

Deer Haven
March 20, 1993
Oakton, Virginia



Mr. Bruce Reed
c/o The White House
Washington, D.C.

Dear Mr. Reed:

I agree with you, author David Osborne and President Clinton as well as Vice President Gore that our federal government needs to be "reinvented."

I'm interested in serving as a political appointee in the Clinton-Gore Administration (Bruce Lindsey has a file on me at the White House -see Gil Colon). Since I am a specialist in "employee communications" with an ombudsman background I believe I could be a major asset to the "performance review" evaluation of federal government agencies. Please keep me in mind for a possible position on your team.

I'm also a Mexican-American from Los Angeles which would help with your workforce diversity efforts. Some of my political references include: Gov. Pat Brown, Sr. of California; Hon. John Garamendi (California Insurance Commissioner, he ran the Clinton-Gore Campaign in the Golden State with John Emerson); Ambassador Mickey Kantor, Commerce UnderSecretary of Economics Derek Shearer, the National Hispanic Leadership Agenda, the Southwest Voter Registration Project; Reps. Esteban Torres, Tony Beilenson, Lucille Roybal-Allard -all California Democrats; the East L.A. Community Union (TELACU); Gov. Jerry Apodaca, former Gov. of New Mexico; the National Women's Political Caucus; Dr. Julian Nava (former U.S. Ambassador to Mexico under President Carter) and others.

I also worked with Heidi Shulman (Mickey Kantor's wife) when I was in television at KNBC TV in Burbank, California. She helped President Clinton out during his campaign with media relations/strategy...something I excel in too.

I have been actively involved in the California Democratic Party and have run many statewide and local political campaigns for people like Pat Brown, Dr. Julian Nava (former Ambassador to Mexico under President Carter) and others. I love politics and have always wanted to work for the federal government.

Yes, I did volunteer campaign work for Clinton-Gore via organized labor groups here in the area.

-More-

Deer Haven



Oakton, Virginia

Bruce, I hope we get a chance to meet and talk. Having the government employees at each agency evaluate their own departments and jobs is a great idea. TQM is the only way to go. Government does need to get more service oriented, accountable and user friendly or client centered.

Good luck with this effort. I wish you the best.

Warmest regards

Alicia Sandoval

Alicia C. Sandoval

Enclosed: Vita
Resume
Letters of Recommendation

ALICIA C. SANDOVAL
2710 Linda Marie Drive
Oakton, Virginia 22124
(703) 476-6639

CAREER SUMMARY

Experienced professional in communications, specialist in "public affairs," "media relations" and "public information." Association manager in public relations, broadcasting and education. Excels at issues management and crisis PR, trend analysis, futures projections, and niche marketing. Creative problem solver and expert on "strategic planning" for non-profits. Researcher/writer. Strong platform presence.

EMPLOYMENT HISTORY

1991 **MEDIA CONSULTANT FOR THE RENNY MARTIN COMPANIES**—Management, PR, to marketing, media/education specialist.
Present

1988 **NATIONAL EDUCATION ASSOCIATION**, Washington, DC
to
1991 A two million member professional employee organization representing 90,000 university/college professors as well as K-12 school teachers.

Director of Communications

Planned, developed, initiated and coordinated media for 50-state affiliates, plus Puerto Rico, and an Overseas NEA Association. Managed a staff of up to 35. Responsible for budgets ranging from \$2 million to \$5 million. Prepared speeches, position papers, and news briefings for Capitol Hill hearings. Worked with the White House, the Departments of Education and Labor, the National Governors Association, and other agencies to influence "public policy." (*Registered Congressional Education lobbyist.*)

Publisher/Editor for monthly membership tabloid, 40 pages, four-color, ads. Read by 1.6 million, Audit Bureau of Circulation. Also publisher-editor for six association newsletters (weekly).

In charge of a state-of-the-art tv studio, radio and satellite facilities (in-house). Produced video news releases, did video conferencing, and satellite tours for officers and members. Directed an annual national advertising campaign using tv, radio and news magazines. Supervised all media placement.

Networked with national and local press. Worked on special media events, the annual four-day convention, two national conferences. Assisted with "strategic planning" to develop association "mission statement."

Key Accomplishments:

- Won gold medals at international/American tv/film festivals for NEA produced spots.
- Developed and syndicated an "Op Ed" national newspaper series.
- Had NEA co-sponsor the ABC-TV/PBS "Literacy Plus" program on mentoring with First Lady Barbara Bush.
- Updated and expanded media/press relations mailing lists to include national, state, regional and local contacts in print and broadcast as well as foreign language media.
- Started regular "debriefing" education sessions for working journalists—provided technical background information on breaking news issues.

1985
to
1987

AMERICAN FEDERATION OF LABOR-CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO), Los Angeles, CA

A central labor body servicing 422 locals or trade unions.

Public Relations Director

In charge of all media relations for the Federation which represents AFL-CIO affiliated local and international unions in Southern California. Edited a monthly newsletter and an annual "Labor Review" publication. Wrote "op ed" pieces on labor issues for major newspapers. Labor news reporter for national AFL-CIO and California state member publications. Spokesperson for the Federation at many labor/community conferences/events.

Key Accomplishments:

- Developed special video training course for labor leaders on how to perform during tv/radio news interviews.
- Updated all media lists—Included minority press.

1971
to
1984

METROMEDIA TV (Now FOX TV, KTTV-TV, CHANNEL-11), Hollywood, CA

Broadcaster/Manager

While at Metromedia TV, co-produced and hosted a daily public affairs TV talk show. Helped select guests and topics, research and write for the shows. Interviewed world famous news makers, celebrities and leaders. Focused on public policy issues. Part of station's management team as Director of Community Relations, an editorial board member and coordinator for the minority-employee broadcasting scholarship program with Columbia College. Represented station at many industry/community events. Did prime-time special documentaries with news team.

Key Accomplishments:

- Helped start an investigative reporting unit for news team.
- Developed an award-winning public service tv spot series saluting outstanding minority community leaders.

1969
to
1971

UNITED-TEACHERS OF LOS ANGELES (UTLA), Los Angeles, CA

Field Representative

Serviced union members in Northeast part of the LA City School District. Duties included membership recruitment, chapter building, acting as liaison between the teachers' union, school board, parents and community. Handled teacher contract grievances.

1968
to
1969

LOS ANGELES PUBLIC SCHOOLS, Los Angeles, CA

Teacher

Taught 10th and 11th grade English at Roosevelt High in East Los Angeles.

Additional Education Experience in Higher Education (Part time and evenings) (1976-1988)

- *Journalism Instructor for LA Community Colleges.*
- *Communications Instructor at Loyola Marymount University, University of California at Los Angeles (UCLA extension) and at California State University (Northridge campus).*

CONSULTING WORK

- Eastern Group Publications—developed strategies to increase advertising and subscription readership of this weekly bilingual newspaper.
- Hispanic Magazine—advised on methods to increase advertising. Positioned the magazine as being unique in the market place.
- Membership consultant to California Faculty Assn. (CFA) which represents the majority of state university professors at nine campuses.

EDUCATION

MA, Educational Administration, University of Southern California, 1970.

BA, English/Education, University of California at Los Angeles, 1966.

HONORS

Listed in Who's Who in American Women (Marquis).

Named as one of the "100 Most Influential Hispanics" by Hispanic Business Magazine, November, 1988.

Recipient of Yale University's "Nelson Poynter Fellowship in Modern Journalism."

"Humanitarian Awardee," LA City Human Relations Commission.

PROFESSIONAL AFFILIATIONS

National Press Club, Washington, DC

American Society of Association Executives

Public Relations Society of America

Federal City Club (Public Affairs, Government)

American Federation of TV & Recording Artists (AFTRA)

Magazine Publishers Association (MPA)

Newspaper Guild

Advertising Club, Washington, DC

National Association of Hispanic Journalists

Radio-TV News Directors Association

COMMITTEES
BANKING, FINANCE AND
URBAN AFFAIRS
CHAIRMAN
SUBCOMMITTEE ON CONSUMER
AFFAIRS AND CREDIT
SUBCOMMITTEE ON HOUSING AND
COMMUNITY DEVELOPMENT
SUBCOMMITTEE ON INTERNATIONAL
DEVELOPMENT, FINANCE,
TRADE AND
MONETARY POLICY
SMALL BUSINESS
SUBCOMMITTEE ON
ENVIRONMENT AND EMPLOYMENT
SUBCOMMITTEE ON PROCUREMENT
TOURISM AND RURAL DEVELOPMENT

Congress of the United States
House of Representatives
Washington, DC 20515-0534

ESTEBAN E. TORRES
34TH DISTRICT, CALIFORNIA

January 29, 1993

DEPUTY MAJORITY WHIP
WASHINGTON OFFICE
1740 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, DC 20515-0534
(202) 525-5258
DISTRICT OFFICE
8818 WHITTIER BOULEVARD
SUITE 101
PICO RIVERA, CA 90860
(310) 895-0701
WEST COVINA LA PLANTE
AND BALDWIN PARK
PHONE ONLY
(818) 861-3978

Mr. Bruce Lindsey
Assistant to the President and Senior Advisor
Office of Personnel
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

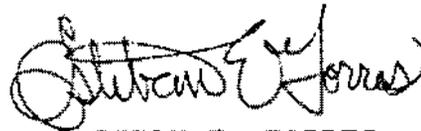
Dear Mr. Lindsey:

I am writing to offer my highest recommendation for the appointment of Ms. Alicia Sandoval for a SES-level policy-making position at the Department of Education, the Department of Labor, the Federal Communications Commission, or on the White House communications staff.

