

TESTIMONY OF OMB DIRECTOR LEON E. PANETTA
HOUSE BUDGET COMMITTEE
OCTOBER 14, 1993

I am pleased to be here before the House Budget Committee to discuss the National Performance Review.

The goal of the National Performance Review is to provide the American people with a more effective, efficient and responsive government - a government that works better and costs less. Public confidence in the Federal government is at all time lows - there is a tremendous trust deficit. We must prove to the American people that their hard earned tax dollars will be treated with respect.

The National Performance Review began on March 3, 1993 when President Clinton asked Vice-President Gore to conduct an intensive six-month review of how the Federal government works. The Vice-President organized a team of experienced Federal employees from all corners of government to examine both agencies and cross-cutting systems, such as budgeting, procurement and personnel. He spoke with employees at every major agency and sought the views of hundreds of organizations, business leaders and state and local officials.

The President also asked all cabinet members to create Reinvention Teams to lead transformations at their departments, and Reinvention Laboratories, to begin experimenting with new ways of doing business. Thousands of Federal employees joined these two efforts.

The NPR report focuses primarily on how government should work, not on what it should do. It presents recommendations to improve performance in areas where

policymakers have already decided government should play a role. We spend most of our time debating policy issues, but as the NPR report states: "if the vehicle designed to carry out policy is broken, new policies won't take us anywhere. If the car won't run, it hardly matters where we point it; we won't get there."

The NPR report describes roughly 100 recommendations, while hundreds more are listed at the end of the report. By implementing these recommendations, I believe we can make fundamental changes in the performance of the Federal government. Without fundamental change public confidence in government will continue to spiral downward.

KEY RECOMMENDATIONS

Let me summarize some of the key recommendations of the Report:

Cutting Red Tape

- o Streamline the budget process through biennial budgets.
- o Decentralize personnel policy by reducing the time it takes to terminate Federal managers and employees for cause.
- o Streamline procurement by allowing agencies to make purchases under \$100,000 through simplified procedures.
- o Reorient the Inspectors General by focussing them on evaluating management control systems.
- o Reform the regulatory system by reducing internal regulations and reducing the burden of congressionally mandated reports.
- o Assist state and local governments by limiting the use of unfunded mandates.

Putting Customers First

- o Set customer service standards and develop one-stop shopping proposals.
- o Make government agencies such as the GPO and GSA compete with private enterprise.
- o Explore making the air traffic control system into a private corporation.
- o Encourage market-based approaches to reduce pollution.

Empowering Employees to Get Results

- o Decentralize the decision making power to increase the span of a manager's control.
- o Hold Federal employees accountable by developing performance agreements and clarifying the objectives of Federal programs.
- o Give Federal workers the tools they need to do their job through better training and by improving information technology.
- o Enhance the quality of work by providing greater equal opportunity and diversity.
- o Form a labor-management partnership through the National Partnership Council to devise personnel policy.
- o Improve leadership through the President's Management Council.

Cutting Back to Basics

- o Eliminate unnecessary spending in a number of Federal agencies through consolidation and provide the President with broader rescission powers.
- o Collect more fees for Federal services and improve Federal debt collection.
- o Improve productivity by allowing agencies to create innovation funds.
- o Cut costs by developing an electronic benefits program.

A BUDGET PERSPECTIVE

Scarce Resources and Spending Caps

As you know, the Federal government faces an unprecedented limit on spending over the next five years. Based on the reconciliation bill passed last summer, the new discretionary spending caps keep spending at or below FY 1993 levels for five years. Since FY 1969 discretionary spending has increased every year, so we are facing very tight caps on discretionary spending. This component of the Federal budget includes defense, transportation, research and development, education, health research and many of the basic functions of government. The National Performance Review recommendations will help the President and the Congress meet these caps through additional reductions in spending and more efficient and targeted use of scarce resources to priority investments.

