Osborne and Ted Gaebler, *Reinventing Government*, (Reading, MA: Addison-Wesley, 1992), pp. 332-342.
27. Hatry et al., *Building Innovation...*
28. "Seeking a Cure: Most Americans Pledge Sacrifice to Help Fix the Health System," *Wall Street Journal/NBC News Poll*, *Wall Street Journal*, (March 12, 1993), p. A1.
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30. Osborne & Gaebler, *Reinventing Government*, p. 30.
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**TRANSFORMING ORGANIZATIONAL
STRUCTURES**

NATIONAL PERFORMANCE REVIEW

Accompanying Report Number XX
September 1993

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SUMMARY

Organizational structure refers to the formal and informal patterns of relationships that organize work and distribute power in the organization. The organizational structure of the federal bureaucracy is rigid, hierarchical and segmented in such a way as to dilute individual responsibility. The net effect is to disempower employees, reduce responsiveness to citizen concerns, and create inefficiencies resulting from excessive emphasis on controls.

Despite a clear need to change structure many barriers exist including:

- o lack of trust at various levels (between management and employees; career and political; the Executive Branch and the public);
- o perceived threats to security and authority;
- o internal and external rules and regulations;
- o a personnel system that compartmentalizes work and discourages teamwork; o congressional control that often micro-manages agency and departmental operations; and
- o legislation that in some cases discourages effective cross-organizational work.

Organizations that have begun transforming themselves, both in the private and public sectors, have done so by following a few basic principles including:

- o organizing around processes in order to produce goods or services in direct response to customers/citizens;
- o alleviating internal control systems, thereby freeing resources for redirection to higher priority activity;
- o creating partnerships across organizational boundaries in order to create comprehensive approaches to complex problems; and
- o empowering workers with greater skills and authorities

The Federal government, in order to transform itself, will have to do no less than change its fundamental culture (i.e., values, beliefs, practices), and a major foundation for

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this change will be through changing the principles by which it is organized.

Some of the more promising techniques for application in large bureaucratic systems are process re-engineering, delayering, establishing cross-boundary partnerships, and introducing self-managing work teams. Whether these specific mechanisms or others are employed is not as important as the promotion of the four key principles of transformed organizational structure (see above).

If these kinds of methods are genuinely and comprehensively used, the government will be rightsized to carry out its mission. Such a rightsizing effort needs to be undertaken with considerable care, in order to ensure that it is targeted toward those areas that are inhibiting effective performance and responsiveness. In particular, this will focus on re-examining management, administration, and field office structures that were established under fundamentally different societal conditions than exist today.

Given the requirements and barriers, a number of initiatives will be needed in order to establish sufficient momentum to transform the government structurally. The government must:

- o establish a challenging government-wide initiative to increase the supervisory span of control from its current average of 1:7 to 1:15;
- o direct agencies and departments to reduce excess controls, management layers, and internal procedures;
- o establish a commission on a departmental basis, with congressional participation, to coordinate the reform of departments' field offices;
- o educate all levels of leadership, beginning with the President, on the principles and practices required for managing in the new organizational culture;
- o require every agency to conduct major initiatives to apply the four key principles of transformed organizational structure;
- o give the President authority to re-organize within the executive branch;
- o establish several initiatives for cross-departmental partnering to provide comprehensive approaches for addressing key issues which cross organizational lines;

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and

- o resolve legislative barriers to cross-organizational cooperation.

These initiatives, if faithfully pursued, will provide the basis for a new organizational culture of responsiveness to citizens, organizational collaboration, and employee empowerment. To achieve this will require the full commitment of leadership at all levels. Without such commitment, this review will only add to the cynicism that invariably accompanies any effort at genuine change.

INTRODUCTION

The Existing System

The Federal Government is not living up to the expectations of the American public. Confronted by a constituency (17 of 20 who feel the government needs "fundamental change" or "complete rebuilding"¹) and faced with a budget deficit of some \$4 trillion, it is undeniably time for bold, decisive action if public support and confidence, as well as fiscal soundness, are to be regained.

Today, a broad range of initiatives has begun to dramatically transform many state and local governments, mirroring a similar metamorphosis in the private sector. Yet the Federal Government preserves a culture of control, operating within a rigid and hierarchical structure that is segmented by function. This continued resistance to true, lasting reform survives despite the best efforts of a long series of prestigious commissions and blue ribbon panels tasked by one political party or another to "fix" the government.

Existing governmental structure, i.e., the formal and informal pattern of relationships that determine how work is organized and how power is distributed within the bureaucracy, is rooted in a time when massive, multilayered bureaucracies became the method of choice for managing large, complex organizations. Limitations in transportation and the collection, display, and transmission of information required a strong, centralized management system where, ostensibly, workers did the work and managers did the thinking.

Times have changed but the government's organizational structure has not kept pace. Work is still controlled through a Byzantine system of rules and regulations, and the management style that is most visible and most rewarded remains autocratic. Little or no focus is placed on the individual receiver of the goods and services.

Successful organizations in the public and private sectors today are characterized by both extraordinary focus on the customer and greatly expanded worker involvement in the conduct of business. Today's citizens have become far more sophisticated consumers

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through their participation in this transformed marketplace. They know good service when they see it and they demand constantly improving quality and efficiency. Likewise, federal workers know what it would be like to be full partners in an enlightened, high performance organization. Not surprisingly, both groups judge their own perspective of government's performance by these new standards, and do not accept rationalizations that, somehow, government is different.

The public is demanding a more responsive, more cost-effective, and more humane government. This shift in expectations is accompanied by a vast array of information and technologies, as well as the emergence of a new class of "knowledge workers". The convergence of these factors has created an environment favorable for a major paradigm shift. Nothing less than a change in the culture, i.e., the values, beliefs, and practices that underlie the operation of the bureaucracy, is at the heart of such a shift. It will require a variety of strategies and it will be a complex, long-term effort that will require bold, active leadership.

Vision

In order to create a new culture, it is critical for the Federal Government to have a vision as to how it will operate once that transformation has taken place. The transformed Federal Government of the future will be organized based on principles that are far different than those that drive most of today's government.