Ms. Sandoval is also interested in a position at the Department of Health and Human Services in the areas of public affairs, media relations, community outreach, or minority liaison projects. She is a highly accomplished professional in the communications field, presently serving as Director of Communications for the National Education Association. She has received numerous awards and honors and has been active in community activities and union affiliations.

Ms. Sandoval has outstanding credentials and would be an invaluable asset to the Administration in one of these positions. I would ask that you give her application your highest consideration.

Sincerely,



ESTEBAN E. TORRES
Member of Congress

EET/na
Enclosure
cc: Richard Riley, Secretary of Education
Robert Reich, Secretary of Labor



Southwest Voter Registration Education Project

February 26, 1993

Mr. Bruce Lindsey
Assistant to the President and Senior Advisor
Office of Personnel
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Mr. Lindsey:

I am writing you in support of an appointment for Ms. Alicia Sandoval to a policy-making position at the Departments of Education, Labor, Federal Communication Commission or on the White House Communications staff.

Ms. Sandoval has always proven herself to be highly competent and effective media professional and has always been strong representative of the Latino community. I believe that Ms. Sandoval's intelligence and commitment to fairness and opportunity will be a valuable asset to the Clinton Administration.

I urge you to select Ms. Sandoval to a position of responsibility where she can make a significant contribution.

Sincerely,

A handwritten signature in cursive script that reads "Richard Martinez". The signature is written in dark ink and is positioned above the typed name and title.

Richard Martinez,
Executive Director

cc: Alicia Sandoval



Dear Reader,

The Hispanic world is vast, and in this issue we cover only a slice--but it is a slice with lots of flavor. Lee Trevino, America's golfing legend, is our cover feature. With this month's amnesty deadline in mind, we introduce you to a family from Texas and their journey through the amnesty program. We profile Marta Istomin, the Artistic Director of the Kennedy Center and Alicia Sandoval, a dynamic woman recently named Communications Director at NEA who just arrived in Washington, D.C. whom we are sure you will be hearing more about.

We cover news south of the border with the PRI presidential candidate, Carlos Salinas de Gortari, and his promise for the future modernization of Mexico, then swinging to the other border we discover a thriving community--Hispanics in Canada. We also present two more presidential profiles, Jesse Jackson and Albert Gore, Coast to Coast--featuring brief stories

from more than twenty cities throughout the US and Puerto Rico--and our regular departments including La Merienda, a light satire of current events that affect Hispanics.

The Forum is an important part of our magazine. This is where we invite people to discuss the issues that are of significance to our community. This month our guest columnist is Dr. Barbara Bailar, former Associate Director for Statistical Standards and Methodology at the U.S. Census. Dr. Bailar has surfaced what could become the single most important issue affecting our community into the year 2000, the projected undercount of Hispanics in the 1990 census. This is an issue that will be in the news in the immediate future and one which we must be prepared to address.

We hope you enjoy HISPANIC this month. We look forward to hearing from you.

JERRY APODACA
Publisher



February 10, 1993

Mr. Bruce Lindsey
Assistant to the President
and Senior Advisor
Office of Personnel
The White House
Washington, D.C.

Dear Mr. Lindsey:

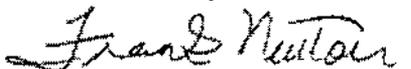
I am writing to offer my strong support for the appointment of Ms. Alicia Sandoval to an SES-level, policy-making position. She has the finest professional credentials and would be an invaluable asset to the Administration.

Ms. Sandoval would be an outstanding candidate for positions in the Department of Education, the Department of Labor, the Federal Communications Commission or on the White House communications staff. She is also interested in a position at the Department of Health and Human Services in the areas of public affairs, media relations, community outreach or minority liaison projects.

Ms. Sandoval has superior skills and experience in virtually all facets of communications. She was a prominent television broadcaster for more than a decade in Los Angeles, where she worked as a feature reporter, news producer and talk-show host. She also taught journalism and communications at several Southern California colleges and universities. Most recently, she served as Director of Communications for the 1.9 million member National Education Association.

In view of her exceptional talents and accomplishments, I would ask that you give her application your highest consideration.

Sincerely,


Frank Newton, Ph.D.
Executive Director

OPPORTUNITY IN

tunity knocked, pop singer as the first to ive to create unities," says whose first *Disguise* was er. This month of *The Love* with Dan ed in come- y's Christmas ópez, a Puerto ens billed as the mid- usly optimis- sic career. "ams," she world is cruel



KITCHEN MAGICIAN

If your kitchen is a repository for beer cans and dirty dishes or a playground for *cucarachas*, then you may be suffering from "kitchen impotence," warns José Maldonado. His *Eating In: The Official Single Man's Cookbook* (Corkscrew Press, Silver Spring, Maryland, \$8.95) is a tongue-in-cheek approach to what might be called bachelor-style *nouvelle cuisine*. The 140-page



cookbook contains handy kitchen cleanup tips, a wine pronunciation guide and (perhaps most important) a first-aid section. "I don't view myself as the next Galloping Gour-

met," concedes the 33-year-old Puerto Rican, who collaborated with former roommate Rich Lippman on the book. "I'm just a funny guy who likes to cook

BY HERITAGE

DeLigny Gallery in Fort Lauderdale, Florida. This month, DeLigny displays some of Gutiérrez' latest works as part of its 25th anniversary. "To survive as an artist," says Gutiérrez, "you must be aggressive, know the business, believe in yourself and develop your craft."

rs since Ernesto Gutiérrez e U.S. to study art on a rship. Peruvian-born ys his inspiration comes



EDUCATION PAYS

It pays to be educated, insists United Hispanic College Fund co-founder Alicia Sandoval. Your future may depend on it. "We're living in a high-tech society and one has to be educated to adapt to all the changes," says Sandoval, chief spokeswoman for the 2 million-member National Education Association. "It's no longer a matter of working in a factory or on an assembly line." Last month, the Mexican American community leader was recognized as one of the nation's 100 most influential Latinos by *Hispanic Business* magazine. She encourages minorities to go to school "because minority students are becoming the majority."



A SEEKER OF EQUALITY

For Michigan civil rights director John Roy Castillo, the struggle for equality under the law is a full-time job. These days the Mexican American lawyer spends a lot of time "re-educating the public about the need for equal rights." Castillo, 40, says his most recent battles have been opposing AIDS discrimination and drug testing. Next year, he takes the helm of the National Association of Human Rights Workers, the nation's oldest civil and human rights organization. To the Michigan native, "the key to success is that piece of paper that says you have graduated."



PASSAGES

NAMED: *Diario las Américas* publisher Horacio Aguirre; Businessman of the Year by the Interamerican Association of Businessmen. Aguirre founded the Miami-based Spanish-language newspaper in 1953.

ELECTED: Miami general contractor Lorenzo L. Luaces; president of the Latin Builders Association of Dade County, Florida.

HONORED: Houston Coalition of Hispanic Women; as Hispanic Organization of the Year by *La Voz*, Houston's bilingual newspaper. Blanca Hernández is president of the 2-year-old organization.

SWORN IN: U.S. Department of Labor Hispanic Employment Program Manager Elia Mendoza; as president of the Washington-based National Council of Hispanic Women.



GIRL SCOUTS

September 15, 1992

To Whom It May Concern:

This is to verify that Alicia C. Sandoval served on the National Board of Directors of Girl Scouts of the United States of America for the period 1971 - 1972.

Ms. Sandoval was among the first Hispanic-American representatives to serve on the National Board of Directors. As a National Board member, Ms. Sandoval gave leadership to national outreach efforts to get more Hispanic-American girls involved in Girl Scouting, especially those living in the inner cities.