Elements of Savings

I would like to refer you to page 157 of the National Performance review report and walk you through each element of the \$108 billion in savings over five years (FY 1995 to FY 1999) to give you our view on how we see implementation of the NPR being carried out.

o Streamlining the Bureaucracy through Reengineering - \$40.4 billion over five years:

As you know, the goal of the NPR is achieve a reduction in Federal personnel by 252,000 by the end of FY 1999 as various NPR reforms are put in place. We believe that a reduction of 100,000 is assured based on the President's executive order

issued last January. That will achieve \$26 billion in savings over the next five years. Plans to implement the remaining personnel reduction are being worked on by Federal agencies and we expect to present a stream of personnel reductions consistent with those plans in the Administration's FY 1995 budget.

o Changes to Individual Agencies - \$36.4 billion over five years: These proposals constitute a variety of program reforms in Federal agencies. The Administration hopes to present to Congress in the near future a legislative package incorporating approximately \$10 to \$12 billion of changes in agency budgets. The remainder of the proposals we hope to address in the FY 1995 budget and through administrative action.

o Reinventing Federal Procurement - \$22.5 billion over five years: The defense portion of these reductions, \$16 billion, is already assumed in Secretary Aspin's "bottom-up review" of the military budget. Discussions are currently underway between the Administration and the Senate Governmental Affairs and House Government Operations Committees on a procurement package to be introduced in the next few weeks.

o Reengineering Through Information Technology - \$5.4 billion: These savings are to be achieved through administrative actions which will consolidate and standardize information infrastructure. We estimate that \$1.0 billion of these savings can be

achieved through an electronic benefits initiative currently being developed by the Administration. Also, about one half of the savings here are to be achieved in the defense budget.

o Reducing Intergovernmental Administrative Costs - \$3.3 billion over five years:

The NPR has proposed that the Federal government's reporting requirements be simplified and reduced. State and local governments could accept a fee for service option in place of existing cost reimbursement procedures in return for greater administrative flexibility.

IMPLEMENTING THE NPR

Let me discuss some of the highlights of what action has been taken so far and the Administration's plans for further implementation of the National Performance Review recommendations, they include:

- o Executive Orders and Presidential Directives
- o An "October package" including NPR spending reduction proposals, rescissions, and procurement reform.
- o FY 1995 budget
- o Personnel
- o Government Performance and Results Act
- o President's Management Council

Executive Orders and Other Presidential Directives

The Administration has issued a number of executive orders and Presidential directives in its effort to implement the National Performance Review.

o **Improve Interagency Regulatory Coordination (Executive Order):** On September 30 this order was issued to clarify regulatory policy in the Clinton Administration. It provides for yearly meetings between the Vice-President, regulatory advisors and agency heads to coordinate regulatory efforts. The Vice-President will review and recommend resolution of conflicts between agencies and OIRA, the Office of Information and Regulatory Affairs. The OIRA Administrator is directed to convene a Regulatory Working Group with agency representatives to analyze regulatory issues and will meet quarterly with representatives of local governments to discuss Federal regulations with significant local government impact. Agencies must submit to OIRA by December 30, 1993, programs to review existing regulations to make them more efficient and less burdensome. Agencies will designate Regulatory Policy Officers by November 30, 1993 to oversee regulatory actions and ensure that they conform to the President's policies. OIRA will only review significant regulatory actions and will complete the review within strict time limits.

o **Eliminate One-Half of Internal Regulations (Executive Order):** On September 11 Executive Branch agencies were ordered to undertake elimination of 50% of their

internal management regulations within three years. OMB is to issue instructions implementing this order, including necessary exemptions for the delivery of essential services and compliance with the law.

o **Establish Enterprise Board for Empowerment (Presidential Memo):** The President's Community Enterprise Board, chaired by the Vice-President, was established on September 9 to coordinate Federal programs available to help distressed communities. The heads of the major agencies will be identifying programs which assist communities in an effort to direct funds for economic development in distressed communities.

o **Create Customer Service Programs (Executive Order):** On September 11 agencies which provide significant services to the public were ordered to survey their customers and report on the surveys by March 1994. The information gathered on customer satisfaction will be used to judge management performance and allocate agency resources. Agencies will be publishing customer service plans by September 1994 which identify the private sector standards which the agencies will be using to evaluate customer service.

o **Expand Authority of Trade Promotion Coordinating Committee (Executive Order):** Chaired by the Secretary of Commerce, the Trade Promotion Coordinating Committee was created on September 30 to coordinate trade promotion for the U.S., provide a

central source of information for the business community, and ensure better delivery of Federal government services on foreign trade to U.S. businesses.

o National Partnership Council (Executive Order): On October 1 this Council of government and labor officials was created to advise the President on labor-management relations in the Executive branch. The Council has been directed to propose to the President by January 1994 the statutory changes necessary to achieve needed labor-management partnerships, reform the General Schedule classification system and create a flexible hiring system.

o Eliminate President's Intelligence Oversight Board (Executive Order). On September 13 the Intelligence Oversight Board was subsumed under the President's Intelligence Advisory Board as a standing committee. The IOB will now assume the duties of the President's Intelligence Oversight Board.