Work will be organized around processes that produce goods and services that citizens want. Traditional divisions and program groupings within agencies and departments will have been dissolved; instead, work will be organized around those key processes that deliver critical goods and services to citizens. Most organizational groupings will be multi-disciplinary and team focused.

Control systems will be fewer, concentrated primarily on ensuring satisfactory output, thereby freeing resources to concentrate on the highest payoff activities.

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There will be fewer layers of management and staff review; the resulting organizations will be leaner and flatter, and they will direct their resources primarily to front-line activities.

Agencies and Departments will create partnerships in order to collaborate across internal and external boundaries, leading to comprehensive services which are integrated at the point of delivery, and comprehensive policies that are coordinated across agencies. The government will operate much like a "boundaryless company"² where the primary loyalty of employees is to serving the citizens' needs, even where this requires joining with other organizations to coordinate and integrate activities. All relevant contributors and stakeholders will be included in planning and decisionmaking in order to ensure that approaches are both effective and efficient, and achieve high levels of citizen satisfaction.

Employees will be empowered through authority, skills, and information in order to be responsive and effective. Relieved of many of the controls and encouraged by their leaders, employees will be able to operate much more effectively with greatly diminished oversight. Employees will operate more in teams that share responsibility for producing goods and services. Managers will be leaders, trainers, coaches, and facilitator, assisting employees in maximizing their capacities and helping to remove barriers that impede the workers' effectiveness.

This is a bold vision, and one that, when enacted, will affect how almost every single federal employee functions, and how effectively the government meets the expectations of the American citizenry. Given the will of its leadership, the realization of such a vision is within the capability of the government, as has been demonstrated by many public and private sector organizations. However, there are also major barriers to be overcome.

BARRIERS

Despite the compelling case for dramatically changing the structure of the Federal Government, many barriers exist that can impede any such attempt.

Threats to security or authority. People naturally resist change since it disturbs their comfort levels and exposes them to the unknown. Historically, attempts at reforming government have meant attacking a laundry list of discrepancies without getting at the root causes of the problems. Old hands often remember having solved the same problems many times before, only to have the problems become "unsolved" again. Reform efforts are invariably seen as keeping employees from getting their "real" work done.

Dealing with periods of tight money has usually meant across-the-board cuts that leave the organizations doing the same work as before, only with fewer people. If some sort of reorganization is involved but their jobs aren't lost outright, individuals are still left to worry about being downgraded or about loss of promotional opportunity due to a diminished number of positions upstream from them. Over time, however, the bureaucracy usually grows back, which then causes employees to view any improvement effort with great skepticism.

Managers view the introduction of empowering work structures, such as self-managing work teams (SMWTs), as a threat to their authority. On the other hand, many employees are really quite insecure about and often downright reluctant to take on more responsibility. Unless managers and workers alike are thoroughly trained in the new skills required of them, and given a complete understanding of the new role they will be expected to play in the organization, they can, through either passive or active resistance, subvert the implementation of change.

Trust. Managing within modern, flexible organizations requires a high degree of interpersonal and team effectiveness. Yet there is evidence that effective leadership skills may not be highly valued in the selection of government managers, and that mistrust abounds between management and employees. When surveyed by the Office of Personnel Management (OPM)³, less than half of federal employees said that they had confidence and trust in their second level supervisor, although immediate supervisors fared better. Only 44 percent of the federal workers surveyed expressed trust in their organization, and only 30 percent thought the organization treated all employees fairly. It is also noteworthy that, while

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union membership is on the decline in the private sector, it is growing within the Federal Government. This climate impedes efforts to empower employees, and makes cooperation on long-term change difficult.

On the other hand, the control systems of government send messages to employees and managers alike of a climate of general mistrust. Reporting and oversight systems that are layered into the bureaucracy are designed to ensure that employees do not step over legal or procedural bounds. The impact is for employees, at all levels, to act in self-protective ways, inhibiting risk-taking and innovation.

Trust issues between the career and political leadership of the bureaucracy may be an impediment. A common perception by career employees is that political appointees have little understanding of how the Federal government operates in general, and their agency operates in particular. The motivation of political appointees is primarily viewed as enhancing the political survival of the administration in power. The combination of misgivings that federal employees have about the competency and motivation of political appointees can effectively poison any attempt at cooperative leadership during an attempt at change. On the other hand, political appointees arrive with their own misgivings as to the motivations of career employees, often assuming that they will implicitly resist efforts to change. The political appointee often time assumes that career employees will retrench into a bureaucratic stance in order to preserve power and stability.

Finally, trust between the public and the bureaucracy remains as probably the greatest barrier to change. Concerns about public reaction to bureaucratic mis-steps (such as the \$600 hammer) make leaders very nervous about risk taking, empowering workers, and other kinds of innovative behaviors.

Regulations. Federal entities often quote their own regulations as reasons *not* to "think outside the boxes." Departments have latitude in implementing laws, and are frequently encouraged to be extremely restrictive in their interpretations. Department and agency regulations are then developed with an emphasis on reporting and policing, rather than accountability. The USDA Forest Service, in a pilot project, found that 70% of their

regulatory "barriers" were self-imposed, and not required by legislation⁴. Other NPR teams (notably, Personnel, Budgeting, Procurement and Support Services) have detailed ways in which departments interpret legislation in a more restrictive manner than necessary (e.g., replacing \$25,000 purchasing authority with significantly more restricted authority; resisting self-managing work groups because Agency policies assume that personnel regulations do not permit team awards, team performance standards, or employee input into peer performance evaluations). New ideas are difficult to implement within this rigid framework, and the regulations themselves become the excuse for abandoning a more innovative management style.

Civil Service system. The personnel system compartmentalizes the management of employees, based on the individual as the basic unit of worker. The logical extension of this approach is a job classification system of over 500 different kinds of workers, and a performance appraisal system focused on individual accomplishment. In order to promote a more multifunctional, flexible, and team-oriented approach to work, the Civil Service system will need drastic modification.