Sincerely,

A handwritten signature in cursive script that reads "Patricia D. Winterer".

Patricia D. Winterer
Deputy National Executive Director
Corporate Meetings and Relations

TELACU

5400 E. Olympic Boulevard
Los Angeles, CA 90022
(213) 721-1655

February 25, 1993

Mr. Bruce Lindsey
Assistant to the President and Senior Advisor
Office of Personnel
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

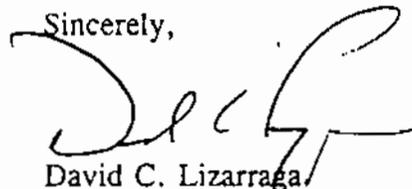
Dear Mr. Lindsey:

It is my pleasure to recommend Ms. Alicia Sandoval for a policy - making position within the Clinton Administration.

Ms. Sandoval's broad experience in public affairs, economic development and active leadership roles within party issues would lend sophistication and a keen sense of business and community involvement needed during our country's renewal.

Ms. Sandoval would be a credit to President Clinton in whatever capacity she might serve. Her reputation and efforts on behalf of our community would serve to further foster the warm relationship President Clinton enjoys within the Latino community.

Sincerely,



David C. Lizarraga
President and Chief Executive Officer

DCL:OCB:zc

Latinas Want Administration Posts

By Sandra Márquez

Latina business, academic and political leaders flexed their political muscle at the first-ever National Hispanic Women's Summit in Washington, D.C., Feb. 6. They raised more than \$10,000 in 10 minutes to lobby for posts in the new administration.

After more than 12 hours of discussion on the obstacles to Latina success in the corporate sector, government, academia and the media, the 42 women from across the country called for tangible results.

More important than the lack of mentors and the need to establish networks, the women decided, was the need to have a voice in President Clinton's administration.

"We are at a critical time," said Miami businesswoman María Elena Toraño, who chaired the event. "Not one appointment of a Latina to the cabinet has been made by this president."

The group expressed frustration over not having someone to address its grievances.

continued on page 2

Latinas Coalesce for Posts in Administration

continued from page 1

Keynote speaker María Echaveste, deputy director of personnel at the White House, was unable to leave New York on time because of bad weather.

Urging the women to take immediate action, Washington, D.C., businesswoman Ada Peña pledged \$1,000 for an ad in the Washington Post to protest the near invisibility of Latinas in the new government.

Within minutes, Toraño announced they had reached the \$10,000 mark.

By the end of the evening, \$8,250 had been collected in checks, with \$4,150 more promised.

Proposed text for the quarter-page ad, scheduled to appear Feb. 18, reads:

"Señor Presidente Clinton, Hispanic women represent the diversity you promised in your campaign.

Hispanic women anticipate significant participation in your administration."

The ad will be signed by the National Hispanic Women's Forum, a group formed from the daylong conference, as well as individuals and Hispanic organizations.

Echaveste, contacted after the conference, applauded the women's lobbying effort, saying, "We need Latinas, not just Latinos. That's the message I carry, and I think it's

important for people outside the administration to push for as well."

Latinas must act now, City of Chicago Treasurer Miriam Santos told Weekly Report. "We have to act quickly and decisively to get our share of the appointments."

Santos expressed outrage after the Commission on Presidential Appointments, an offshoot of the National Women's Political Caucus, generated a list of some 76 women it endorsed for senior-level appointments.

"We were very shocked and surprised that not one Latina made the cut," she said.



SANTOS

"We have to promote our own women because no one will do it for us."

President Bush appointed 18 Senate-confirmed Latinas during his term. They included Surgeon Gen-

eral Antonia Novello, former U.S. Treasurer Cathi Villalpando, former Export-Import Bank director Rita Rodríguez, and four assistant secretaries.

"Bush was good at giving Latinos visible roles," countered Echaveste, but he named "few judges and few mid-level appointments that actually have an impact..."

Of Clinton's 40-some appointments to date, a Senate-confirmed Latina has yet to be chosen. Blandina Cárdenas Ramírez of Southwest Texas University said, "We need to find a way to put this on the agenda," lest the administration's perception of Latinas will be as "a bunch of illegal nannies."

Toraño is interested in replicating the forum in Miami in May or June. "The desire to keep this going is like a spark," she said.

Annie Betancourt, director of the Center for Professional Development and Corporate Training in Miami, urged the group to tap into the summit's momentum.

"There is so much energy and so much potential in this room. We can break down walls. So let's not waste the day."

100 INFLUENTIALS



"Hispanics have to have more top policy-makers in education, business, and government as well as a general higher standard of living to achieve Anglo parity."

—Alicia Sandoval



WASHINGTON METRO EDITION

tional Hispanic Reporter

Monthly Newspaper Addressing National Hispanic Issues

P.O. Box 44082, Washington, DC 20026

February 1993

Chairman, Hispanic Caucus

Hispanic Leaders Call for More Latino Appointments at the Sub Cabinet Level

an alliance with other
sive groups in the House
view to the passage of
on of mutual interest.

WASHINGTON, D.C. -- The National Hispanic Leadership Agenda (NHLA), a coalition of prominent Hispanic leaders and national organizations, is urging President Clinton to carry forward his promise of greater diversity in his administration by appointing more Latinos at second and third tier positions below the Cabinet. NHLA applauds the President for his appointment of two outstanding Hispanic leaders to his cabinet—Henry Cisneros, Secretary of HUD, and Federico Peña, Secretary of Transportation—but NHLA also stresses the importance of having Latinos represented at all levels of the new administration.

The NHLA board of directors at its meeting on January 22nd in the nation's capital, unanimously passed a resolution emphasizing that, although Hispanics number



Frank Cota-Robles Newton
NHLA Executive Director

more than 25 million in this country, they are severely underrepresented in the federal government. In view of this inequity, NHLA's resolution calls upon the Clinton administration

- to address the following three goals:
- Appoint at least one Latino at the deputy or assistant secretary level in each federal agency.
 - Appoint at least 120 Hispanics to positions requiring Senate confirmation.
 - Increase the number of Hispanics serving in Senior Executive Service (SES) positions in all federal agencies.

Dr. Frank Cota-Robles Newton, NHLA Executive Director, explains that:

"President Clinton's appointment of Henry Cisneros and Federico Peña to the Cabinet is wonderful, but it is still just a first step. Below those top level, policymaking offices are many deputy secretary and director positions, and the people in those



Serrano (NHLA)

Senator Jose E. Serrano
leadership appointment to
ice SERRANO, pp. 2

Take Out on

Governor Pedro Rosselló Signs Legislation for English to Rejoin Spanish as Official Language in Puerto Rico

WASHINGTON, D.C. -- I am
haver, a Chapter I
acher at Wakefield
ol in Tucson, Arizona.
weeks this past fall,
s were exposed to
proteases. The week
teaching; our student
nt was assaulted for
ng leader and several
re detained in the
the 13-year-old who
l of snitching was
all hell broke loose.
arning through the

BAYAMON, P.R. -- Puerto Rico once again has two official languages. On January 28, accompanied by thousands of school pupils, Gov. Pedro Rosselló today signed legislation establishing that Spanish and English can be used interchangeably in the government of the United States territory.

During an outdoor ceremony at a science-oriented theme park in the Caribbean island's second-



ALICIA C. SANDOVAL
Biographical Sketch

Alicia C. Sandoval, a former California college teacher, television broadcaster, and labor executive has been serving as Director of Communications for the 1.9 million member National Education Association--the nation's largest union and organization of education employees since February of 1988.

Before coming to the NEA, Sandoval was director of communications for the Los Angeles County Federation of Labor, AFL-CIO, representing 422 unions and some 700,000 workers.

She taught journalism and communications part-time at the Los Angeles Community College District for 10 years. She also taught at Loyola-Marymount University and at the University of California at Los Angeles (UCLA) Extension School.

Sandoval's television career in the Los Angeles area spanned 13 years between 1971 and 1984 in various roles as producer, host, writer, editorial board member, and a member of a news team specializing in features.

The new NEA Communications Director produced and hosted a daily talk shown for Metromedia TV (now Fox Broadcasting), and worked as a free-lance producer for KNBC-TV's "education exchange series," which produced a 12-part series on Mexican-American history.

During 1981 Sandoval interviewed Vice President Walter Mondale in the White House for a Public Broadcasting Service TV special. She also completed a prime-time feature on "U.S.-Mexico Relations" at the State Department for Metromedia TV and co-produced a five-part news series on Central American refugees for local and network ABC-TV airing.

