THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release | October 26, 1993

"Government Reform and Savings Act of 1993"

FACT SHEET

Today the President transmitted to the Congress the "Government Reform and Savings Act of 1993." This legislation is based on the recommendations of the National Performance Review (NPR).

The NPR began on March 3, 1993, when the President asked Vice President Gore to conduct an intensive 6-month review of how the Federal Government works. The Vice President organized a team of experienced Federal employees from all corners of the government to examine both agencies and cross-cutting systems, such as budgeting, financial management, procurement, and personnel.

The report of the NPR -- "Creating a Government That Works Better and Costs Less" -- was presented to the President on September 7, 1993. It includes hundreds of proposals to provide the American people with a more effective, efficient, and responsible government. Some of these proposals require legislation, some can be achieved through administrative action. The Government Reform and Savings Act of 1993 is a major step in implementing those recommendations from the NPR which require action by the Congress.

This legislation affects a number of Federal agencies and includes proposals that seek to: consolidate and streamline agency operations; eliminate unnecessary programs; end unneeded subsidies; improve financial management and debt collection; reduce the burdens resulting from statutory reporting requirements; and improve the dissemination of government information. They were selected from the NPR report with the expectation that they can be considered expeditiously by the Congress.

The savings total for this legislation is $9 billion.

The proposals contained in the Government Reform and Savings Act of 1993 would:

Department of Agriculture

-- Authorize the Secretary to reorganize the Department of Agriculture to better accomplish its mission, streamline its field structure, and improve service to its customers. (Total savings: $1.64 billion)

-- Phase out by December 31, 1995, the Department of Agriculture price support subsidy programs for wool and mohair. (Total savings: $695 million)

-- Phase out by December 31, 1995, the Department of Agriculture price support program for honey. (Total savings: $6.5 million)

Department of Commerce

-- Require the Departments of Commerce and Defense and the National Aeronautics and Space Administration to propose a single operational polar environmental satellite system in order to reduce unnecessary duplication. (Total savings: $300 million)

In addition, the Administration is planning to submit to Congress a revised version of the Export Administration Act (EAA) by Thanksgiving. The revised EAA will reorient the law to reflect post-Cold War security and proliferation threats and propose a streamlined export control process.

Department of Defense

-- Authorize Department of Defense managers and commanders to use for mission purposes and, when applicable, for morale and welfare activities the proceeds from the sale of recyclable materials generated on an installation. (Total savings: $500 million)

-- Require an orderly phase-out and closure of the Uniformed Services University of the Health Sciences beginning in FY 1995 and ending with the closure of the University not later than September 30, 1998. (Total savings: $350 million)

-- Reorganize the U.S. Army Corps of Engineers division and district offices. (Total savings: $105 million)

Department of Energy

-- Authorize the sale of the Alaska Power Marketing Administration. (Total savings: $59.5 million)

-- Allow private sector power generating facilities built at Federal sites to sell power to private as well as Federal customers. (Total savings: $112 million)

-- Allow the Power Marketing Administrations to refinance their subsidized Treasury debt through the private market.

Department of Health and Human Services

-- Provide for increased flexibility and competitiveness in contracts with Medicare intermediaries (entities that process claims under the Hospital Insurance program) and carriers (entities that process claims under the Supplementary Medical Insurance program). (Total savings: $630 million)

-- Authorize the Secretary to initiate pilot projects to study various means for obtaining on a timely and accurate basis workers' compensation benefit information. This information will be used to improve the reporting of workers' compensation payments, thereby helping to ensure that individuals receive the proper level of benefits under the Social Security Disability Insurance program.

-- Expand the Secretary's authority to obtain and disseminate death information for use in administering the Social Security Act and other Federal programs.

-- Set aside a specific minimum level of resources within the Social Security Administration for FYs 1994 through 1999 to be used for the processing of continuing disability reviews. This would help prevent payment of Social Security disability benefits to individuals who are no longer disabled. (Total savings: $485.3 million)

Department of Housing and Urban Development

-- Improve HUD's ability to manage and sell multifamily loans and properties held by the Department. (Total savings: $715 million)

-- Streamline and consolidate HUD's headquarters, regional, and field offices over time. (Total savings: $167 million)

-- Provide incentive payments to homeowners and lending institutions to refinance HUD-subsidized mortgages with high interest rates. (Total savings: $302 million)

-- Reduce excessive rent subsidies by freezing rent increases for 1 year under the Section 8 new construction and substantial rehabilitation programs. (Total savings: $558 million)

-- Improve management efficiency by consolidating two similar programs, the Section 8 Certificate and Voucher programs. Both programs provide rental assistance to needy individuals and families.