October Package

As you know, the Administration is planning to send to the Congress a package of savings proposals later this month. This package will consist of ideas generated by Vice-President Gore's National Performance Review, rescissions of FY 1994 appropriations bills, and procurement reform legislation. We will be choosing items from the NPR which we

think can be enacted in an extremely fast time frame. The package should be seen in terms of a downpayment rather than the end of legislative action on the NPR. It is hoped that such a package will pass the Congress before adjournment.

FY 1995 Budget

We hope to have the bulk of the NPR proposals reflected in the President's FY 1995 budget. In fact many of the proposals in the NPR will involve complex legislation which will take the Administration some time to develop. Other proposals can only be presented properly in the context of an entire budget, for example the proposal to reduce education programs is intended to be offset with an increase in other, higher priority education programs.

Personnel

As you know, the 12% reduction in the Federal workforce - a reduction of 252,000 workers - proposed by the National Performance Review is a very ambitious goal. The President issued an Executive Order last January requiring a reduction of 100,000 workers by the end of FY 1995. The NPR proposes to increase that number by 152,000 by the end of FY 1999. OMB will be encouraging the agencies to refer to National Performance Review recommendations in developing their personnel plan, including closing or consolidating field offices; reducing management layering; fuller use of new technology;

reduction in regulation and red tape in such areas as personnel, procurement, budgeting, and internal management; and enhanced employee training and cross-training. We also plan to present specific five-year personnel levels in the President's FY 1995 budget.

Also, the Administration has sent to Congress a "buyout" proposal offering Voluntary Separation Incentive Payments of as much as \$25,000 to selected workers who leave government service. In the House the bill has been introduced as H.R. 3218 and I understand hearings are being held on the measure this week. This legislation is critical to our effort to reduce the number of personnel in government and it is our hope that it can be passed as soon as possible.

Government Performance and Results Act, S. 20

Signed into law by the President last August, S. 20 is an important step toward measuring the performance of Federal programs. OMB will soon designate a set of agency pilot projects which will experiment with methods of measuring government performance. I want to congratulate the Congress for moving this legislation so quickly. As you know, one of the frustrating aspects of making budget decisions is that we do not have good information on well Federal programs work. The Government Performance and Results Act will eventually help us make more informed choices about budget priorities.

President's Management Council

On October 1 the President created the President's Management Council. Headed by my Deputy Director for Management Phil Lader, the Council will be retooling management systems throughout the Executive Branch. Each agency head will be designating a Chief Operating Officer with agency-wide management authority. The Council will be engaged in 1) personnel downsizing, 2) developing plans to reduce field offices, 3) improving training for Federal employees, 4) implementing the performance measures required by the Government Performance and Results Act, and 5) where appropriate implementing other Administrative proposals from the National Performance Review.

Deficit Reduction and Investment

An obvious question is what NPR savings can be used to reduce the deficit. First, I would hope the Committee and the Congress look at the NPR as a way to make government perform better, it is not first and foremost a deficit reduction exercise. Our priority must be to better use the resources we now have, to give the taxpayer his or her money's worth - this is the focus of the NPR.

Second, to the extent we have savings identified by the NPR we should ask whether they should be used for investments. For example, there are billions of dollars of cuts

identified in the NPR for education, but they are specifically reserved to offset increases in higher priority education programs.

Third, it is essential that a portion of these savings be used to meet the discretionary caps under the budget. Cuts will have to be identified to reach those caps. Some of the NPR cuts may have to be used for that purpose. You also have special cases like defense which has already assumed procurement and personnel reductions in its bottom-up review.

Fourth, as we move beyond these issues there may be opportunities to dedicate NPR proposals passed by Congress to additional deficit reduction.

We should proceed carefully and rationally on this question.

Again, I appreciate the chance to discuss the National Performance Review with the Budget Committee. Implementing the NPR will be an tremendous task, but I think the rewards to the American people will be considerable. I look forward to working with you as the next steps are taken on the National Performance Review.

TESTIMONY OF OMB DIRECTOR LEON E. PANETTA
SUBCOMMITTEE ON OVERSIGHT, HOUSE WAYS AND MEANS COMMITTEE
OCTOBER 18, 1993

I am pleased to be here before the Oversight Subcommittee of the Ways and Means Committee to discuss the National Performance Review.