Congressional control and oversight. The current system by which budgets are formulated and activities are monitored encourages the stovepiping of functions and the segmentation of activities across departmental and organizational boundaries. The current organization of congressional committees and subcommittees further encourages the micro-management of executive branch functions, which in turn inhibits comprehensive approaches to problems and empowerment of agencies and departments. Agencies, for example, are often prevented from closing obsolete field offices due to congressional interests and intervention. In a recent case, the National Institutes of Health was forced by Congress to introduce a layer of bureaucracy for which there were few supporters within the research community either inside or outside the organization.⁵

Legislatively established jurisdictional boundaries restrict true integration of services and policies that cross departments (e.g., management of fish in waterways and regulation of agricultural products). This is also true of functions that involve more than one branch of

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government (such as processing of some immigration actions, foreclosure activity on federally held mortgages, and funding restrictions on certain federal programs).

Legislation. Legislation is sometimes cited by both employees and management as an excuse for agencies and departments not to cooperate across agency lines. However, a close examination shows that legislation does not prohibit, although it may inhibit inter-organizational cooperation and customer focus. Some examples include:

- o The Treasury, Postal Service, and General Appropriations Act of 1993 which makes funding of interagency entities very difficult. The act states that *"no part of any appropriation contained in this or any other Act shall be available for interagency financing of boards, commissions, councils, committees, or similar groups...which do not have a prior and specific statutory approval to receive financial support from more than one agency or instrumentality."* Although this is an annual bill, this language has appeared for several years.
- o The Intergovernmental Personnel Act (IPA) which states that the use of employees from all levels of government involved in a collaborative effort is desirable. The IPA contains some vehicles, however restrictive, which set up conditions under which state or local government employees may be detailed or appointed to federal positions, or vice versa. This section authorizes a hosting agency to pay the salary of an employee on a long-term detail to an internal governmental effort. The inability of smaller agencies and organizations to spare staff and resources, and the lack of employees with the skills required are frequently cited as barriers to collaborative efforts.
- o The Federal Advisory Committee Act (FACA) which establishes a mechanism through which citizens may have input in government policy and operations. This act regulates and prescribes methods for the establishment of advisory committees, boards, commissions, councils, or similar groups (herein called committees) by law, the President, or a department or agency. While the act does not prohibit the formation of advisory committees-- it creates cumbersome time consuming

processes that make the establishment of such groups unwieldy in many situations.

STRATEGIES

Creating a new federal governmental culture will require a massive change in the basic beliefs, values, and practices of federal employees and managers, and ultimately, citizens. While this change will be reflected in all levels of governmental operations, one of the most fundamental arenas for change will be in the basic principles of how the government structures itself.

While there are many approaches to promoting organizational change this report focuses on four principles for how the Federal Government should be organized, and four strategies that explicitly address organizational structure, and have been successfully tested and found particularly appropriate for changing large bureaucratic organizations in the private and public sectors. The four strategies are:

1. Process Re-Engineering
2. Delayering
3. Creating Boundary-Crossing Partnerships
4. Instituting Self-Managing Work Teams

These strategies are interconnected, and when implemented, have an impact on organizational structure, work-flow, and the organizational culture. Further, in many cases, these strategies give the "biggest and quickest bang for the buck".

Genuine reinvention will require more than one strategy and many tools. The inclusion of these particular strategies in no way precludes the use of other approaches; these four are in one sense illustrative of the four key principles that have been identified. Any other strategy that furthers these same principles should certainly be considered when it is more appropriate to a given situation. In the final analysis, it is the promotion of the key principles that lies at the heart of transforming the federal organizational structure.

The new approach to transform the federal organizational structure will be:

1. Organizing Around Processes and Outcomes Through Process Reengineering

Process reengineering is the redesign of work around processes that produce goods and services. Organizations are fundamentally established in order to satisfy customers; however the traditional manner of organizing is to create functional specialties, thereby segmenting work across divisional lines. This typically creates competition, lack of effective integration of different functional specialties, and ultimately customer disenchantment. Process reengineering aims at integrating all related functional activities directly into the design and production or delivery of goods and services.

The process reengineering methodology begins with a blank sheet of paper and then designs the optimal way of performing the process regardless of the pre-existing system. Process reengineering has been defined as "starting over", as root assumptions underlying the existing processes are challenged. Radical change is often the result with functions being either obliterated, or subject to major redesign and automation. One federal executive has estimated that up to 40% of functions in a given agency may be eliminated once subjected to an intensive process reengineering effort.

Process reengineering often succeeds because of its application of technology. Some business leaders assert that this methodology is enabling American industry to finally realize the benefits of all of its technological investments of the past two decades⁶. However critical technology is to process re-engineering, it is not the leading edge of a process reengineering initiative. Rather, a key tenet is to re-design first and then automate the new processes, as appropriate.

While process reengineering focuses on work processes, it often requires major change in the organizational culture, including: eliminating unnecessary functions, introducing multidisciplinary approaches, creating of cross-boundary partnerships, and reducing the number of managerial layers. Organizations that initiate process reengineering but do not make these supporting changes often experience failure.. Many of the NPR recommendations for fundamental change in personnel, budget, procurement, and

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management will be needed to maximize the potential of process reengineering and to reduce failures.

Examples:

While there is a limited number of examples of process reengineering in the federal sector, this methodology is promising. Federal agencies and departments have used process re-engineering for streamlining specific processes and to facilitate broader cultural change.

The Department of Defense (DOD) has been using process reengineering since 1989 as one set of tools and techniques to reengineer, consolidate, streamline, and reduce the size of business and administrative systems (including payroll, personnel, warehousing, logistics and health) across all DOD groups and military services for the military and civilian workforce. DOD uses process reengineering tools which first model "as-is," then "to-be," and also identifies the "Best of the Breed" for inclusion in the integrated system. One lesson learned is that from a national perspective, the top of the hierarchy of problems and barriers are the personnel and accounting systems. DOD is now using process reengineering to streamline and integrate accounting systems and work measurement systems.

Internal Revenue Service (IRS) examples of process re-engineering demonstrate clear productivity gains and how quickly such improvements can happen. The Hartford district's first process reengineering effort reduced cycle time to process Form 53, "Currently Non-Collectible," from 14.6 days to 1.4 days. Eventually, process reengineering efforts reduced overall case processing time from 40 weeks to 21.6 weeks. The district then reengineered the position of group manager by eliminating case reviews, replacing them with an automated case management system, and redefining the managers' job. The result was a 22% increase in delinquent tax dollars collected. According to district officials, this increase in productivity has explicitly led to discussions of "rightsizing," including the recent decision not to fill first line manager positions that become vacant and (as part of a demonstration project) using a percentage of staff position funding to purchase more technology.