Department of the Interior

-- Require the Bureau of Mines to improve the efficiency of the Federal helium program by reducing costs, requiring full compensation to the government for its costs, and encouraging increased sales to the private sector without market disruption. In addition, the Secretary of the Interior is to develop a long-term, comprehensive plan regarding the future of the helium program, which the President may adopt, in whole or in part, including cancellation of the helium debt. (Total savings: $47 million)

-- Require the Minerals Management Service to improve the efficiency of its mineral royalty collection program, including assessing penalties for substantial underpayment of royalties. (Total savings: $28 million)

-- Phase out the Mineral Institutes Program, by fiscal year 1999. Established in the 1970s, the program has accomplished its purpose to provide seed money to encourage the development of mineral-related university research and graduate education programs. (Total savings: $24.5 million)

Department of Justice

-- Authorize the Department of Justice to charge fees to prisoners for health services. (Total savings: $13.8 million)

Department of Labor

-- Amend the Federal Employees' Compensation Act (FECA) to reduce fraud by: (1) making it a felony to lie on benefit applications; (2) making people convicted of defrauding the program ineligible for benefits; (3) denying benefits to incarcerated individuals; and (4) expanding the Department of Labor's capability to eliminate FECA fraud. (Total savings: $22.6 million)

-- Extend and expand reemployment programs for occupationally disabled Federal employees who are injured on the job and increase review of benefit levels and eligibility. (Total savings: $126 million)

- -- Authorize the Secretary of Labor to develop an electronic data base to enable Federal contracting agencies to electronically access wage determination information instantly, thereby eliminating procurement delays.

- -- Amend the Employee Retirement Income Security Act (ERISA) to eliminate the requirement that employee pension and benefit plan administrators automatically file annual plan descriptions with the Secretary of Labor.

Department of State/U.S. Information Agency

- -- Reduce mission operating costs through: (1) reduction of marine guard and other security costs at overseas diplomatic missions; and (2) restructuring USIA public diplomacy activities to improve efficiency. (Total savings: $20.7 million)

Department of Transportation

- -- Require the U.S. Merchant Marine Academy to charge tuition to recover a portion of its operating expenses, beginning with the 1995-1996 academic year. The Academy would have discretion to waive this requirement, e.g., to offer scholarships. (Total savings: $36.1 million)

- -- Effective in FY 1995, set reasonable criteria for air service to certain communities to qualify for subsidies under the "Essential Air Service program." (Total savings: $70.1 million)

- -- Repeal authorizations for certain training or education grant programs of the Federal Aviation Administration. (Total savings: $14.2 million)

Department of Veterans Affairs

- -- Remove a number of limitations and restrictions contained in veterans laws, thereby increasing efficiencies and improving service without sacrificing accountability.

- -- Phase out and close over 2 years the centralized depot and distribution centers in Somerville, New Jersey; Hines, Illinois; and Bell, California. (Total savings: $79 million)

- -- Authorize the disclosure of health insurance information from the Medicare and Medicaid Coverage Data Bank to the Secretary of Veterans Affairs to assist in identifying and collecting reimbursements from third parties responsible for care and services provided to veterans. (Total savings: $420 million)

-- Streamline benefits claims processing by improving and clarifying certain adjudication and appeal procedures.

Human Resource Management

-- Permit Executive branch agencies to pay an incentive of up to $25,000 to employees who retire or resign voluntarily.

-- Remove unnecessary and narrow restrictions on Federal employee training.

-- Cap at 30 days the amount of annual leave that a senior executive can carry forward from year to year. Those executives who have annual leave in excess of the new limit at the end of the 1993 leave year would be allowed to carry that leave forward until it is used or they leave the government.

Reinventing Support Services

-- Improve the dissemination of government information and promote competition for government printing. (Total savings: $30 million)

Streamlining Management Control

-- Authorize the Director of the Office of Management and Budget (OMB) to recommend changes in statutory reporting requirements; the recommendations would take effect if approved by law. (A separate legislative proposal to be transmitted shortly would repeal the legislative authority for certain Executive branch reports that are no longer necessary.)

Improving Financial Management

-- Require that individuals who begin to receive Federal salary or retirement payments after January 1, 1995, be paid through electronic funds transfer (EFT); the requirement will be waived upon written request by an individual. (Total savings: $1.1 million)

-- Authorize Federal agencies to establish "franchise funds," which would encourage agencies to purchase common administrative services on a competitive basis, and "innovation funds," which would allow agencies to invest in projects designed to produce measurable results and significant taxpayer savings.

-- Authorize OMB to recommend the most meaningful timing and formats for general management and financial management reports to OMB and the Congress.

- Require the annual preparation of audited financial statements covering all of the offices, bureaus, and activities of each of the Federal Departments and agencies required to have a Chief Financial Officer.