From 1970 to 1971, Sandoval served as a field representative for the United Teachers of Los Angeles. Before that, she taught English and English as a Second Language at Roosevelt High in East Los Angeles.

Sandoval holds a bachelor's degree from UCLA. She received her master's degree in Educational Administration from the University of Southern California, where she also did post-graduate work.

Among her many union affiliations are memberships in the Los Angeles Newspaper Guild, American Federation of Television and Radio Artists, American Federation of Teachers College Guild, Coalition of Labor Union Women (CLUW), and the Labor Council for Latin American Advancement, Los Angeles Chapter, AFL-CIO.

Sandoval has received many awards, honors, and has been active in numerous community activities, including volunteer work. She has been honored along with Bob Hope by the United Hispanic College Fund, of which she is a co-founder. She also is a recipient of the "Humanitarian Award" from the Los Angeles City Human Relations Commission.

Sandoval received the "Nelson Poynter Fellowship" in Modern Journalism from Yale University and the "Excellence in Television" award from the Southern California Motion Picture Association.

Most recently, she was profiled in Hispanic Magazine and selected as one of America's 100 most influential Latinos by Hispanic Business Magazine.

Sandoval is a native of Los Angeles and lived in North Hollywood before coming to Washington.

ADDENDUM:

Recently selected for inclusion in the 1993 edition of Gale's Research "Notable Hispanic-American Women."

CALIFORNIA FACULTY ASSOCIATION
8939 S. Sepulveda Boulevard, Suite 508 • Los Angeles, CA 90045

To Whom It May Concern:

This is to verify that Alicia Sandoval was hired by us, the California Faculty Association, as a consultant for the three month period of October through December, 1987.

In this capacity her duties included servicing faculty members at three campuses: Cal State Northridge, Cal State Dominguez Hills and Cal State San Bernardino. She assisted with new membership recruitment techniques, campus chapter building and grievance issues related to our collective bargaining contract.

CFA represents 20,000 Cal State University educators at 19 different campuses statewide.

As her immediate supervisor, I found Alicia to be professional in all work related tasks. She is dependable, trustworthy, a self-starter, energetic, enthusiastic and knowledgeable about educational matters. Alicia has demonstrated her leadership and communication skills in getting faculty to join CFA. It's my opinion that she is truly committed to the education profession.

Should you need additional information, please phone me at CFA headquarters: (213) 641-4430:

Sincerely,



Eric Mann
Associate General Manager



EAST LOS ANGELES COLLEGE

Arthur D. Avila, President

1301 Brooklyn Avenue
Monterey Park, California 91754 (213) 265-8650

January 5, 1988

To Whom It May Concern:

Alicia Sandoval has been teaching part-time for me for almost 12 years. She is an outstanding teacher whose students rave about her classes. She has been teaching a very popular public relations class. Sandoval also originated our broadcast journalism class which she teaches each semester. Further, she has taught mass communications a number of semesters. I highly recommend her.

Sincerely,

Jean Stapleton

Jean Stapleton
Journalism Department
Chair



Loyola Marymount University

Communication Arts

TO WHOM IT MAY CONCERN:

Ms. Alicia Sandoval has asked that I write her a letter of recommendation which I am pleased to do.

Each year the Communication Arts Department is inundated with a multitude of applicants for teaching positions. I have had the opportunity to interview many, many candidates and I can honestly say that Ms. Sandoval immediately stood out as being a winner on a number of levels. She is extremely professional, prompt, courteous, clear, concise and qualified. I asked that she work up two course syllabi and within a week there were two fully outlined courses in communications. I hired her for this past semester and she has done an admirable job.

I can easily give her my highest of recommendations and if I had the slot I would hire her in a flash.

Sincerely yours,



Donald J. Zirpola
Chairman
Communication Arts

DJZ:11

**STATEMENT OF
LEON E. PANETTA
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
before the
Senate Committee on Governmental Affairs
March 11, 1993**

Mr. Chairman, Senator Roth, members of the Committee. I am very pleased to be here today -- precisely two months after appearing before you on the subject of my confirmation -- to discuss various proposals being considered by this Committee to help our government be more effective and efficient at bringing programs and services to the American public. I have a brief statement and then would be happy to answer your questions.

I am particularly delighted you are considering proposals that go beyond mere management 'window-dressing', and which set about -- in a very fundamental way -- to transform how our government is organized and the way it goes about doing business.

I am no stranger to suggesting the need for substantial change. As you know, Senator Campbell's bill, S. 255, parallels closely a measure I introduced last year in the House. I point this out, not to make any particular brief for Senator Campbell's wisdom in choosing such a splendid model, but to express my enthusiasm at now finding ourselves standing on the threshold of introducing lasting and worthwhile changes.

I would be remiss if I did not acknowledge the outstanding leadership shown by this Committee over the past decade to improve the management of the Federal Government. Both the nation and those of us now laboring in the Executive Branch are benefiting from your efforts in enacting legislation to strengthen financial accountability and controls, attack waste and fraud, and provide for a capable and skilled Federal workforce.

I can assure you that management and reform are not only high on my agenda, but that they are high on the President's agenda as well. Having already spent dozens of hours with him reviewing how programs are currently doing, what they should be doing, and how to make them more effective, I can assure you that this President is very much engaged in the management of this government.

National Performance Review

Nothing better exemplifies the President's commitment to make government work better than his announcement last week of a major initiative to streamline government led by Vice President Gore. I was pleased to see that the Chairman, Senator Roth, several other members of this Committee, and other members of the Senate and House joined him as he made that commitment. You have first-hand evidence that he is very serious about this effort.

Mr. Chairman, I ask that a copy of both the President's and the Vice President's remarks announcing this initiative (which are attached to my statement) be made part of the record.

I would like to describe briefly several features of the National Performance Review, features that distinguish it from prior task forces, commissions, and studies. First, we will rely on the great depth of knowledge possessed by Federal employees at all levels on what is working and what is not, and on their suggestions for improvements. Secondly, this review will enlist the support and ideas of the American public in defining the changes that ought to be made. Third, we are placing a special emphasis on improving the quality of Federal services to the citizens of this country. They are, after all, the ones who pay for these services. Fourth, this effort is to be bipartisan. As the President pointed out, no party has a monopoly either on fault for creating the problem or on ideas for solving it. This Committee has been a model for such bi-partisan reform. Finally, we are adamant that this review will not result in just another report to be printed and quickly put on the shelf.

We expect that many of the recommendations produced as a result of this initiative will require either new legislation or amendments to existing law if these are to be accomplished. There is much to be said for developing legislation that would work toward producing quick Congressional action on such

recommendations. We look forward to working with the Committee as we define more precisely the need for such legislation.

Let me turn, if I may, to S. 20.

S. 20, the Government Results and Performance Act of 1993

Perhaps there is no better signal of how President Clinton differs from his predecessors than my telling you that he has reviewed and discussed S. 20, the Government Performance and Results Act of 1993, and I am pleased to be able to advise the Committee today that this Administration strongly supports this bill. Mr. Chairman, I want to thank Senator Roth, you, and the members of both this Committee and the Senate who conceived of and advanced this legislation. I also would like to acknowledge the initiative of Representatives Conyers and Clinger, the chairman and ranking minority member of the Committee on Government Operations in the House, for introducing H.R. 826, a companion bill to S. 20.

Let me briefly summarize the main features of S. 20. This bill requires Federal agencies to: (1) develop strategic plans by FY 1998; (2) prepare annual plans setting performance goals beginning with FY 1999; and (3) report annually on actual performance compared to goals. Agencies are authorized to waive administrative requirements and controls to provide greater

managerial flexibility in exchange for greater accountability. A series of pilot projects will be undertaken over the next several years to test and demonstrate these concepts. At the conclusion of the pilot projects, OMB and GAO will report to Congress on the results. Congress will consider these two reports, and vote no later than September of 1997 to initiate full government-wide implementation of the bill's planning, measurement, and reporting requirements.

In fiscal years 1998 and 1999, there will be pilot tests of performance budgeting, which the bill defines as presenting "the varying levels of performance, including outcome-related performance, that would result from different budgeted amounts." With this bill, we will immediately undertake a more limited -- but very useful -- form of performance budgeting, in which the performance goals that are annually set will conform with the level of resources requested in the budget. Starting next year with the pilot phase of S. 20, we will begin building a system that comprehensively sets out to correlate performance, particularly results-oriented performance, with budgeted amounts. I would add that, in the course of the pilots, we anticipate looking at how we might adapt performance measurement, performance budgeting, and managerial waiver provisions in S. 20 to those Federal programs largely administered by States and local governments.