Process reengineering can be implemented quickly with relatively little training and

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can demonstrate immediate results. The Brooklyn district of the IRS, in an ongoing effort to "reduce taxpayer burden," used process reengineering to reduce the cycle time of requests for tax-exempt organization status. They "flow charted" the cycle time, eliminated non-value-added steps (especially excessive reviews) and in five months increased productivity over 50 percent.

2. Alleviating Controls Through Delaying

The government culture emphasizes control of work process and output through rules and regulations. One cost of this control is the creation of additional layers of middle management charged with specifying and monitoring conformance. This approach to control creates an atmosphere of mistrust and risk-averse behavior among employees. A larger cost is that citizens often interact with employees who can quote restrictions and requirements, but who often lack the authority or motivation to engage in genuine problem solving.

When organizations are delayed, there are resulting changes that impact directly on the organizational culture. The removal of a layer of managerial oversight demonstrates a commitment to trust employees, and to eliminate functions that do not add value. While deficit cutting is urgently needed, delaying should not become an end in itself, without introducing other objectives. Otherwise, it will produce chaos and damage morale. Instead, delaying is best used along with other strategies to reengineer work and empower employees.

The key ground rule in delaying is *cut to a plan and not to a number*. That is, delaying decisions are best made after examining missions, priorities, and decisionmaking and service delivery bottlenecks. Management can then decide what it hopes to achieve by delaying, and therefore what to cut based on rational analysis. Otherwise, delaying may address symptoms and ignore root causes of organizational ineffectiveness or inefficiency.

Rules of Thumb for Delaying

Any one of the following situations suggest that delaying might be appropriate:

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- o Operations are not readily tied to the agency mission or service delivery;
- o Work units have spans of control that are too narrow (the federal average is 1:7);
- o The organization has excessive layers, e.g., more than nine levels of responsibility from top to bottom for a major agency;
- o Line employees lack authority to provide responsive service to customers;
- o Managers and their assistants duplicate responsibilities (e.g., deputies, assistants to, associates);
- o Headquarters, regional, and district offices perform the same functions;
- o Functions are duplicated within or across agencies, or up the hierarchy of the same organization;
- o Managers act as "pass through" and not as decision makers;
- o Employees or customers believe service is bottlenecked;
- o Political appointees are stacked within a hierarchy;
- o Compliance and assistance functions coexist within the same work unit; and/or
- o High-level executives and policymakers micromanage operations.

None of these situations mandate delayering; rather they signal that some delayering, streamlining, or improvement in organizational performance is warranted. It is important to note that if an organization is eliminating control layers through this process, the organization must be prepared to either institute alternative accountability mechanisms or accept the risks associated with greater empowerment of staff.

Implications for Downsizing

Reengineering and delayering often lead to downsizing. As the delayering and downsizing decisions are made, it is useful to keep in mind these guidelines:

- o *Cut to a plan, not to a number.* Clarify the purpose, objectives, and priorities for the new organization; then eliminate positions that do not support these priorities, or people who do not have or cannot be taught the skills to meet the objectives;

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- o *Do it quickly and do it once.* Don't drag it out; it's too painful and distracting;
- o *Do it as deeply as necessary.* Don't do the minimum; when finished there must be fully adequate resources to provide the survivors with the necessary training, equipment, and facilities;
- o *Redirect as many resources to the front line as possible.* Citizen services are a priority and should be protected;
- o *Separate performance problems from downsizing strategy.* Don't throw people out and tell them they are incompetent at the same time;
- o *Stay lean.* Don't get fat again.

Examples. In 1992, the Federal Aviation Administration (FAA) Systems Engineering Research and Development Service eliminated branch manager positions, and then appointed and empowered eight program managers, giving them the authority to commit up to \$30 million of research funds without higher level approval. The executive level now focuses on providing resources, interacting with the rest of the FAA and outside the agency, and managing by exception when programs go off track.

Similar delayering efforts have taken place in the Department of Defense. At the Cherry Point (NC) Naval Aviation Depot, delayering and downsizing occurred as part of the TQM effort. At the Lewis Research Center, delayering was part of the strategy to improve communications. At the Warner Robbins Air Force Base, the 1926th Communications-Computer Systems Group reduced supervisory staff by 50 percent by realigning its organization into a team-based system.

3. Creating Comprehensive Approaches Through Cross-Boundary Partnerships

The search for solutions to today's complex societal problems must cross organizational boundaries. Issues such as unemployment, crime, the environment, workforce training needs and natural disaster relief require a multidepartmental government response. Yet government programs are often assigned to departments in an illogical, politically motivated manner that does not facilitate access to the customer. Citizens such as farmers,

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veterans, and small businesspeople must sometimes travel long distances to gain access to government services. In order to provide citizens with integrated service delivery, government must find ways to coordinate, and in some cases reengineer, their service delivery strategies.

Integration is not just a service delivery issue. The Federal Government also establishes and administers policies that cut across agency jurisdictional boundaries. The environment, food safety, and scientific research are all areas that can benefit from coordinated approaches to policy development. The challenge is to integrate and coordinate policy development and service delivery in a segmented federal organizational structure. The power, speed, and flexibility provided by boundary-crossing mechanisms can address the deficiencies created by this structure, and help the user access services in a more effective manner.

Experimentation in the private sector with a concept sometimes known as "virtual corporations" focuses on replacing mass production with mass customization. Through extensive use of automation, information technology, and boundary-less organizations, "virtual products and services" are being produced quickly and efficiently, and to the specifications of the customer. This same concept can be applied to the public sector, through the provision of services that are integrated at the point of service delivery. Sometimes known as "one stop shopping," these approaches enable, for example, an unemployed person to register one time for unemployment and housing assistance, and to get information and direction on job retraining. To make this concept work requires that organizational boundaries become more permeable, and that processes be reengineered to create collaboration across traditional lines. A key strategy to foster this cross-organizational collaboration is through the introduction of boundary-crossing mechanisms, or partnerships.