- Authorize appropriations equal to 1 percent of all delinquent debt collections and 10 percent of sustained annual increases in collections of delinquent debt for agencies to enhance debt collection activity.

- Authorize the Customs Service and the Department of Health and Human Services (HHS) to use private collection agencies to collect debts and to pay fees charged for collection services by private collection agencies from amounts recovered. The authority for HHS would apply only to the debts of individuals no longer on the benefit rolls. (Total savings: $370 million)

- Require a 10 percent surcharge to be assessed on all civil money judgments and settlements. These funds are to be used to improve debt collection at the Department of Justice and, at the discretion of the Attorney General, to reimburse other agencies for assistance in debt collection activities. (Total savings: $775 million)

- Require adjustment of civil monetary penalties for inflation. After a one-time catch-up adjustment in 1994, adjustments would be made every 4 years. (Total savings: $192 million)

Year-End Spending

- Permit agencies to roll over 50 percent of their unobligated year-end balances in annual salaries and expenses accounts to the next fiscal year.

THE WHITE HOUSE

WASHINGTON

September 28, 1993

MEMORANDUM FOR VICE PRESIDENT GORE
LES ASPIN
RON BROWN
BOB REICH
FEDERICO PENA
HAZEL O'LEARY
LEON PANETTA
LAURA TYSON
JESSE BROWN
ERSKINE BOWLES
MACK MCLARTY
DAVID GERGEN
GEORGE STEPHANOPOULOS
CAROL RASCO
TONY LAKE
HOWARD PASTER
JACK GIBBONS
BERNIE NUSSBAUM

FROM: ROBERT E. RUBIN

SUBJECT: **NEC Meeting on Procurement Reform**

Attached is a briefing memorandum for the Wednesday, September 29 NEC/Vice President Gore/Rubin meeting on procurement reform. The meeting is at 3:30 p.m. in the Vice President's Ceremonial Office, Room 276 of the Old Executive Office Building. The meeting is for principals plus one.

Please call Sandy Mancini (456-2801) if you have any questions.

CLOSE HOLD

THE WHITE HOUSE

WASHINGTON

September 28, 1993

MEMORANDUM FOR: NEC Principals

FROM: W. Bowman Cutter and Dorothy Robyn
National Economic Council

SUBJECT: Procurement Reform

The following is a briefing memorandum for the Wednesday meeting of NEC principals (3:30 in Old Executive Office Building, Room 276). The purpose of the meeting is to consider procurement reform proposals to relax socioeconomic requirements on government contractors.

SUMMARY

In early October, the President and the Vice President, together with key congressional Members, will announce a major effort to reform the federal government's procurement system. Procurement reform is central both to "reinventing government" and to the Administration's Defense Reinvestment and Conversion Initiative.

Two proposed changes constitute the heart of statutory procurement reform. The first would lift the threshold for conducting simplified purchases from $25,000 to $100,000. The second would make it easier for the government to buy commercial products.

Both proposals involve relaxation of statutory socioeconomic requirements on federal contractors. The "Simplified Acquisition Threshold" would <u>raise</u> the coverage level for certain requirements. Proposals regarding "Commercial Items" would <u>waive</u> the requirements for commercial purchases.

The proposed relaxation of two types of socioeconomic requirements is problematic for some agencies. The first are the labor standards laws, such as Davis-Bacon. The second are the affirmative action requirements, particularly EO 11246. The labor standards laws are affected primarily by proposals to raise the threshold. The affirmative action requirements are affected by both the threshold increase and commercial item waivers.

<u>Conclusion and Options</u>. There is a strong case for raising the threshold for simplified purchases from $25,000 to $100,000 for both the labor standards and affirmative action requirements. That change would streamline a large fraction of procurement actions but affect only a small percent of contract dollars.

The case for commercial item waivers is more controversial, particularly with respect to EO 11246. At a minimum, elimination of "flowdown requirements" on subcontractors, which can be accomplished administratively in most cases, seems warranted.

As for government contractors themselves, there are three possible approaches to commercial item acquisition: One option is the status quo. A second option is to exempt them from affirmative action requirements for commercial contracts. A third, compromise option is to continue to require contractors to pursue a policy of affirmative action but eliminate the monitoring and recordkeeping requirements in favor of a system like that of the Internal Revenue Service, which relies on self-policing and the threat of audit.

DISCUSSION

Section 800 Panel

Current procurement reform proposals draw on the work of the DoD Advisory Panel on Streamlining and Codifying Acquisition Law. Known as the Section 800 Panel after its enabling law, this group examined more than 600 statutes affecting the defense procurement process. The Panel's recommendations, in the form of an 1,800 page report, were submitted to Congress in January 1993.