S. 20 is a major step toward making the Government accountable to the American people by making it clear what the taxpayers are getting for their money and removing some of the red tape that bedevils all of us. As every other enterprise has learned, government officials must manage for results, and not just to rules and regulations. This accountability both empowers and rewards those who improve performance. S. 20 provides us with a sound foundation as we go about the task of re-inventing our government, and we urge its swift passage.

The Administration also asks that the Committee consider several amendments to S. 20.

The first of these amendments addresses a concern inherent in Section 10, "Effective Dates and Procedures". As I mentioned earlier, this section requires a future Congressional vote and approval before the Government initiates certain basic management practices called for in the bill. Our proposed amendment would provide an opportunity to adjust the bill's permanent provisions on the basis of three years of experience from the pilot projects that it requires.

Specifically, we propose that this section be amended to require that the President report to Congress by July 1, 1997, on preparations for initiating governmentwide implementation of S. 20 in FY 1998. This report would also allow the President to

recommend modification of the bill's post-1997 permanent provisions (including effective dates). We point out that the President need not recommend any modification, and he could signal his conviction that implementation proceed as presently called for in the Act. However, if the President recommends modifications, this would act as a 'trigger' to begin the joint resolution process. The recommendation would form the content of this joint resolution, which would be considered and acted on by the Congress.

A second set of amendments would allow more flexibility in how alternate forms of performance goals could be defined, and in reporting actual performance against such alternate forms.

My staff has discussed these changes with the Committee's staff, and I hope that they will be considered favorably by the Committee during markup.

Commissions

The Committee is considering four bills that would establish commissions to produce reforms and restructurings of the Federal Government. The task of each commission would vary, although all four bills would require recommendations covering consolidation and elimination of agencies.

Aside from this common element, the various commission

proposals would charter reviews and recommendations in over 10 areas, including: service delivery; the regulatory process; devolution; privatization; mission statements; block grants; 'sunset' review and reauthorization of programs; workforce reductions; agency capabilities and capacities; and consolidating, streamlining, and eliminating programs.

Mr. Chairman, I want to commend yourself, the ranking minority member Senator Roth, Senator Lieberman, and others for their work in this area. These bills go a long way in highlighting the need for action. However, Mr. Chairman, the Administration respectfully asks that the Committee defer action on any of the Commission bills currently introduced. We believe that the better course would be to use the recommendations of the National Performance Review to help define the nature and content of any legislation in this area. We fully anticipate that legislation will be required to carry out many of the Review recommendations, but that any attempt now to define the statutory parameters is premature. We also might want the Congress to consider some type of permanent or continuing authority, rather than simply a one-time, one-shot Congressional consideration and action procedure.

I suggest the approach of waiting for the Review recommendations as an alternative to going forward at this time on the commission bills. The Review is designed to address many

of the structural and operational concerns that the commissions were intended to cover. Deferring action also allows the Vice President and the Executive Branch, over the next six months, to produce a set of recommendations in lieu of having a commission do so. I hope that you will agree, Mr. Chairman, that waiting to work on these areas until a bill chartering a commission is enacted might delay this effort unnecessarily for many months. Let me assure you, Mr. Chairman, that we will be ready to work with the Committee in every way to help develop legislation that will complement the effort now begun.

Mr. Chairman, let me conclude by again recalling my last appearance before this Committee. At that hearing, we talked about putting the "M" back in OMB. What the Committee is considering today is not simply putting the "M" back in OMB, but helping put the "M" in every Federal department and agency. I applaud your efforts. We are both interested in your ideas and appreciative of your support. I would be happy to respond to your questions. Thank you.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 3, 1993

REMARKS BY THE PRESIDENT
IN ANNOUNCEMENT OF INITIATIVE
TO STREAMLINE GOVERNMENT

Room 450
Old Executive Office Building

10:07 A.M. EST

THE PRESIDENT: Ladies and gentlemen, I think you all know we are here to announce a terribly important initiative in this administration to bring about greater efficiency and lower cost of government.

I want to begin by saying that we intend for this to be a bipartisan and a citizen government effort. And I'm delighted by the concerned members of Congress who are here today with the Vice President and me -- people who have already worked on this issue. I'd like to begin just by acknowledging the presence here of Senators Glenn and Levin, Senator Cohen, Senator Dorgan, Senator Lieberman, Senator Roth, and Senator Krueger; and in the House, Congressman Conyers, Congressman Clinger, Congressman Gordon, Congressman Laughlin, and Congresswoman Pryce and Congresswoman Slaughter. All of them have manifested an interest in the issues we are here to discuss today.

I also want to especially thank the distinguished comptroller of the State of Texas, John Sharp, who's to my right here, for the work that he did with us to put this project together and for coming all the way from Texas to be with us and with his Senator.

Today, I am taking what I hope and believe will be a historic step in reforming the federal government by announcing the formation of a national performance review. Our goal is to make the entire federal government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government.

Working under the direction of the Vice President for the next six months, we'll conduct an intensive national review of every single government agency and service. We'll enlist citizens and government workers, and leaders from the private sector in a search not only for ways to cut wasteful spending, but also for ways to improve services to our citizens and to make our government work better.

I'll ask every member of our Cabinet to assign their best people to this project -- manager, auditors, and front-line workers as well. And to put the M back in the OMB, I've asked Phil Lader, who is to my far left, the new Deputy Director for Management at OMB, and a person who has spent his life solving difficult and challenging management and people problems, to take the lead in making our government work better, not only during this six-month period, but permanently for as long as I am President.

We will turn first to federal employees for help. They know better than anyone else how to do their jobs if someone will simply ask them and reward them for wanting to do it better. We'll ask the public to help us improve services and cut waste by calling an 800 number or by writing to the Vice President, because no one deserves a bigger say in the services government provides than government's customers, the American people. We'll look for ways to streamline our own organizations to reduce unnecessary layers and to improve services to the better uses of technology by giving managers more flexibility and by giving front-line workers more decision-making power. Just as we're trying to do that in the White House, we will try to do that throughout the national government.

When I was the Governor of Arkansas, our state became the first in the nation to institute a government-wide total quality management program. And I can tell you, it works. It isn't easy, it isn't quick. It can make a huge difference, not only to the people, but also to the people who work for the government as well.

We'll look at the good work that has already been done, including many thoughtful reforms proposed by members of the Congress, including the work last year by the House Task Force on Government Waste, chaired by then Congressman and now Senator Byron Dorgan. They discovered, among other things, that the Pentagon had stockpiled 1.2 million bottles of nasal spray. Even with my allergies, I only need half that many. (Laughter.) As we locate such waste and wipe it out, it will be a breath of fresh air to the American taxpayers.

Cutting spending will be a priority. But so is making the system work better for the people who work in government and the people who pay the bills and are served by it. The truth is we can't achieve the savings we want simply by cutting funds. We must also use the remaining funds in a much wiser way. We'll challenge the basic assumptions of every program, asking does it work, does it provide quality service, does it encourage innovation and reward hard work. If the answer is no, or if there's a better way to do it or if there's something that the federal government is doing it should simply stop doing, we'll try to make the changes needed.

Many good programs began for a good reason -- to serve a national purpose or to give the states time to develop an institutional capacity to administer them. But times change and in many cases state and local governments are now better suited to handle these programs. The federal government simply can't do everything and there are many things the states or the private sector could do better.

This performance review will not produce another report just to gather dust in some warehouse. We have enough of them already. That's why I am asking for a list of very specific actions

we can take now, agency by agency, program by program. This is hard work. We've been a long time getting to this spot and we can't change the government overnight, but we can continuously improve our operations in ways that reap dramatic results for the people of this country.

Two years ago, when the state of Texas faced an enormous budget shortfall they lost a performance review under the leadership of John Sharp that saved the taxpayers billions of dollars over the ensuing years -- made government work better at the same time.

Last month, Senator Bob Krueger took out an add in The Washington Post just inviting the public to call a waste hotline to help make government work and to help make it 100 percent fat free. He got 200 calls the first day.

Vice President Gore and I think a national performance review is an absolutely necessary beginning because we have too much to do that a wasteful and mismanaged government will not be able to do. We have to cut and invest at the same time, something that's never been done before. We have to cut and invest at the same time, something that's never been done before. We have to reduce the cost of health care and meet the challenges of an intensely competitive global economy. And we have to do those things with less money than we're spending in many areas today. We have to reduce the largest deficit in our history, as we do in our economic program, or it will literally rob us of our ability to solve problems, invest in the future, or thrive economically.

And most important, the American people deserve a government that is both honest and efficient, and for too long they haven't gotten it. For most Americans, a college loan or a Social Security check represents a common border with the best ideals and goals of our country. We all count to some extent on our government to protect the environment, to provide education and health care and other basic needs. But democracy can become quickly an empty phrase, if those who are elected to serve cannot meet the needs of the people except with government that costs too much or is too slow or too arrogant or too unresponsive.