Partnerships take many forms, some permanent, and some temporary. Three of the most significant are:

- o **Temporary cross-boundary partnerships.** These are ad hoc groups from different organizations that assemble to address specific issues that cross organizational lines, and that

disband once their charge is complete;

- o **Standing cross-boundary partnerships.** These are permanent groups of representatives from different organizations who are charged with ongoing problem identification and solving on issues of common interest;
- o **Integrated service delivery strategies.** These are work processes that have been reengineered at the point of service delivery to integrate functions that are distributed across organizational lines to make customer access easier.

Encouraging government agencies to partner across boundaries is not merely a jurisdictional problem; there are major cultural barriers that prevent full collaboration, even in areas of mutual interest. There must be dedication and commitment on the part of management, clear direction, and in some cases training in group collaboration techniques in order to ensure success. In addition, technology has provided a number of tools that facilitate these interactions, such as bulletin boards, computer conferencing, and interactive information services.

When to Introduce Cross-Boundary Partnerships

A boundary-crossing partnership may be useful if one or more of the following situations exists:

- o Service delivery is fragmented across organizational lines, and therefore of unacceptable quality;
- o There is a potential for beneficial cross fertilization of ideas and expertise;
- o There is potential for increased efficiency in service delivery by cooperating with other entities;
- o The customer's needs are naturally thematically clustered (e.g. welfare, job training, housing); and/or
- o Policy areas overlap or are duplicated between entities.

Effective cross-boundary partnerships will produce a comprehensive approach, and

will minimize conflict, competition, and competing priorities.

Guidelines. Examination of boundary-crossing partnerships used in the federal sector, reveals common elements among successful efforts. It also becomes apparent that efforts that were not considered successful share some key problems. From this analysis a set of guideline for success have been developed⁷. When establishing a boundary-crossing partnership:

- o Include relevant stakeholders;
- o Focus on high priority issues;
- o Clarify the mission and desired results before establishing the structure;
- o Establish a functional and efficient cross-boundary partnership structure that is suitable for the mission and desired results;
- o Commit adequate funding and support, including training and technology, to the project; and
- o Build in mechanisms for accountability and sharing information.

Examples of Various Types of Federal Government Partnerships Across Boundaries

Temporary cross-boundary partnerships. In 1992, a FAA/DOD team reviewed plans and budget for transfer of air traffic facilities from DOD to FAA, and effectively reduced the budget from \$891 million to \$401 million (with a potential for further budget reduction to \$282 million) by renegotiating the original timelines; by inserting newer more cost-effective technology; and by rescuing equipment slated for warehousing.

While agency customer interaction may seem implicit, it does not occur often enough. In 1991, the USDA conducted a weed eradication program on land that belonged in part to the Nez Peirce tribe. When environmental groups and the Nez Peirce objected, USDA halted eradication to talk to customers and stakeholders. A consultant facilitated a 2-day intervention, which included a bus tour of the treatment area and lively discussion between bus stops. At the end of the second day, after emotional testimony from many Nez Peirce,

USDA agreed to conduct another environmental impact statement explicitly taking into account considerations raised during the two days. USDA has concluded that this customer-oriented approach holds great promise.

Standing cross-boundary partnerships. The Federal Coordinating Council for Science, Engineering, and Technology (FCCSET) is a White House managed boundary-crossing team with representatives from many agencies, both defense and civilian, who come together to set a broad agenda for technological development. While the FCCSET is a high-level group, it spawns numerous lower-level working groups in areas such as biotechnology. It is at the lower level that projects are identified and coordinated. FCCSET has had a major success in developing governmentwide approaches.

Integrated service delivery strategies. In 1988, the National Governor's Association urged the Federal government to develop structures to consolidate and increase the flexibility of programs that serve rural America. Part of the federal response was the initiation of State Rural Development Councils, coordinated by USDA, but supported with resources and leadership from several federal departments, as well as state and local governments. Federal, state, and local responsibilities and relationships are now linked through a memorandum of understanding, while the councils themselves represent stakeholders throughout the states. Thirty-six states either have or are developing these councils. The councils are seen as a mechanism for empowering communities and supporting the states' role in developing a rural agenda. However, the continuing support of the new administration is in question.

FAA aviation domains have been identified where activities must be integrated across all organizational boundaries, including the FAA, DOD, the airlines, aviation manufacturing companies, pilot associations, and international aviation organizations. These domains include weather, satellites, data link, and traffic flow management. While program managers coordinate and monitor activities vertically within specific technical functions, the FAA created the position of systems manager to coordinate horizontally across boundaries. The systems manager has no budget and no direct authority. The manager tracks the coordination of strategic, operational and management plans; calls for meetings when action must be better

coordinated; and is the contact point for people outside the FAA. This approach has resulted in a coordinated and consistent effort in policy making and service delivery.

4. Empowering Workers Through Self-Managing Work Teams

In recent years, the major trend of corporate restructuring and downsizing has been the shift from traditional supervision to reliance on self-managing work teams. SMWTs are groups of workers who are collectively charged with accomplishing a whole task, along with responsibility for the collective management of the team. The group is accountable to management; however, the traditional role of a supervisor is replaced by a facilitator. The span of control generally increases significantly. While a traditional supervisor may be responsible for 5-10 employees, a SMWT facilitator may be responsible for as many as 25-50 employees (or more). Clearly, SMWTs produce leaner management. They tend to increase motivation and productivity by increasing the responsibility of workers. They also tend to enhance work effectiveness by giving employees greater ownership of their product.

The establishment of SMWT is accomplished through:

- o delegating authority to teams;
- o equipping team members with the interpersonal skills needed to function in a team environment; and
- o modifying or providing systems and procedures to assist in team decisionmaking and ensuring accountability.

A common misconception about SMWTs is that all members of the team are interchangeable, i.e., they are multiskilled so they can perform each other's job. This kind of SMWT has been seen commonly in production facilities in the private sector, for example, in automobile factories. However, there are effective SMWTs in professional work environments where there is not a high degree of interdependence, and where employees are not expected to perform one another's job. In other words, an SMWT can be established in a wide variety of settings, and at almost any level of an organization.