First, to reduce administrative overhead, the Panel recommended raising the threshold for many socioeconomic requirements to $100,000. This change would streamline more than 50 percent of all DoD contract actions over $25,000 (the existing threshold for simplified purchase procedures) while affecting less than five percent of the contract dollars. In keeping with existing policy, the Panel recommended reserving all purchases under the threshold for small businesses, including small disadvantaged businesses.

Second, the Section 800 Panel recommended that many government-unique socioeconomic requirements be waived for acquisition of commercial items. Such waivers were necessary to enhance DoD's access to cutting-edge commercial technology, the Panel argued. They would also permit some firms that must now maintain separate facilities and accounting systems to integrate their commercial and military production. These changes, moreover, would allow DoD to fulfill its requirements at far lower costs.

National Performance Review

The National Performance Review, in its September report, embraces these two key recommendations of the Section 800 Panel and extends them government-wide. NPR recommends that all agencies, not just DoD, be allowed to make purchases under $100,000 using simplified purchase procedures. The NPR report explicitly recommends raising the threshold for Davis-Bacon to $100,000.

The NPR report also calls for more reliance throughout the federal government on the commercial marketplace. Although the NPR's published report is less explicit than the Section 800 report, the "backup" documents recommend the same waivers as the Section 800 report.

Department of Labor Objections

The Department of Labor, although in agreement with the goal of integrating the commercial and defense sectors of the U.S. industrial base, strongly objects to relaxation of several socioeconomic requirements.

Commercial Items. Of greatest concern to DOL are the proposed waivers of three affirmative action requirements from contracts to purchase commercial items:

1. **Executive Order 11246**, which requires federal contractors and subcontractors to take affirmative steps to assure equal employment opportunity without regard to race, color, religion, sex or national origin.

[Although EO 11246 includes a waiver for commercial item acquisition, DOL has never implemented the regulations.]

2. **Section 503 of the Rehabilitation Act of 1973**, which requires federal contractors and subcontractors to apply a policy of affirmative action to the employment of qualified individuals with disabilities.

3. The **Vietnam Era Veterans' Readjustment Assistance Act of 1974**, which mandates a similar policy of affirmative action toward the employment of disabled and Vietnam era veterans.

(DOL also has concerns about commercial-item waivers of the Buy American Act, Copeland Anti-Kickback Act, and Drug-Free Workplace.)

Although all employers are barred by law from discrimination, federal contractors have an affirmative obligation under these requirements. (EO 11246 has the most extensive requirements: Firms must do a workforce analysis using census data to determine the appropriate representation of minorities and women by job category in their geographic area. They must have a written plan, updated annually, with goals and timetables for increasing the participation of those groups.) DOL believes it is a fundamental principle that in expending taxpayers' funds, the federal government may seek to promote important social goals by holding federal contractors to higher standards than the private sector generally.

Simplified Acquisition Threshold. The Labor Department is also concerned about raising the simplified acquisition threshold to $100,000, which would affect two longstanding labor standards as well as the affirmative action requirements discussed above:

1. Labor standards laws: **Davis-Bacon Act** (current threshold, $2,000) and the **McNamara-O'Hara Service Contract Act** (current threshold, $2,500), which require the payment of prevailing wages and fringe benefits on federal construction and service contracts, respectively;

2. Affirmative action requirements:
    a. **EO 11246** (current threshold, $10,000)
    b. **Sec. 503 of the Rehabilitation Act of 1973** (current threshold, $10,000)
    c. **Vietnam Era Veterans' Readjustment Assistance Act of 1974** (current threshold, $10,000)

The Labor Department is not opposed in principle to raising the coverage threshold under some of these laws, and in fact, DOL gave "qualified support" to the NPR recommendation to raise the threshold on the Davis-Bacon and Service Contract Acts to $100,000. However, DOL believes such a change should be accomplished through amendments to the laws themselves rather than through procurement reforms.

Concerns of Other Agencies

Although the Department of Labor has been the most vocal critic of proposals to limit or waive socioeconomic requirements, DOL is not alone. The Department of Veterans Affairs vehemently opposes any dilution of the Vietnam Era Veterans' Readjustment Assistance Act of 1974; V.A. views the preference under federal contracts as a veterans' benefit and therefore not an appropriate concern of procurement reform legislation. The U.S. Commission on Civil Rights opposes, in particular, proposed changes to EO 11246, which it believes would signal a retreat from well-established and vital Federal civil rights policies. Several other agencies also oppose limits/waivers on certain socioeconomic requirements.

Congressional Action on Procurement Reform

Although the socioeconomic requirements have strong supporters on the Hill as well, key Senate sponsors are considering a government-wide procurement reform bill that would codify virtually all of the Section 800 Panel's recommendations. Committee staff have worked for eight months to draft this 300 page bill, which will be championed by Democrats John Glenn (chair, Government Affairs), Sam Nunn (chair, Armed Services), Dale Bumpers (chair, Small Business), Jeff Bingaman and Carl Levin, as well as Republicans William Roth and William Cohen.