Finally, let me stress that this performance review, as I said at the beginning, is not about politics. Programs passed by both Democratic Presidents and Republican Presidents, voted on by members of Congress of both parties, and supported by the American people at the time, are being undermined by an inefficient and outdated bureaucracy, and by our huge debt. For too long the basic functioning of the government has gone unexamined. We want to make improving the way government does business a permanent part of how government works, regardless of which party is in power.

It isn't written anywhere that government can't be thrifty or flexible, or entrepreneurial. Increasingly, most government is and it is time the federal government follow the example set by the most innovative state and local leaders and by the many huge private sector companies that have had to go through the same sort of searching reexamination over the last decade -- companies that have downsized and streamlined and become more customer friendly and, as a result, have had much, much more success.

In short, it's time our government adjusted to the real

world, tightened its belt, managed its affairs in the context of an economy that is information-based, rapidly changing, and puts a premium on speed and function and service, not rules and regulations.

Americans voted for a change last November. They want better schools and health care and better roads and more jobs, but they want us to do it all with a government that works better on less money and is more responsive. The American people may not know specifically how to do it, although many of them have good particular ideas, but I'm confident our people are willing to try new ways and they want us to experiment. They want us to do things that have worked in other contexts, now in the national government and that's what we are here to do today.

I thank the Vice President for his willingness to lead this effort. I thank the members of Congress who are here and those who are not who are supporting us. And I earnestly enlist the support of the American people and especially the employees of the United States government in this important effort.

I'd like now to introduce the Vice President who will be in charge of this effort of performance review for the next six months for his statement.

END

10:16 A.M. EST

**THE WHITE HOUSE
OFFICE OF THE VICE PRESIDENT**

**FOR IMMEDIATE RELEASE
WEDNESDAY, MARCH 3, 1993**

Contact: Marla Romash
202-456-7034
301-585-9408 (H)

**A REVOLUTION IN GOVERNMENT
Statement of
VICE PRESIDENT AL GORE**

Mark this date: President Clinton is starting a revolution in government. It won't happen overnight, and it won't be easy, but it will fundamentally change the way our government works -- for the people it serves and the people it employs.

President Clinton believes strongly in the urgency and importance of this change and so do I. For me, leading this effort represents a challenge I sought and a commitment we share to make our government work better, harder, and smarter for the American people.

Our announcement today is revolutionary, but it shouldn't be surprising. President Clinton is offering the American people a bold and dramatic initiative for our economy -- to create jobs, sustain growth, and reduce the deficit. President Clinton started the change where it has to start, with the government. The President has reorganized the White House, told his cabinet to park the limos, pare the perks and cut the bureaucracy by 100,000 positions. And, he's ordered a 14 percent reduction in administrative costs. All together, that's \$16 billion in savings.

But this is about more than just cutting spending, or taking out the green eye-shades and sharpening the pencils. Today, we are starting what will be a continuous and vigilant process to make government work better -- to use every tax dollar wisely, to weed out dead ideas and encourage new, creative ways, and -- to borrow a phrase I've heard once or twice before -- to put people first.

Today, President Clinton is making sure that government knows what every business knows -- the customer comes first and, if you can't serve your customers efficiently, effectively, and responsively, then you're not doing your job. Business people know about the quality revolution -- it's changed the way they do business and it's kept them in business. The President's chief of staff, Mack McClarty, knows that from his experience leading a Fortune 500 company and he's putting that experience to work here. Now, America has a chief executive in President Clinton who knows it's time for a quality revolution in government -- a revolution aimed at changing the way government works.

It's time we had a new customer service contract with the American people, a new guarantee of effective, efficient, and responsive government.

It's time we cut the red tape and trimmed the bureaucracy. It's time we took out of our vocabulary, the words, "We've always done it this way." And, it's time we listened to the people who work for our government. The greatest untapped resource we have is their ingenuity, their brainpower, and their experience.

To every government worker, to every American citizen, we are today issuing a challenge and an invitation: help us get rid of the waste and the inefficiency, help us get rid of the bureaucracy, let us know when you spot a problem and tell us when you've got an idea. We want to hear from you. If you spot waste or fraud or abuse, call one of the 800 numbers located throughout the government and let us know. If you have an idea of how we can do a better job or spot a problem that needs fixing, write to me here at the White House and mark your envelope "Reinventing Government." We are determined to work with you to make our government work better.

That's the idea behind the National Performance Review the President is announcing today. For the next six months, we will take a fine-tooth comb to every federal agency and every federal expenditure in an unprecedented nationwide review focused not just on cutting wasteful spending but also on improving services and making our government work better. We will work in a close partnership with the cabinet secretaries and agency administrators all across the government. We will consult closely with the appropriate Congressional committees, and with the members here today whose leadership has been so important on these issues.

At the end of six months, we will have real results and real proposals to offer. We don't need another report to put on the shelf to collect dust. We do need a real plan for action and that's what we're after. But we won't stop there. We didn't get into this hole overnight and we won't climb out overnight. But, when we do climb out, we will have the kind of government we want, and it's going to be moving forward, finding new and better ways to work for the American people.

So, today, I applaud President Clinton for his leadership and pledge to him, to every federal worker and to every American citizen that the fundamental changes we're after will be found, that together we can create a government that responds to the people it's supposed to serve, that we can create a government that works smarter for less, that we can create a government that moves forward instead of dragging us back, with a vision that embraces change and offers progress.

####

A REVOLUTION IN GOVERNMENT

"The people demand and deserve an active government on their side. But they don't want a government that wastes money, a government that costs more and does less. They voted for change. They wanted a literal revolution in the way government operates, and now, you and I must deliver."

**President Bill Clinton
Remarks to the Cabinet
February 10, 1993**

Today, the President has asked Vice-President Gore to lead a revolution in Washington that will change the way government does business. The American people deserve a government that treats them like customers and puts them in charge -- by providing more choices, better services, less bureaucracy, and a good return on their investment.

Four principles will guide this revolution in government:

1. Before we ask ordinary Americans to do more, government must learn to make do with less. It is time to demonstrate that government can be as frugal as any household in America.

2. Our goal is to improve services and expand opportunity, not bureaucracy. Over the past decade, America's most successful companies restructured themselves to meet the global competition by eliminating unnecessary layers of management, putting more power in the hands of front-line workers, and finding out what their customers want -- and then delivering it. The federal government must finally undertake the same searing re-examination of its mission that companies go through every year just to survive.

3. Government will only succeed if it listens to its customers, the American people. We need to make government customer-friendly -- by giving people more choices, better services, and a bigger say in how their government works.

4. This revolution in government must come from within. No one is more frustrated by the bureaucracy than the workers who deal with it every day and know better than anyone how to fix it. Employees at the front lines know how to make government work if someone will listen.

THE NATIONAL PERFORMANCE REVIEW

It is not enough just to cut government -- we need to rethink the way government works. We need to reexamine every dollar of the taxpayers' money that government spends, and every minute of time the government puts in on business. The hard-working people who pay the bill for government year in and year out have a right to know they're getting their money's worth.

For the next six months, under the Vice President's direction, experts from every Cabinet department will carry out a nationwide review of every government program and service. The National Performance Review will enlist front-line federal workers and the general public in a nationwide search for ways not only to cut wasteful spending, but to improve services and make government work better.

The National Performance Review is designed to instill a new spirit of responsibility and innovation into every department. It will challenge the basic assumptions of every federal program, by asking the hard questions that government has dodged for too long:

- * Does the program work?**
- * Does it waste taxpayer dollars?**
- * Does it provide quality customer service?**
- * Does it encourage government innovation and reward hard work?**
- * Finally, if the answer to these questions is no, can the program be fixed -- or is it no longer needed?**

The National Performance Review will put more than 100 managers, auditors, and front-line employees from across the government to work on specific recommendations for improving services and cutting waste. They will:

- * evaluate the efficiency of every federal program and service;**
- * identify specific spending cuts in federal programs and services that don't work anymore, or no longer advance the mission they were intended to serve;**
- * recommend ways to streamline the bureaucracy by eliminating unnecessary layers of management and reducing duplication of effort;**
- * ask federal workers and the American people to send the Vice President specific suggestions on how to improve services and cut bureaucratic waste; and**

* find ways to improve services by making better use of new information technology, and by making government programs more responsive to the customers they serve.

This Review will not produce another report -- Washington has had too many reports and not enough action. The National Performance Review will present the President with a list of specific recommendations for action -- program by program and agency by agency.