Another common misconception is that SMWTs are given full authority for their self-

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management. In practice, the most common SMWTs are those that:

- o Have delegated authority for some functions (such as scheduling);
- o Share authority with the supervisor for some functions (such as appraising performance); and
- o Are subject to supervisory authority for some functions (such as enforcing disciplinary standards).

SMWTs can be introduced gradually, delegating authority in stages as groups gain the skills and earn the confidence of management that they can be trusted with their own self-management. SMWTs are not anarchy.

Requirements for establishing SMWT;s

SMWTs produce impressive results, but they come with their own requirements:

- o Higher level management must be a positive model of teamwork, practicing techniques such as participative management, consensus decision making, and empowerment of employees;
- o Top management must be committed to a long-term implementation plan if it is to ensure that self-management becomes ingrained in the organizational culture;
- o Resources must be dedicated to providing sufficient training and consultative assistance; and
- o Personnel and other systems must be adapted in many ways including encouraging the use of team-based awards and peer input into performance appraisals.

When to introduce SMWT's

An organization may want to introduce SMWTs when:

- o There are excessive layers of control which are inhibiting employees' responsiveness or motivation;

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- o Employees are capable of being more fully utilized and trusted;
- o Services or products can be better provided through a coordinated effort rather than one which is segmented;
- o Customers require greater responsiveness from the organization; and
- o The work is conducive to being conducted by teams

There is a widespread belief that the SMWT concept is incompatible with the rigidity of the federal civil service system. However, there have been a few notable examples of successful SMWTs in the Federal Government, which demonstrate that even within the current personnel system such a concept can flourish.

Examples. In USDA an office that processes personnel actions has converted to a fully self-managed operation in order to better utilize employees and reorganize so as to make services more accessible and accountable to customers. The supervisory span of control increased from 1:7 to 1:23 by creating specialized teams, each serving a different unit of the organization. Within the teams, members share responsibility for the various functions, filling in for one another as needed. Customers report a high level of satisfaction with the services they are now receiving.

Also in USDA, the SMWT concept is being tested in a pilot project for agricultural inspectors who check baggage arriving in the country from international destinations for the presence of plant and animal pests or diseases. In this project, teams collectively manage the baggage inspection process, including scheduling, rotation of job responsibilities, and reengineering of work processes. In its initial stages, the project resulted in over 50 enhancements to the work process. Due to employees' overall endorsement, the concept is being prepared for nationwide implementation.

At the Internal Revenue Service in San Francisco, a SMWT effort has resulted in a 22 percent increase in the number of cases processed by the self-managing team, translating to an annual increase of \$6 million in the collection of delinquent taxes compared to a traditionally managed team.

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At the Defense Logistics Agency, creating self-managing teams in their Defense Distribution Region Central enabled a single level of management to be eliminated, thereby reducing staff and saving over \$2.5 million per year.

TARGETED RIGHTSIZING

An implied result of restructuring the government, as described above, is that it will become "rightsized." Rightsizing can become a driving force toward reinvention goals by forcing the government to focus more on mission than rules, results over activities, changing processes instead of adding programs, and authorizing those closest to the customer to make decisions. This will result in reducing the size of the budget dedicated to the administration of services while maintaining the services themselves.

Prior rightsizing efforts have been across the board or directed at specific programs. These efforts have had mixed results and virtually no lasting impact on the layers of bureaucracy. To succeed, rightsizing needs to be targeted toward positions related to excessive controls and layers of bureaucracy, many of which are in the management ranks. For targeted rightsizing to work effectively, many of the reforms recommended by NPR to streamline control systems in the areas of budget, procurement, personnel, and other administrative functions will have to be implemented concurrently.

Rightsizing should delayer headquarters and regional staff levels, and reduce the total number of managers and staff in administrative support positions. However, line staff are not off limits. A portion of line staff time is consumed by responding to excessive rules and regulations or by management requests for reports. With fewer rules, regulations, and requests, some line staff resources will be freed up and available for reduction or reassignment.

The rightsizing of government should be directed toward reducing operating costs and not simply the number of positions. Traditionally, rightsizing based upon position reductions had the result of maintaining management and administrative positions but reducing line staff positions either by service reductions or by contracting out for line services. The emphasis

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on reducing operating costs rather than positions provides incentives to reduce high salaried positions rather than low salaried positions, and to reduce administrative rather than line positions.

The use of Full Time Equivalent (FTE) ceilings for controlling the number of positions causes distortions and inequities in staffing patterns. For example, a manager, faced with an FTE ceiling, will hire one high salary position when two or three lower paying positions would be more appropriate for the task at hand. Inequities in FTE controls have created an almost "black market" system of loopholes in the FTE system. Contractors will be hired, often at higher costs, because contract staff are not counted toward an FTE ceiling. Another distortion is the use of temporary employees who fall into a nonceiling FTE allocation without any federal benefits. These "temporary" employees often work for years but without any benefits.

A central office, such as the Office of Management and Budget (OMB), has little chance of determining where cuts should be made. Supervisory and administrative support positions are woven throughout each department in a variety of ways, using various job titles and budget codes. Some use centralized staff with identifiable budgets, while other offices disperse support staff and their related costs throughout the agency. For this reason each department must make rightsizing decisions based upon their knowledge of which positions most directly support agency missions.

The departmental knowledge should be translated into agreements with the President that identify multiyear budget reductions for administrative functions in personnel, management, procurement, financial services, and other administrative areas. The reciprocal side of the agreement should be assistance from the Executive Office of the President in using executive powers and the legislative agenda to support departments in obtaining flexibility with minimal oversight, second guessing, regulation, and overreaction to the mistakes that will certainly occur.

Many of the people in positions targeted for reduction have served with dedication for a number of years. It is the organization that is changing and efforts must be made not to

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place undue burdens on the employees. As rightsizing impacts thousands of positions over the next five years, major concern must be demonstrated for the affected employees through a balanced use of early retirements, severance, transfers, and training. Outplacement services should be explored in conjunction with severance and early retirement to assist employees moving to the private sector.