In its present form, the Senate draft adopts the Section 800 recommendations on all of the controversial socioeconomic requirements save one -- Buy America. It is silent on EO 11246. Inotherwords, the bill would raise the threshold to $100,000 for the Davis-Bacon and Service-Contract Acts. On the affirmative action statutes covering the disabled and Vietnam veterans, the draft would both raise the simplified acquisition threshold to $100,000 and provide for an exemption for commercial item acquisition.

Although the Members have not signed off on these provisions, the draft represents a significant change from the Senate position on these issues several years ago, particularly for the Government Affairs Committee. (Glenn, Levin, Nunn and Cohen are members of both Armed Services and Government Affairs.)

The House procurement reform bill, H.R. 2238, is championed by Rep. John Conyers, chairman of the Government Operations Committee. As approved by the committee in July, H.R. 2238 raises the simplified acquisition threshold to $100,000 for many statutes but not for the controversial socioeconomic requirements.

Arguments in Favor of Socioeconomic Waivers/Limits

1. Access to Cutting-Edge Technology. The socioeconomic waivers are among the reforms needed to allow DoD to get access to cutting-edge technology, products and processes, which are increasingly located in the commercial sector. Electronics, software, computer systems and telecommunications are areas where commercial technology is now more advanced than military technology.

The current procurement system impedes DoD access to commercial technology in three ways. First, some high tech firms shun business with the government altogether, because of the burden of government-unique requirements. Second, most government contractors segregate their defense business to some degree to avoid "contaminating" their commercial business; this limits economies of scale and blocks technology transfer within the firm -- a problem for DoD because the innovations increasingly come out of the contractors' commercial division. Although the socioeconomic requirements are not the major culprit (cost-accounting standards and milspecs are more significant), they are a factor.

Third, socioeconomic and other requirements, which are generally required to "flow down" to all subcontractors, prevent contractors from using their commercial suppliers for government work. For example, the Air Force wants to buy commercial derivative aircraft from Boeing and McDonnell Douglas, both of whom segregate their commercial and government production. Although Boeing and McDonnell Douglas could live with the socioeconomic requirements (large government contractors must have affirmative action programs in place even in their commercial divisions), many of their commercial subcontractors cannot comply.

Although access to commercial technology is a problem primarily for DoD now, civilian agencies increasingly need the same, flexible access to leading-edge commercial technology for such things as advanced air traffic control systems and intelligent vehicle highway systems (DOT), next generation software (Education) and solar powered cars (DOE).

2. Cost savings. Significant savings are possible if DoD and other federal agencies can act more like commercial buyers. A July 1993 study by the Defense Science Board estimates that DoD can save $2.1 billion a year (after five years) from better use of commercial items and practices. Additional savings of $11.8 billion a year are possible from DoD reliance on "commercial-like" or dual-use items, such as the commercial derivative aircraft.

The socioeconomic requirements are by no means the only obstacle -- or even the major obstacle -- to realizing such savings. But as the Boeing example illustrates, the socioeconomic requirements would limit commercial purchases even if other obstacles were removed. Stated differently, removal of the socioeconomic requirements -- at least for subcontractors -- is necessary, if not sufficient, to allowing the federal government to buy commercial.

3. Reduce Overhead. The Carnegie Commission on Science, Technology and Government estimated that up to 40 percent of DoD's FY91 acquisition budget, $50 billion, went for personnel in DoD and the defense industry dedicated to management and control. As DoD's budget falls, that figure will rise even higher if the current overhead structure is left in place.

Here again, it is difficult to isolate the burden of the socioeconomic requirements. As one measure, the Labor Department estimates that the three affirmative action programs it oversees (EO 11246 and preference for Vietnam veterans and the disabled) impose a paperwork burden on industry of 20 million hours.

4. Defense Conversion. Although many defense firms have tried to convert to the production of commercial products in response to reduced military spending, few have succeeded because of the overhead burden and inefficient processes associated with the existing defense acquisition system. As DoD's budget continues to drop, the Administration must unshackle these firms. Defense procurement reform will mean the most to firms and workers in California, where the unemployment rate is above 9 percent.

5. Broader Domestic Production Base. As military downsizing continues, our defense industrial base will be too small to meet the potential need for a reconstitution of defense production capability. DoD must be able to draw on the commercial industrial base, just as it did at the beginning of World War II. The current acquisition system -- with its morass of government-unique requirements -- makes that impossible.

6. Don't Undermine the Senate. For many years, socioeconomic requirements such as Davis-Bacon have been politically untouchable. This year, Senate Democrats appear willing to challenge that traditional view with a courageous bill. Given the Senate's apparent willingness to take a courageous stance on reforming socioeconomic requirements, the Administration cannot do less.