I would like to discuss the National Performance Review generally and then address some of the specific issues from the NPR that come within the jurisdiction of the Ways and Means Committee.

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PROPOSALS UNDER THE JURISDICTION OF THE WAYS AND MEANS COMMITTEE

I would like to briefly discuss those elements of the National Performance Review that come under the jurisdiction of the Ways and Means Committee. I hope the Administration can find common ground with the Committee to implement a number of these proposals.

Internal Revenue Service

- o The IRS should publish customer service standards calling for faster tax refunds and clearer tax forms.
- o The electronic transfer of refunds to taxpayers should be explored.
- o The IRS should determine if Federal employees are delinquent on tax debt as part of the debt collection efforts called for by the NPR.
- o The payment of taxes by credit card should be explored.
- o The IRS should reallocate its staff to frontline offices.
- o The program of tax system modernization should be strengthened and continued.
- o The feasibility of electronic filing of W-2 forms should be considered.

Social Security Administration

- o The Administration should publish customer service standards which emphasize courtesy to the public, and better and quicker responses to inquiries.

o The Social Security Administration should be allowed to use the debt collection tools (such as private collection agencies) available to other Federal agencies through the Debt Collection Act of 1982. These debt collection efforts would be focused solely on those who should not be receiving Social Security benefits.

o Additional Continuing Disability Reviews should be conducted to remove from the rolls those who no longer meet the SSA definition of disability.

o Make the SSA the clearinghouse for death information (OBRA 1993 improved the distribution of death information by refusing to give states Federal tax information if they restrict usage of death information provided by the SSA - this policy was contemplated in the NPR report).

o Improve processing of disability claims - funds have been provided in the FY 1994 appropriations bill for a new computing network.

Health and Human Services

o HHS should review its field office structure and report on opportunities for consolidation.

o Barriers that now legally prevent HCFA from openly competing with all possible bidders to process Medicare claims should be removed.

Customs

o Based on NPR proposals a Customs Service Task Force has been organized by the Commissioner to look at options for modernization.

o The consolidation of Customs and the INS should be explored if better coordination between the two agencies does not occur.

Bureau of Alcohol, Tobacco and Firearms

o The NPR proposed to merge the BATF into the Federal Bureau of Investigation.

o A firearms licensing user fee has been proposed by the NPR.

TESTIMONY OF OMB DIRECTOR LEON E. PANETTA
GOVERNMENT OPERATIONS COMMITTEE
OCTOBER 21, 1993

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A BUDGET PERSPECTIVE

Scarce Resources and Spending Caps

As you know, the Federal government faces an unprecedented limit on spending over the next five years. Based on the reconciliation bill passed last summer, the new discretionary spending caps keep spending at or below FY 1993 levels for five years. Since FY 1969 discretionary spending has increased every year, so we are facing very tight caps on discretionary spending. This component of the Federal budget includes defense, transportation, research and development, education, health research and many of the basic functions of government. The National Performance Review recommendations will help the President and the Congress meet these caps through additional reductions in spending and more efficient and targeted use of scarce resources to priority investments.

Elements of Savings

I would like to refer you to page 157 of the National Performance review report and walk you through each element of the \$108 billion in savings over five years (FY 1995 to FY 1999) to give you our view on how we see implementation of the NPR being carried out.

o Streamlining the Bureaucracy through Reengineering - \$40.4 billion over five years:

As you know, the goal of the NPR is achieve a reduction in Federal personnel by 252,000 by the end of FY 1999 as various NPR reforms are put in place. We believe that a reduction of 100,000 is assured based on the President's executive order

issued last January. That will achieve \$26 billion in savings over the next five years. Plans to implement the remaining personnel reduction are being worked on by Federal agencies and we expect to present a stream of personnel reductions consistent with those plans in the Administration's FY 1995 budget.

o Changes to Individual Agencies - \$36.4 billion over five years: These proposals constitute a variety of program reforms in Federal agencies. The Administration hopes to present to Congress in the near future a legislative package incorporating approximately \$10 to \$12 billion of changes in agency budgets. The remainder of the proposals we hope to address in the FY 1995 budget and through administrative action.