The Texas Model

The National Performance Review is patterned after an innovative and highly successful program pioneered by Texas Governor Ann Richards and Comptroller John Sharp. Two years ago, facing a \$4.6 billion budget shortfall, the Legislature asked Sharp to conduct a sweeping review of every aspect of Texas state government. A team of 100 auditors from 16 state agencies worked around the clock for five months -- conducting hundreds of interviews with front-line workers and fielding thousands of calls from taxpayers.

The Texas Performance Review presented recommendations for savings of \$4.2 billion. The Legislature adopted more than 60% of the Review's recommendations, saving a total of \$2.4 billion. A second review this past year proposed recommendations on how to save \$4.5 billion more.

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VOLUNTEER IDEAS ON
TEAM, CUSTOMER DRIVEN
PRINCIPLES.

THE FEDERAL PAGE

The President-Elect's Inheritance

Federal Waste, Fraud and Abuse Await Clinton, the GAO Says

Welcome to Washington, Bill Clinton. Waste, fraud and abuse—the trio that President Ronald Reagan once tried to vanquish—are still here, ready to subvert your mandate for change.

The General Accounting Office has it all on paper—in 28 “transition reports” and 17 “high-risk” summaries prepared as snapshots of the critical issues facing the Clinton administration.

Take money, for example. In too many places, the GAO found, the government is doing “an abysmal job of rudimentary bookkeeping.” The government annually spends about \$1.5 trillion—almost a quarter of the gross domestic product—using unreliable systems and ineffective controls, the GAO said.

Chalk that up to bad management, in part. “Most agencies have not created a strategic vision of their futures, most lack good systems to collect and use financial information and program information to gauge operational success and accountability, and many do not have the people with the necessary skills to accomplish their missions.”

The GAO reports will be released today when Comptroller General Charles A. Bowsher discusses the findings before the Senate Governmental Affairs Committee. GAO issued a similar set of reports in 1988 and, like that first series, the new reports portray a government in serious trouble.

“What truly disturbs me,” said committee Chairman John Glenn (D-Ohio), “is that many of the problems identified four years ago in the original transition reports are still with us today.”

The transition reports, examples of which follow,



are divided along three lines: broad policy issues affecting government as a whole and its relationship to the economy; issues affecting individual departments, agencies and major programs; and management issues involving budget, information and program evaluations.

The “high-risk” series, started about three years ago after a major scandal at the Housing and Urban Development Department, examines areas that GAO has identified as especially vulnerable to waste, fraud and abuse and mismanagement.

—Stephen Barr



Pension Benefit Guaranty Corporation

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Office of the Executive Director

February 26, 1993

The Honorable Bruce Reed
Deputy Assistant to the President
The White House
Washington, D.C. 20500

Dear Bruce:

Thanks for the excellent meeting on Monday. A few more thoughts.

First, a book review from Business Week emphasizing a point we discussed. If "Reinventing" is to work, it needs to be a cross-cutting team effort. You must become the White House "champion."

I spent Wednesday at Motorola headquarters outside Chicago in a seminar on "Finance Quality." The excellent program reinforced how much effect we can have by changing the federal "culture."

An article on General Electric's overwhelmingly successful style of consensus management based on "shared values and the empowerment of individuals." If Motorola and GE can do it, so can we!

A clip from the Washington Post shows just how far the federal government has to go. "Abysmal job of rudimentary bookkeeping" says GAO. A five-year federal financial plan does exist. It may need review in some areas, for example...

A second Post clip reinforces the government's poor record on hiring, promoting, and "empowering." Efforts like the five-year plan are very dependent on people. Thus a critical OPM role.

Although Phil Lader hasn't been confirmed, and Jim King hasn't been nominated, you will want to get a "seed" group going as fast as possible, with its first step being to draft some points for agreement on the goals of the "Reinventing" effort. Thanks for encouraging the dialogue. I hope to hear from Phil next week.

Sincerely yours,

James L. Wolbarsht
Chief Financial Officer
(Acting)

Books

THE WISDOM OF TEAMS: CREATING THE HIGH-PERFORMANCE ORGANIZATION

By Jon R. Katzenbach and Douglas K. Smith
Harvard Business School • 291pp • \$24.95

WHY SEVERAL HEADS ARE BETTER THAN ONE

If you want something done right, do it yourself." You've heard that cliché all your life. Maybe you believe it—even though the company just sent you to one of those team-building retreats where you and your colleagues were forced to depend on each other to climb ropes or balance on a beam.

Well, think again. The days of the rugged individualist are over. Like raspberry tea, shared sacrifice, and worrying about paying your nanny's Social Security, teams are in. Whether you're an MIA candidate, a blue-collar worker, or a corporate manager, chances are you'll soon find yourself expected to collaborate. General Electric Co. has made self-managing work teams a centerpiece of its organizational approach, to the point of running some plants without supervisors. Motorola Inc. relied heavily on

teams to beat Japanese rivals in hand-held cellular phones. And at 3M Co., they are crucial to meeting the goal of garnering half of annual revenues from products created in the past five years.

Why all the hoopla? Leading business thinkers and top executives believe that teams, by melding the skills, experiences, and insights of several people, can outperform any individual. Interest in the concept has been fueled by two other management trends: the quality movement, in which teams play a key role, and "reengineering," which calls for setting up interdisciplinary teams to tackle specific tasks rather than organizing around traditional functions such as marketing and finance. At American Telephone & Telegraph Co., for example, one team, with members drawn from marketing, finance, and engineering, ex-

ists to dream up product ideas for small businesses across all product lines.

For all the shouting, though, teams can be wasteful and time-consuming. So can the many books on the subject—generally clip jobs supplemented with simple-minded formulas for success. Not so *The Wisdom of Teams*, an engaging primer by a pair of McKinsey & Co. consultants, Jon R. Katzenbach and Douglas K. Smith. This is a thoughtful and well-written book filled with sometimes fascinating examples.

To explore how to form teams, lead them, and get them to work, Katzenbach and Smith interviewed hundreds of team members in dozens of organizations, including Citibank, Weyerhaeuser, Eli Lilly, Hewlett-Packard, the Girl Scouts—even secretive McKinsey itself. They recount how a seven-person cohort at Burlington Northern created a billion-dollar business for the railroad company and how a Motorola group improved quality and squeezed out costs in the company's connector business.

The authors also analyze failures. They describe one "stuck" group at a semiconductor company in which none of the nine members was able to assume leadership. The team, charged with de-

veloping a customized microchip, lacked urgency and enthusiasm. Asked how it was approaching its goal, one member replied: "We'll drive off any bridge we get to." The authors conclude that members didn't share a common purpose or approach, their individual commitment was weak, and they lacked decision-making skills.

That team, say the authors, was really just a "group." In such groups, individual achievement remains paramount. In teams, as defined here, members are deeply committed to and responsible for one another's personal growth and success. Only the performance of the group is evaluated. Extensive group discussion, debate, and decision-making make the whole greater than the sum of its parts.

As you might expect, Katzenbach and Smith identify several elements common to successful teams. Their conclusions:

- Keep them small, ideally fewer than 10 members. Agreement and purpose are tougher to gain in larger groups.

The authors examine teamwork at outfits as diverse as Citibank, Lilly, and the Girl Scouts



- Mix people who have complementary skills. Not only do most teams need members with different technical or functional expertise, they also require people who are good at problem-solving and people who are good at decision-making—two distinct talents.

- Commit the team to a common purpose. Many fail because they casually accept goals that are not demanding, precise, or realistic.

- To maintain focus, set specific performance targets, such as getting a

product to market in half the usual time.

Some of this advice may seem like common sense. And the authors try so hard to nail down certain points—such as the importance of setting goals—that some of their discussion becomes redundant. The book has one other annoying weakness: Presumably to avoid offending anyone, the authors omit company names when describing failures.

Even so, you'll be hard-pressed to find a better guide to forming what

many consider an essential building block of the "organization of the future." And if going it alone has always been your thing, keep an open mind. As teams are charged with major corporate tasks, being part of one will expand, not diminish, your influence and responsibility.

BY JOHN A. BYRNE
Senior Writer Byrne's book on history's most celebrated business team, *Ford Motor Co.'s "whiz kids,"* will be published in September.