If the Administration were to take a less aggressive stance on reforming the socioeconomic requirements, it would not only undermine the Senate position, it would sacrifice the Administration's claim to leadership on procurement reform, jeopardize Republican support for a Senate/Administration bill, and encourage others to break rank to protect their favorite procurement regulation. The Section 800 report is the benchmark (it is the procurement equivalent of the Base Closure Commission), and any significant departure from its recommendations will be perceived as a retreat.

7. Issue is Ripe. Courage aside, the Senate draft bill position on the socioeconomic requirements reflects the fact that procurement reform is a politically ripe issue. The intellectual case for reform has been made, and several factors -- including a shrinking defense budget and a sense of crisis over the health of U.S. industry -- create the potential for sweeping legislative changes in the next two years.

8. Social Goals are Still Met. The proposals to limit the

socioeconomic requirements ought not be seen as a retreat from civil rights and other social goals. First, EO 11246 provides for a waiver for commercial item acquisition, even though the Labor Department has never implemented it. Second, some of the socioeconomic requirements have been preempted by subsequent legislation (e.g., the Americans with Disabilities Act provides many of the protections covered by the Rehabilitation Act of 1973). Third, procurement reform will benefit the small minority- and women-owned firms that cannot now do business with the government because it is too expensive to comply with scores of government-unique requirements.

Arguments Against Socioeconomic Waivers/Limits

1. Federal Contractors Should be Held to Higher Standards. While considering the Civil Rights Act of 1964, Congress expressly recognized that the equal opportunity obligations of those who do business with the federal government should be greater than those of other private employers. More generally, use of the procurement system to achieve diversity and other social goals is key to ensuring that all American citizens have a fair chance of sharing the economic benefits produced by federally-funded projects.

2. EO 11246 is More Important Now than Ever. Drawing back from EO 11246 at this time would be particularly undesirable. As reported two weeks ago in the Wall Street Journal, essentially all of the job loss in the last recession was among African Americans. The data are sobering, and they point to the need to keep government at the forefront of equal opportunity.

3. Socioeconomic Requirements are Not the Major Overhead Burden. Socioeconomic requirements are not the major source of overhead costs, and proponents of change lack firm estimates of what costs socioeconomic requirements do impose. Moreover, proposals to limit/waive socioeconomic requirements do not consider the long-term social and economic benefits that these requirements produce.

4. Socioeconomic Requirements are Not the Major Impediment to Technology Access. Similarly, socioeconomic requirements are not the major cause of problems DoD may have in getting access to cutting-edge commercial technology. When contractors segregate their government and commercial business, or refuse to do business with government altogether, they do so principally for reasons other than the socioeconomic requirements (typically, cost-accounting standards and milspecs). Moreover, because large government contractors must abide by affirmative action requirements even in their commercial division, such requirements are not an obstacle to commercial-military integration.

5. <u>DOL is Revising its Requirements</u>. The Labor Department is examining its labor standards laws (Davis Bacon and Service Contract Acts) and affirmative action requirements. As part of that review, DOL is likely to consider higher and uniform coverage thresholds for these requirements. As for the recommended waivers for commercial item acquisition, some compromise might also be possible -- e.g., eliminating the "flow-down" requirements, which extend (by regulatory action) the socioeconomic requirements to all subcontractors.

6. <u>Changing Socioeconomic Requirements is not Good Politics</u>. The groups that will be affected by proposed changes to the socioeconomic requirements -- minorities, veterans, the disabled, unions -- are traditional Democratic constituencies. Why alienate them, particularly when it is not clear that the socioeconomic requirements are the major obstacle to procurement reform? The disparate impact of the recession on minorities makes this a particularly inopportune time to draw back from EO 11246. The President's procurement reform announcement might be overshadowed by news stories on Democrats' retreat from longstanding civil rights policies.

As for the argument that reforming the socioeconomic requirements will mean more and better jobs for all, whatever its merits, that argument has been tainted by its past association with conservative and anti-labor Republicans.

<u>Conclusion and Options</u>

There is a strong case for raising the threshold for simplified purchases from $25,000 to $100,000 for both the labor standards and affirmative action requirements, with continued reservation of all purchases below the threshold for small and small disadvantaged businesses. That change would streamline a large fraction of procurement actions but affect only a small percent of contract dollars. It does not challenge the principle that the procurement system should be used to achieve social goals, but merely raises the level at which that principle kicks in.