The following three areas are targeted for rightsizing:

1. Management and administrative positions and their corresponding layers of staff. An increase in the span of management control and the reduction of layers of administrative staff are made possible by:

- o Additional responsibility given to line staff and the use of self-managed teams;
- o Information technology, which makes possible fewer layers of management to pass information up the line and orders back down the line; and
- o Major simplifications of personnel, procurement, budget, and financial systems, as recommended by NPR in order to reduce management workloads.

2. Positions saved by streamlining processes. Within departments, redesigned work processes have the potential of requiring far fewer positions, even at the line level. Three major strategies to maintain a constant improvement of services with streamlined, reengineered processes are:

- (1) The use of market forces to determine the value and quality of internal and external services;
- (2) Involving employees in making process improvements; and
- (3) Benchmarking to compare performance with similar types of service providers in the public and private sectors.

3. Field Office Structures. Federal field offices, largely established through the 1930's have changed more slowly than the country itself. Consolidating or closing field offices could significantly lower operating costs while maintaining program levels. Several departments, such as USDA, have developed criteria for the reallocation of field structure resources, and now need assistance with implementation.

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The loss of positions will make it more difficult in the short run for agencies and departments to accomplish their missions. However, it also creates the kind of crisis that is essential in order to precipitate genuine commitment to examining new and fundamentally different ways of doing business. This kind of shift in mindset will be essential if the federal organizational structure is to truly be transformed.

SUMMARY

Reorganizing to more effectively produce goods and services while adhering to the principles of removing excessive controls, creating partnerships, and empowering workers--these are some of the key indicators of change in organizational structure that will transform the federal workplace. As has been indicated, there are many examples of federal agencies that are already experimenting with these concepts and enjoying dramatic results. The revolution has begun.

At this point, however, leaders who introduce these kinds of principles are often operating in an apathetic or hostile environment, encountering either personal or institutional resistance. Unless the very top leadership provides encouragement, support, and relief from institutional barriers, all efforts to create lasting change will at best lose momentum from fighting inertia, and will at worst result in stagnation and the growth of cynicism about the possibility of real change. The following recommendations, therefore, will mark a beginning of a new paradigm for the organizational structure of the Federal Government as a whole.

RECOMMENDATIONS

The President Must Establish Administrative Goals (Category 2)

ORG 01 Direct OMB to entirely drop the use and concept of FTEs from all budget documents and budget advice. The continued existence of the FTE concept will always preclude the more meaningful focus on operating costs in relation to program costs. The automated payroll systems used by virtually all departments and agencies can periodically provide counts of the number of federal employees for limited situations where the number of employees is deemed necessary or meaningful.

ORG 02 Direct OMB to work with departments in developing budget indicators for use in monitoring and documenting rightsizing of targeted positions, delayering and streamlining processes. This will serve as a baseline measure upon which future operating cost reductions will be gauged and serve as the replacement of FTE controls.

ORG 03 Direct departments to reduce excess controls, management layers and internal procedures. This will be measured by and reinforced by a 20 percent reduction in operating costs over a five year period while maintaining and preferably improving service delivery.

ORG 04 The President should establish a challenging, government-wide goal of increasing the span of control from one to seven to one to fifteen over the next five years. Primary methods should be empowerment, self-managed teams, simplified control structures and better use of information and communications technology.

ORG 05 Ask departments to submit plans identifying multi-year reductions of costs associated with the targeted positions. The Executive Office of the President will support

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Secretaries with regulatory relief, executive orders, or legislative remedies. Service reductions will not be accepted if substantial operating costs remain in headquarters or regional offices. Where possible a criteria like the Post Office's "Do they touch the mail?" should be developed by each department or agency.

Provide Mechanisms to Restructure Field Offices (Category 2)

ORG 06 A consolidated list of field offices that are slated for closure will be consolidated. This can be timed to coincide with, but not be directly coupled to, the NPR reinvention efforts this Fall.

ORG 07 Each agency head will establish a commission within their organization, with congressional participation in choosing commission members, to coordinate the reform of the department's field offices including consolidation, closure, and relocation. The legislative package for the field offices should be structured for a vote up or down only. A decisions to use this type of mechanism should be made individually on a department by department basis.

ORG 08 Each agency head will develop objective, quantitative indicators of field office performance along the lines of the USDA analysis.

EDUCATING LEADERSHIP (Category 1, 2)

ORG 09 The President will initiate and champion an educational effort to ensure that all executives and managers, from the top to the bottom of the Executive Branch, understand and commit to the culture change effort and are provided the skills needed to fulfill their role. This effort will be designed and coordinated collaboratively between the Federal Quality Institute, OPM, and OMB. The educational effort will focus on:

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- o communicating the President's vision for a reinvented government;
- o clarifying the changes in culture that must be made;
- o identifying leadership skills and behaviors necessary to support the culture change;
and
- o establishing specific plans and commitments for individual and organizational change
to be implemented

Establish Structural Change Initiatives(Categories 1,2)

ORG 10. The President will task each agency head with providing comprehensive plans for changing the organizational structure of their organization as follows:

- o Reviewing their agency/departamental operations against the four key principles of transformed structure (organizing around process/outcomes; alleviating controls; partnering across boundaries; empowering workers with authority and skills);
- o Identifying major opportunities and goals for structural change, to be incorporated into their performance agreements with the President;
- o Developing and implementing initiatives within their agency/department to achieve goals; and
- o Reporting annually on all efforts to meet the principles.

Results and "best practices" will be disseminated throughout the government.

ORG 11. The Congress will give the President reorganization authority. (Category 3)
The Congress should give the President authority to restructure the executive branch, through reinstituting the Reorganization Act of 1984.

Establish Cross-Boundary Partnering Initiatives (Category 1, 2)

ORG 12. The President should identify three (or more) cross-departmental initiatives whereby multiple Departments develop comprehensive approaches to service delivery and/or policy on single issues or for single customers (e.g., illegal immigration, food safety, debt collection, welfare reform, homelessness). The President will:

- o Identify the Cabinet members to be involved in the initiative;
- o Establish a clear mission for the group;
- o Incorporate responsibility for results into performance agreements of all affected Cabinet officials to ensure an annual demonstration of results; and
- o Designate a lead cabinet chief, who will in turn designate team members.