o Reinventing Federal Procurement - \$22.5 billion over five years: The defense portion of these reductions, \$16 billion, is already assumed in Secretary Aspin's "bottom-up review" of the military budget. Discussions are currently underway between the Administration and the Senate Governmental Affairs and House Government Operations Committees on a procurement package to be introduced in the next few weeks.

o Reengineering Through Information Technology - \$5.4 billion: These savings are to be achieved through administrative actions which will consolidate and standardize information infrastructure. We estimate that \$1.0 billion of these savings can be

achieved through an electronic benefits initiative currently being developed by the Administration. Also, about one half of the savings here are to be achieved in the defense budget.

o Reducing Intergovernmental Administrative Costs - \$3.3 billion over five years:

The NPR has proposed that the Federal government's reporting requirements be simplified and reduced. State and local governments could accept a fee for service option in place of existing cost reimbursement procedures in return for greater administrative flexibility.

IMPLEMENTING THE NPR

Let me discuss some of the highlights of what action has been taken so far and the Administration's plans for further implementation of the National Performance Review recommendations, they include:

- o Executive Orders and Presidential Directives
- o An "October package" including NPR spending reduction proposals, rescissions, and procurement reform.
- o FY 1995 budget
- o Personnel
- o Government Performance and Results Act
- o President's Management Council

Executive Orders and Other Presidential Directives

The Administration has issued a number of executive orders and Presidential directives in its effort to implement the National Performance Review.

o **Improve Interagency Regulatory Coordination (Executive Order):** On September 30 this order was issued to clarify regulatory policy in the Clinton Administration. It provides for yearly meetings between the Vice-President, regulatory advisors and agency heads to coordinate regulatory efforts. The Vice-President will review and recommend resolution of conflicts between agencies and OIRA, the Office of Information and Regulatory Affairs. The OIRA Administrator is directed to convene a Regulatory Working Group with agency representatives to analyze regulatory issues and will meet quarterly with representatives of local governments to discuss Federal regulations with significant local government impact. Agencies must submit to OIRA by December 30, 1993, programs to review existing regulations to make them more efficient and less burdensome. Agencies will designate Regulatory Policy Officers by November 30, 1993 to oversee regulatory actions and ensure that they conform to the President's policies. OIRA will only review significant regulatory actions and will complete the review within strict time limits.

o **Eliminate One-Half of Internal Regulations (Executive Order):** On September 11 Executive Branch agencies were ordered to undertake elimination of 50% of their

internal management regulations within three years. OMB is to issue instructions implementing this order, including necessary exemptions for the delivery of essential services and compliance with the law.

o **Establish Enterprise Board for Empowerment (Presidential Memo):** The President's Community Enterprise Board, chaired by the Vice-President, was established on September 9 to coordinate Federal programs available to help distressed communities. The heads of the major agencies will be identifying programs which assist communities in an effort to direct funds for economic development in distressed communities.

o **Create Customer Service Programs (Executive Order):** On September 11 agencies which provide significant services to the public were ordered to survey their customers and report on the surveys by March 1994. The information gathered on customer satisfaction will be used to judge management performance and allocate agency resources. Agencies will be publishing customer service plans by September 1994 which identify the private sector standards which the agencies will be using to evaluate customer service.

o **Expand Authority of Trade Promotion Coordinating Committee (Executive Order):** Chaired by the Secretary of Commerce, the Trade Promotion Coordinating Committee was created on September 30 to coordinate trade promotion for the U.S., provide a

central source of information for the business community, and ensure better delivery of Federal government services on foreign trade to U.S. businesses.

o National Partnership Council (Executive Order): On October 1 this Council of government and labor officials was created to advise the President on labor-management relations in the Executive branch. The Council has been directed to propose to the President by January 1994 the statutory changes necessary to achieve needed labor-management partnerships, reform the General Schedule classification system and create a flexible hiring system.

o Eliminate President's Intelligence Oversight Board (Executive Order). On September 13 the Intelligence Oversight Board was subsumed under the President's Intelligence Advisory Board as a standing committee. The IOB will now assume the duties of the President's Intelligence Oversight Board.

October Package

As you know, the Administration is planning to send to the Congress a package of savings proposals next week. This package will consist of ideas generated by Vice-President Gore's National Performance Review and rescissions from FY 1994 appropriations bills. Procurement reform is another element of the NPR we would like the Congress to consider

on a fast track this fall. We will be choosing items from the NPR for the savings package which we think can be enacted in an extremely fast time frame. The package should be seen in terms of a downpayment rather than the end of legislative action on the NPR. It is hoped that such a package will pass the Congress before adjournment.