The case for commercial item waivers is more controversial, particularly with respect to EO 11246. Socioeconomic requirements are not the major obstacle to commercial-military integration among the primes, although they are a factor. However, such requirements are a definite obstacle both to contractors' use of their commercial suppliers and to government purchases above the simplified threshold level from purely commercial firms. At a minimum, elimination of the "flowdown requirements" on subcontractors, which can be accomplished administratively in most cases, seems warranted. This would not exempt subcontractors that are otherwise covered, but it would allow companies such as Boeing to use their commercial supplier base for government contracts.

As for government contractors themselves, there are three possible options under commercial item acquisition:

Option 1 (Status quo): Contractors remain subject to the three controversial affirmative action requirements, including existing monitoring and reporting requirements.

Option 2 (Section 800): Contractors are exempt from affirmative action requirements for commercial contracts.

Option 3 (Compromise): Contractors are still obligated to pursue a policy of affirmative action toward protected groups, but monitoring and recordkeeping requirements are eliminated in favor of a system like that of the Internal Revenue Service, which relies on self-policing and the threat of audit.

NPR 10·29

Procurement

Key people

Steve Kellman [nominated]] substantive team
Dorothy Robyn

Tracey] leg affairs
Lorraine/Al Maulden

- John Kaminsky has a "Procurement 101" package

- Kennedy & Ford didn't feel adequately consulted re labor ~~reform~~ part of reform
D-Bacon was dropped from bill. but Bingaman will add it & we'll support-- tho after trying to work w/ Kennedy

& service K provisions

- Need to work small business more

- ~~Mfume~~ Mfume & Black Caucus
- Dellums
- Freshman class very pro procurement reform
- R' were for the bill 'til we deleted ~~D~~ labor provisions -- lost all Senate R co-sponsors

- Mobilize industry supporters
- Buy America provisions not in bill but Adm would like it potentially

J. Angell: House possible link up
- Rescissions
- NBR
- Procurement
in one big package
House aiming to have stuff out of comm by 11-15 & vote 11-19

- Seph HR3400 introd NPR bill this wk
- Letter to Congress attaching Sen bill

HR 2238 get opp'l to amendments to this

Bryant bill

the 252,000 cut attached to WI

~~R o T~~

Monographs
Both endorsed accompanying appendix

Sec Agt goals principles etc from Cab. secretaries
Mtgs w/ Cab Sec'ys & Pres in ~~Pres~~ wks pre Xmas Both public & private agts.

P-ship Council Glynn to chair
Ed Doran ?OPM J. Munoz Treas.
Broadnax HHS - liaison to P-ship Council
~~FAC~~ FACA Comm

1) Civil Service Reform Bill – hopes to have by January Title 5
2) 'Culture' Change in Agencies

Mgmt Council mtg next wk

downsizing
internal regs

TOB Q re status of 1/3 Advisory Committee
~~Martha~~ to let me know
Margaret Wynn

4/29 REGO mtg

LP Controversial items (:)

1) Davis Bacon

Affirm Act re
2) minorities / women
3) Disabled
4) Vets

If raise threshold for these reg
How ensure we enforce law re these items on the sub-from K's ??

VP, Reich, Tyson, Panetta, Nussbaum, Kamarck, Stiglitz, Sperling, GS, Frank Hunger, Tom Williams, Dunstan, Peterson, Nanwath, Edley, Rubin, Lader, Gibson, Dorothy Robyn, Greg Simon about 35-40 in room

GS: What consult'n politically done on this (i.e. -- hot potato) Davis Bacon at least aired out a little ... but affirm. action? And is this contrary to campaign promises

Rasco also expresses concern

LP: ~~How~~ ~~if~~ once waive reg'ments, how fed govt ensure compliance - how we answer ~~these~~ this Qs?

LP: buzz saw of opposit'n if waive reg'ments as disting'd from saying "more efficient way to achieve goal"

/ as factual matter,

GS: what are the benefits of this since we KNOW the certain political costs vis à vis minorities disabilities & labor.

VP: Look -- President has already endorsed this. So this exercise is fine but let's make no mistake, he has endorsed ~~*~~ simplification...

Reich -- ~~or~~ > (all into packaging -- ~~we~~ we should say we're just enforcing in a more efficient, cost-effective way) - [TDS - fine ... if that is credible]

say "There are much ~~a~~ more effective ways to realize goal"

TDS: like what? Give it this is true

Intended to be nom'l for fed'l office proced. : won't work unless firms set up affirm. action program's etc. [bullsh or dumb guy]

VP - These forms are an absurdity, a national joke. We need alternative means to get there as Bob suggests

- cc: John Podesta

THE WHITE HOUSE

WASHINGTON

September 27, 1993

MEMORANDUM FOR VICE PRESIDENT GORE
LES ASPIN
RON BROWN
BOB REICH
FEDERICO PEÑA
HAZEL O'LEARY
LEON PANETTA
LAURA TYSON
JESSE BROWN
ERSKINE BOWLES
MACK MCLARTY
DAVID GERGEN
GEORGE STEPHANOPOULOS
CAROL RASCO
TONY LAKE
HOWARD PASTER
JACK GIBBONS
BERNIE NUSSBAUM

Todd — can you do this
JOHN

FROM: ROBERT E. RUBIN

SUBJECT: **NEC Meeting Regarding Procurement Reform**

There will be an NEC/Vice President Gore/Rubin meeting on Wednesday, September 29th, beginning at 3:30 p.m., in the Vice President's Ceremonial Office, Room 276 of the Old Executive Office Building. This meeting will be for principals plus one.