The team will:

- o Articulate specific results anticipated from the effort, as well as an estimated termination date of the effort;
- o Develop cross-agency mechanisms to coordinate (e.g. lower-level working groups);
- o Reengineer, where possible, overlapping and internal processes to ensure a seamless approach to the issue;
- o Define and remove, where possible, barriers (including legislative).

After the first year, and subsequent years thereafter, review of these approaches will be conducted, and results will be used to foster further cross-departmental initiatives.

Identify and Change Legislative Barriers to Cross-Organizational Cooperation (Category 3)

ORG 13. The Congress will modify PL 102-393 Treasury Postal Service, and General Appropriations Act of 1993, and future appropriations acts to make funding of cross-agency activities easier when it is in the public's best interest:

- (1) Eliminate the phrase "*no part of any appropriation contained in this or any other Act shall be available for interagency financing of boards, commissions, councils, committees, or similar groups...*"

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(2) Eliminate the phrase "*which do not have a prior and specific statutory approval to receive financial support from more than one agency or instrumentality.*"

ORG 14. The Congress will modify 5 U.S.C., Chapter 63, Intergovernmental Personnel Act (IPA) to remove restrictions of cross-agency activity:

Replace the title "the President" in Chapter 63, §6305, with "any cabinet member" to better define the level of Federal Government that may enter into a cooperative agreement with other government agencies (federal, state, or local) when the relationship is not solely monetary. Section 6305 should include a provision for the cabinet member to delegate the authority to enter into cooperative agreements to the level where the cooperative agreements are actually executed (usually at the agency level).

ORG 15. The Congress will eliminate 31 U.S.C. §1346 so that federal monies can fund expenses, salaries, or related costs in support of an interagency group not mandated by law. The language is similar to funding prohibitions in the appropriations bill, but does not expire yearly.

[Note: Laws affecting programs and organizational structure of individual agencies will be discussed in the Agency reports.]

ORG 16. The Congress will simplify and realign the congressional subcommittee structure. (Category 4) The Congressional sub-committee structure should be simplified to reduce the number of committees involved in issues, and simplified to better enable communications and decisionmaking on congressional actions concerning issues that cross current jurisdictional boundaries.

These recommendations address the major barriers to changing the culture through administrative goals, education, planned initiatives, and legislative changes. While there is

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overall direction provided, agencies and departments are free to target the application of broad structural principles, drawing on methodologies and strategies that appropriate to the specific culture and requirements of the individual organizations.

Implementing cultural change through these strategies will require a considerable investment in training, consultation, and the use of change agents. There is no credible estimate that can be provided for these expenses. Further, it is expected that these costs will be borne by departments and agencies from within their discretionary accounts. However, some departments or agencies may show resistance to change through justifying the nonexpenditure of adequate funds for this purpose. Therefore, there must be a spirit of healthy competition amongst departments and agencies, fueled by dissemination of success stories, to invigorate the leadership to take seriously the need for major change. This will require the sustained attention and interest of the leadership, beginning with the President and Vice President.

**APPENDIX A: SUMMARY OF RECOMMENDATIONS BY TYPE OF
IMPLEMENTATION ACTIONS NEEDED**

Agency heads can do alone (1)

- ORG10: Establish structural change initiatives
- ORG12: Establish cross-boundary partnering initiatives

President, EOP, or OMB can do (2)

- ORG01: Drop use of FET ceilings from all budget documents and advice
- ORG02: Monitor and document rightsizing, delayering, streamlining
- ORG03: Reduce excess controls, management layers, internal procedures
- ORG04: Increase span of supervisory control
- ORG05: Identify multiyear reduction of costs
- ORG06: Consolidate the list of field office closures
- ORG07: Establish commissions to close, consolidate, relocate field offices
- ORG08: Establish indicators of field office performance
- ORG09: Educate all levels of leadership in culture change process
- ORG12: Initiate cross-departmental partnerships

Congress can do (3)

- ORG11: Give the President reorganization authority
- ORG13: Address legislative barriers to cross-organizational cooperation
- ORG14: Facilitate inter-governmental personnel activity
- ORG15: Permit funding for interagency groups

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Will do later (4)

ORG16: Realign the congressional subcommittee structure

APPENDIX B: METHODOLOGY

The preparation of this report began with extensive discussions from within the team to define the term organizational structure. The term "organizational structure" is prone to many different, and equally valid, interpretations, that the group evolved through several iterations before finally settling on the single definition that is used within this paper. Based on our definition, the team developed criteria which a transformed structure would meet, and compared the current federal bureaucracy to those criteria. Having identified significant discrepancies between the current and a preferred future state, the team identified a wide variety of strategies to transform the Federal Government.

This set of strategies was shared first with key individuals within NPR. A honed list of strategies was then shared with key advisors from the public sector as well as key advisors who consult to government in the arena of transforming organizational structures. Based on feedback received from these quarters, a final set of principles, strategies, and recommendations was developed.

The report on Transforming Organizational Structures was prepared by the following team: Charles Sapp (Team Leader), Department of Defense, Navy; John Ayers, Peace Corps; Edward Dulworth, Citizen; Jim Flanagan, City of Phoenix; Michael Fraser, Department of Commerce National Oceanographic and Atmospheric Administration; Lynn Sandra Kahn, Department of Transportation FAA; Karen Savoie Murray, USDA Rural Development Administration; Susan Nadolny, Department of Health and Human Services National Institutes of Health; Dan Stone, USDA Animal and Plant Health Inspection Service; and Duane Jenkins, OMB liaison.

APPENDIX C: ABBREVIATIONS

DOD	Department of Defense
FACA	Federal Advisory Committee Act
FAA	Federal Aviation Administration
FCCSET	Federal Coordinating Council for Science, Engineering, and Technology
FTE	Full Time Equivalent
IPA	Intergovernmental Personnel Act
IRS	Internal Revenue Service
NPR	National Performance Review
OPM	Office of Personnel Management
SMWT	Self-Managing Work Team
TQM	Total Quality Management
USDA	U.S. Department of Agriculture

APPENDIX D: ACKNOWLEDGEMENTS

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ENDNOTES

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