FY 1995 Budget

We hope to have the bulk of the NPR proposals reflected in the President's FY 1995 budget. In fact many of the proposals in the NPR will involve complex legislation which will take the Administration some time to develop. Other proposals can only be presented properly in the context of an entire budget, for example the proposal to reduce education programs is intended to be offset with an increase in other, higher priority education programs.

Personnel

As you know, the 12% reduction in the Federal workforce - a reduction of 252,000 workers - proposed by the National Performance Review is a very ambitious goal. The President issued an Executive Order last January requiring a reduction of 100,000 workers by the end of FY 1995. The NPR proposes to increase that number by 152,000 by the end of FY 1999. OMB will be encouraging the agencies to refer to National Performance

Review recommendations in developing their personnel plan, including closing or consolidating field offices; reducing management layering; fuller use of new technology; reduction in regulation and red tape in such areas as personnel, procurement, budgeting, and internal management; and enhanced employee training and cross-training. We also plan to present specific five-year personnel levels in the President's FY 1995 budget.

Also, the Administration has sent to Congress a "buyout" proposal offering Voluntary Separation Incentive Payments of as much as \$25,000 to selected workers who leave government service. In the House the bill has been introduced as H.R. 3218 and hearings have been held in the House and Senate on this issue. This legislation is critical to our effort to reduce the number of personnel in government and it is our hope that it can be passed as soon as possible.

Government Performance and Results Act, S. 20

Signed into law by the President last August, S. 20 is an important step toward measuring the performance of Federal programs. OMB will soon designate a set of agency pilot projects which will experiment with methods of measuring government performance. I want to congratulate the Congress for moving this legislation so quickly. As you know, one of the frustrating aspects of making budget decisions is that we do not have good information on well Federal programs work. The Government Performance and Results Act will eventually help us make more informed choices about budget priorities.

President's Management Council

On October 1 the President created the President's Management Council. Headed by my Deputy Director for Management Phil Lader, the Council will be retooling management systems throughout the Executive Branch. Each agency head will be designating a Chief Operating Officer with agency-wide management authority. The Council will be engaged in 1) personnel downsizing, 2) developing plans to reduce field offices, 3) improving training for Federal employees, 4) implementing the performance measures required by the Government Performance and Results Act, and 5) where appropriate implementing other Administrative proposals from the National Performance Review.

Deficit Reduction and Investment

An obvious question is what NPR savings can be used to reduce the deficit. First, I would hope the Committee and the Congress look at the NPR as a way to make government perform better, it is not first and foremost a deficit reduction exercise. Our priority must be to better use the resources we now have, to give the taxpayer his or her money's worth - this is the focus of the NPR.

Second, to the extent we have savings identified by the NPR we should ask whether they should be used for investments. For example, there are billions of dollars of cuts identified in the NPR for education, but they are specifically reserved to offset increases in higher priority education programs.

**TESTIMONY OF
ALICE M. RIVLIN
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT**

May 2, 1995

Good morning, Mr. Chairman and Members of the Subcommittee. Thank you for the opportunity to discuss the Administration's effort to make government work better through the National Performance Review (NPR).

Public trust in the Federal Government is at an all-time low. In 1963, about 76 percent of all Americans believed the federal government did the right thing most of the time. Today, that figure hovers near 17 percent. Many Americans sound as though they want the government to just disappear -- except when they need the government's help.

For all the public anger, however, government remains a vital part of American life. After all, it is government that delivers the Social Security and veterans' benefits, provides health insurance for the elderly and poor, builds and maintains the roads, prevents accidents in the skies, and invests in the kinds of physical, scientific, and human capital that can nourish a strong economy in the future.

Because Government is so vital, we must make it work better. We owe that to the people who sent us here. The President and the Vice President are investing an enormous amount of time and effort into doing just that. They are building on previous initiatives that were already underway in various agencies, as well as on the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, and the Government Management Reform Act of 1994. This is a painstaking, un-glamorous task, a long-term project that amounts to continuous reinvention so that government can cope with new challenges.

Two years into our effort, though, this Administration is making real progress. We are creating a government that demonstrably works better and costs less; a government that measurably serves its customers better; a government that can better tell taxpayers what they are getting for their money; a government that is a more satisfying place to work for people dedicated to public service.