The subject of the meeting will be procurement reform -- specifically, the socio-economic requirements that would be relaxed by proposals to (1) raise the threshold for simplified purchases, and (2) make it easier for the government to buy commercial items.

The NEC is preparing a briefing memo which you will receive tomorrow.

To confirm your attendance and provide information for clearance to the White House complex, if needed, please telephone Sandy Mancini (456-2801).

LP- we won't get to the substance ~~unless~~ if we're facing a wave of united protest by minorities, disabled & vets.

VP This is era of perestroika. Time to say the emperor has no clothes. Shouldn't yield to ~~the~~ political fear. Pres. ~~&~~ has endorsed this idea, we have to do it, ~~&~~ ~~the~~ Those of us in favor must try to come up with alternatives to make those in NEC ~~who~~ who are uncomfortable feel better. I ~~know~~ understand the political pts, but there's a new politics here, we're new Democrats, & ~~&~~ we're going to miss boat if we do not ~~do~~ see this.

Reich- Davis Bacon is a big political 2 ~~but~~ for bus. community - do we want to use it separately or just include it as part of overall package

Major Socio-economic Provisions

Provision	Trigger Contract Value $	Subcontractor Flow Down? Statute?	Reg.?	Requirements Action Plan?	Reports	Certifications	Other
Davis-Bacon 40 USC 276a	2,000	Yes		No	Weekly Reports	No	-
Safety Standards 40USC 327	All Contracts	Yes		No	No	No	-
Walsh-Healy 41USC 35	10,000	Yes for 8a		No	No	Yes	-
Service Contract 41 USC 351	2,500	Yes		No	No	No	-
Drug-Free 41 USC 701	25,000	No	No	Yes	No	Yes	-
Rehabilitation 29 USC 793	10,000	No	Yes	Yes over $50,000	No	No	-
Vietnam Vets 38 USC 4212	10,000	No	Yes	Yes over $50,000 and 50 employees	No	No	-
Small Business 15 USC 637d	25,000	No	No	Yes over $500,000	No	No	-
Clean Air 42 USC 7606	100,000	No	Yes	No	No	Yes	-
Anti-Kickback Act 41 USC 51	All Contracts	No	Yes	No	No	No	Estab. detection procedures
Buy America Act 41 USC 10a-d	All Contracts	No	No	No	No	Yes	-
Cargo Preference Act 46 USC 1241b	All Contracts	No	Yes	No	No	No	-
EO II246	10,000	N/A	Yes	Yes over $50,000 and 50 employees	No	No	Workforce analysis (compare to local availability)

NPR mtg 9.17 w/VP

VP: 7-10 days after health care announce, gonna bill as 1st major systems piece of NPR
then subsequently have it married to the \ OLT) spending cut package

In Senate
rescissions to Approps
other pieces to the various committees
Issue will be if Sen. l'ship expedites it
House l'ship will cooperate in moving it

VP: "that whole operation (Mitchell's staff) is one big rope-a-dope"

VP: "I've never heard any reaction from M's staff to anything that didn't fit that description" (i.e. less than enthusiastic)

VP re strategy — if H passes, pressure will be on Mitchell
VP ~~[illegible]~~ insist'd on having the ~~whole~~ whole package go to flr, eg via amendment, bypassing committees ~~referrals~~

- possibility of 30% carryover ~~of~~ where agencies spend ~~[illegible] under~~ less than appropriated — to avoid year end spending splurge (tho prob. of ensuring that appropriators not penalize the agency the next year)

- VP wants bottom up grant consolidation

- buyout legis. coming to LP today

we tell agencies: come up w/ downsizing plan cons. w/ NPR

VP wants separate downsizing event

VP [illegible] w H & S key people ~~leaders~~
(2 mtgs) same day —
then schedule testimony

6 potential EO's

1) [illegible] council — VP: do by Pres. Mem.
2) [illegible] council
3) family friendly workplace
4) [illegible] (internal competition)
5) [illegible] commerce
6) [illegible] Intell oversight

do mgmt council pre 9:30
cab. mtg.

OL+4 AFL-CIO 1st John Sturdivant
would like to have nat'l p-ship
cncl'd by them