Nor am I the only one who thinks so. In late October, *Financial World* magazine wrote in an "open letter" to the President,

You've been working behind the scenes to improve government financial controls, contract oversight, performance measurement, strategic planning, training, procurement and a host of other seemingly mundane administrative procedures that ultimately determine the success or failure of any federal program. And we think you are making real progress.

After examining 10 major executive branch departments and agencies, the magazine concluded,

... Most of the 10 agencies have improved under your stewardship.

How are we doing it? I will talk today about how the Administration is attempting to recast the operations of government through the first two phases of our reinventing government effort, about our success to date, and about the challenges that remain.

The NPR: Phase I

In March 1993, President Clinton asked Vice President Gore to lead an effort to reinvent government. Unlike the 11 previous government reform efforts over the last century, the Vice President turned to the people who work in the government to help identify the problems. He believed that -- contrary to popular belief -- the problem was not the people; it was the systems in which they were forced to work.

In addition, he laid out a clear vision of how to proceed: He focused attention primarily on the "how" of government -- the processes, personnel rules, procurement regulations, and other mechanisms that determine how government functions. In Phase I, the NPR was designed to help improve performance in areas where policy makers and the public had decided that government should play a role.

The Vice President spoke with federal employees at every major agency and federal centers across the nation to get their ideas. NPR teams spoke with hundreds of different organizations, state and local officials, and business leaders who have restructured their organizations or used innovative management practices to turn their companies around. More than 30,000 citizens wrote or phoned in. In the end, the NPR developed over 1,200 recommendations, which the President adopted in September 1993.

For instance:

- Despite the focus on customer service in the private sector, few Federal agencies recognized that they had customers. Consequently, had no customer service standards. We recommended that all agencies develop, post, and measure standards as first steps toward changing their agencies' cultures.
- Nearly one of three federal employees -- more than 650,000 -- was engaged in a central control function (e.g., headquarters staffing, supervisory, personnel, budget, procurement, financial management). The Government's focus on control severely limited efforts to streamline operations and prompted most Federal employees on the front lines to treat headquarters as their primary customer. We recommended a reduction in Federal employment by 272,900 by cutting headquarters in half and streamlining agency overhead, both in Washington and the field.
- Agencies had created complex regulations, imposing them on themselves and the public. Disability claims can often take hundreds of days before a final decision is reached; in some agencies, travel administration costs more than the travel itself; procurement procedures add billions of dollars in costs, without improving the products being purchased. We proposed to radically redesign management systems in order to cut unneeded internal regulations and put in place, through executive order, a process for reviewing regulations imposed on the private sector.
- The Federal Government was doing things that no longer made sense. For example, many of the Agriculture Department's thousands of field offices were in place before modern highways and communications were available. The Defense Department was training doctors in a DOD medical school when doctors could be trained through scholarship programs at one-fifth the cost. The Federal Government had over 160 job training programs in 14 agencies. The Defense and Commerce Departments were separately building similar satellite systems. We recommended ways to save billions of dollars by eliminating unnecessary activities.

All told, the NPR's report of September 1993, *From Red Tape to Results: Creating a Government that Works Better and Costs Less*, contained recommendations that were designed to save \$108 billion over five years. Since then, the Administration has worked hard to implement those recommendations, some through its own actions and some through legislation on which it has worked closely with Congress.

By the end of 1994, the Administration had:

- taken steps, largely with Congress, to save an estimated \$63 billion over the next five years;
- cut federal employment, as measured by full-time equivalents (FTE), by more than 100,000, putting us ahead of schedule to meet the mandate of 272,900 fewer FTE by 1999;
- published nearly 1,500 customer service standards in over 100 agencies that, in turn, plan to report on their progress on meeting them later this year;
- worked with Congress to enact a landmark procurement reform bill that will streamline the Government's system of purchasing equipment and supplies; and
- spurred the creation of labor-management partnerships across the government, helping to design and implement the changes needed to reform government.

Just as important, some agencies are reinventing themselves from top to bottom, shifting their focus to provide better customer service and results.

- As the President likes to say, the Federal Emergency Management Agency has gone from a disaster itself into an effective disaster response agency. It is serving more disaster victims than ever and doing so effectively -- whether in the Midwest after the floods, in Los Angeles after the earthquake, or, most recently, in Oklahoma City after the bombing.
- The Customs Service is eliminating its regional offices, cutting its headquarters by a third and reallocating resources to its front line operations to help implement the GATT and NAFTA agreements.
- The Occupational Safety and Health Administration cut its operations manual for inspectors by more than three-quarters, freeing inspectors to spend less time following rules and more time protecting workers.
- The Small Business Administration has slashed paperwork requirements for certain loans from a few inches to a single page.
- And those thousands of Agriculture Department field offices that I mentioned earlier? The Department is busy closing 1,200 of them and creating "one-stop shopping" centers for farmers.

As we continue to improve "how" the government works, we have more recently addressed the question of "what" government should do. That is the central question of Phase II, to which I will now turn.

The NPR: Phase II

Late last year, the President launched Phase II of the NPR, shifting attention from "how" government should operate to "what" it should do. He asked the Vice President, his senior advisors, and the departments and agencies themselves to develop bold new ideas about what the Federal Government should do, and what it should stop doing.

The NPR and OMB set up teams to study every function and activity of government to decide which ones the Federal Government should continue to perform, which it should eliminate altogether, and which it should shift to the States, localities, or private sector. On this task, these teams worked closely with each major agency.

The first output of Phase II came in December when the President and Vice President announced the restructuring of five major agencies -- the Departments of Energy, Transportation, and Housing and Urban Development, the General Services Administration, and the Office of Personnel Management. Since then, we have announced the restructuring of five other major agencies as well as steps to continue our efforts to reform the regulatory system. (In the coming weeks, we plan to announce the restructuring of other agencies as well as further regulatory reforms.)

For instance,

- The Energy Department proposes to save over \$10 billion by privatizing the Naval Petroleum Reserves, terminating the clean coal program, selling uranium no longer needed for defense purposes, and significantly cutting costs through such initiatives as contract reform and restructuring nuclear waste clean-up efforts.
- HUD is refocusing its mission to concentrate on economic development for communities and transitions to economic independence for families. The department will consolidate its 60 programs into three broad, flexible performance funds and end public housing as we know it by providing funding to families, not public housing authorities. It also will create a more entrepreneurial Federal Housing Administration by converting it into a government corporation.
- NASA proposes to save \$8 billion by restructuring its

field centers to reduce duplication and align the organization for a smaller mission. It will change the way it works with prime contractors, making its process more results-oriented and returning NASA to its original role of a research and development agency.

A major part of Phase II involves the creation of "performance partnerships" among the Federal Government and States or other service providers. In his fiscal 1996 budget, the President proposed to consolidate 271 programs into 27 such partnerships.

These partnerships are based on the twin goals of trust and accountability. The Federal Government will trust States by giving them greater leeway to spend Federal resources to solve their own problems. In exchange, the States will provide greater accountability for how the money was spent -- that is, what it actually accomplished.

The partnerships will consolidate funding streams and eliminate overlapping authorities, reward desirable results, and reduce micromanagement and paperwork. Of the partnerships in the President's budget, one would combine 70 education and job training programs, allowing States and localities to develop comprehensive approaches to meet their particular needs. Another would consolidate 108 Public Health Service programs into 16 grant categories, based on state-local performance. A third would combine funding for 14 rural development programs and authorize USDA's state directors to help direct these funds to each State's highest rural development priorities.

The Unfinished Agenda

As we continue to reinvent government, we need Congress's help to tackle a series of other important items that are central to the task:

- Civil Service reform, which is in your committee's jurisdiction, is an important part of the reinvention effort. Organizations are changing the way they perform work, shifting authority to the front lines and empowering employees. We need to bring the civil service system in line with this new reality.
- A second procurement reform bill, which builds on the landmark measure enacted last year, will help streamline large dollar-value purchases -- as we did for smaller buys last year -- and reduce runaway procurement litigation on information technology contracts.
- Changing the way we plan for, acquire, and manage our

information technology systems will allow us to increase the performance of these systems, which are increasingly important to the management of the federal government and its programs.

- Financial management and budget account reforms will help us relate cost to performance as part of the budget process.

The Administration views these items as high priorities and plans to increasingly focus on them in the coming weeks. We plan to seek your help.

Conclusion

In conclusion, our success to date is encouraging but we can by no means declare victory. The effort to make government work better for Americans will require years of effort and continued long term attention from the highest levels of government. Our bottom line should be: Do Americans trust their government more today than in the past?

Mr. Chairman, Members of the Subcommittee, this completes my prepared remarks. I would be happy to answer any questions that you may have.