Since he became chief executive of General Electric in 1981, John F. Welch Jr. has been relentlessly pursuing an agenda of change so radical, so fundamental, and so threatening that it amounts to a revolution. Blue-eyed and hot-blooded, Welch took the established order at GE and threw it out the window, presiding over the elimination of scores of the company's businesses and more than one third of its jobs. At the same time, Welch was creating a new style of consensus management based on shared values and the empowerment of individuals. His harsh actions and soft ideals initially seemed incompatible, but there's no arguing with success: GE, still one of America's biggest employers, has transformed itself into a model of competitive might. Jack Welch, now 57, ranks among the most admired business executives, and *Forbes* magazine rates "60-billion-a-year GE the world's most powerful company, based on its

JACK

BOOK EXCERPT

WELCH'S

BY NOEL M. TICHY

KINDER,

& STRATFORD SHERMAN

SMARTER

ILLUSTRATION BY

GENERAL

REGAN DUNNICK

ELECTRIC

sales, profits, assets, and market value. In *Control Your Destiny or Someone Else Will*, (Doubleday, \$24), authors Noel M. Tichy and Stratford Sherman explain Welch's ideas and how to apply them. Tichy, a professor of organization at the University of Michigan, has worked closely with Welch as a consultant and, for two years, as head of GE's Crotonville Management Development Institute. Sherman, a member of *Fortune* magazine's editorial board, is a respected journalist who has been writing about GE for over a decade. Years in the making, their book benefits from over 100 hours of interviews with Welch. The following adaptation picks up the story in 1986, when Welch first turned his attention to the softer side of management. The CEO had recently eliminated an unnecessary layer of high-ranking executives called the sectors. That forced him to rethink GE's organizational structure. →

The purpose of any organization is control. GE's old structure achieved control by brute force. At every level of the organization, managers spent professional lifetimes issuing and enforcing orders: from the CEO to the sectors, from the sectors to the business chiefs, from them to the heads of smaller and smaller operating units—and all the way down to the hourly workers, who weld pipes or answer phones and don't get to boss anyone around until they get home.

At GE, as at most American companies, this formal structure kept the enterprise under control. But it also shaped the attitudes and behavior of employees in destructive ways. People learned to do what they were told and not much more. They avoided conflict with their supervisors. They evaded responsibility, forcing their bosses to sign off on decisions they could have made themselves. Emotionally, the structure fostered a schoolyard sullenness, with bosses acting as disciplinarians and subordinates as kids. Open communication was almost unthinkable.

Welch's solution, in 1986, was to create the Corporate Executive Council, or CEC. A group of GE's 30 highest-ranking business chiefs and senior staffers, it meets quarterly to discuss the most important issues facing GE. The embodiment of Welch's ideas about leadership, this executive council has little overt authority and no clear role in decision making, yet functions as GE's political center.

The CEC provides a structural context for the more collegial style of management Welch is trying to promote. It is also a device for indoctrinating GE's leaders in the corporation's shared values. The council's formal mandate is to share information, swap ideas, and help guide GE toward its goals. In practice, the CEC is a high-level think tank, where the company's leaders work together on issues

of common concern. If the definition sounds fuzzy, that's partly intentional: A main purpose of the CEC is to build trust and kinship among executives who might otherwise be slitting each other's throats.

The CEC's membership includes the heads of GE's 13 main businesses, who report directly to the CEO. Each runs his or her business as an autonomous unit. That makes sense, given the diversity of GE's products, which include light bulbs, refrigerators, turbines for electric power plants, engines for 747 jets and B-2 Stealth bombers, 200-ton locomotives, credit-card pro-

If you put a group of bright people together, and you give them the same facts, they'll come up with the same answers. This may not be true in religion and philosophy, but business is not rocket scientist work. If we all have the same information, we'll all come to roughly the same conclusions."

cessing services, and special plastics for auto bumpers and computer housings.

CEC members are always expected to subordinate their interests to those of the corporation as a whole. When Welch talks about his "team" it's more than a smiley-face metaphor: Executives who aren't team players don't keep their jobs long.

Fascinated by the architecture of social relationships, Welch thinks deeply about the design of the CEC's gatherings. Much as Walt Disney insisted on orchestrating every aspect of the Disneyland experience, Welch thinks it's essential to create a seamless environment to help the CEC fulfill its potential. He never stops tinkering, and no detail is too small to attract his notice, from the council's agendas to the length of its coffee breaks. CEC gatherings take place at GE's Crotonville training center, in a cozy

little amphitheater called the Cave. Coats and ties are taboo, as are formal reports. When he isn't addressing the group, Welch sits amidst the other executives, to reinforce his view of the CEC as an assembly of peers.

A typical session begins with an overview of GE's current status and prospects. Each member presents a very brief oral report. From then on, loosely guided by a prepared agenda, the meeting is given over to wide-ranging discussions marked by profanity, jokes, and interruptions. The discussions usually concern either problem-solving or the sharing of good ideas.

Welch pushes values because that's the way to get results. Delegating more of the control function to individuals reduces the need for burdensome reports and reviews—and for supervisors. GE's collegial organization can achieve the same level of control as a more hierarchical one, but at less cost, with less friction, and faster.

Sociologist Amitai Etzioni described three methods of organizational control: coercive, utilitarian,

and normative.

Coercive control is what you get when you point a gun at someone and tell him to do what you want. Utilitarian control—paying people to do what you want—is the method on which most organizations still rely. Normative control, the most powerful, relies on shared values to direct behavior. This is what induces people to devote themselves to a cause: An example is the religious missionary who might voluntarily work for years in a hostile environment for poverty wages.

No business can expect to be quite so inspiring, but the most effective competitors in the 21st century will be the organizations that use shared values to harness the emotional energy of employees. As speed, quality, and productivity become ever more important, corporations need people who can instinctively act the right way, without instr

tions, and who feel inspired to share their best ideas with their employers.

That calls for emotional commitment. You can't get it by pointing a gun. You can't buy it, no matter how much you pay. You've got to earn it, by standing for values that other people want to believe in, and by consistently acting on those values.

By design, the CEC is a workshop in GE's core values, such as candor and openness. Says Welch, "We strive for the antithesis of blind obedience. We want people to have the self-confidence to express opposing views, get all the facts on the table, and respect differing opinions." The wide-open debating style that he calls "constructive conflict" illuminates more than ideas: It reveals the participants themselves.

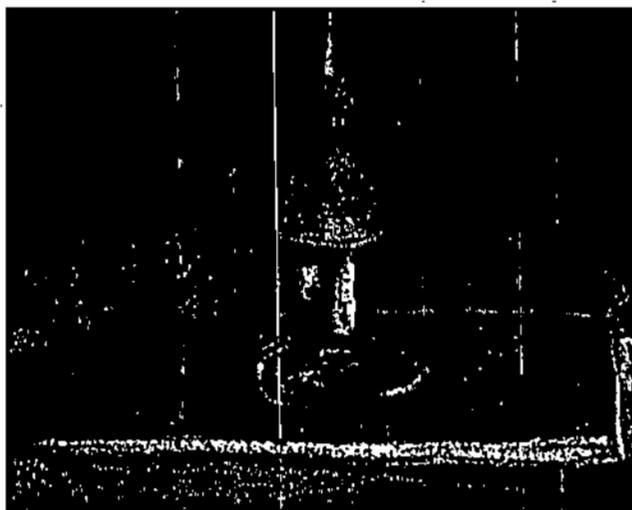
CEC members all get each other's financials, as well as corporate data. Welch believes that shared information speeds decision making, makes for better decisions, and helps create consensus. Says he: "If you put a group of bright people together, and you give them the same facts, they'll come up with the same answers. This may not be true in religion and philosophy, but business is not rocket scientist work. If we all have the same information, we'll all come to roughly the same conclusions."

Sharing information creates peer pressure that goads people to ever higher standards of performance. When you're stuck in a room where everyone knows everything, you have to face reality. If your performance stinks, everybody knows. That's a powerful incentive to produce real results.

Gradually, the CEC has transformed senior managers into emissaries of GE's new corporate values. Welch works hard to orchestrate CEC meetings that inspire high levels of emotional energy. To the degree that the meetings are exciting, challenging, fun, and useful, CEC members will

emerge pumped-up and ready to inspire the people in their businesses to new levels of achievement.

A memorable test of CEC teamwork was the \$500 million compressor fiasco at the GE unit that makes home appliances such as refrigerators and dishwashers. The business introduced an advanced rotary compressor to cool its refrigerators, gaining two percentage points of market share. Suddenly, the compressors began to fail: Their design was so flawed that GE eventually decided to replace them all, with conventional compressors purchased from other manufacturers. The pre-tax cost amount-



ed to more than half of GE's total projected earnings increase for 1988.

But when Roger Schipke, then head of GE's appliances business, presented this mess to the CEC, the council's members knew that Schipke's problem was their problem, too. There was no need for Welch to prompt anyone. CEC members knew they would have to help make up the shortfall.

So Bob Wright, head of GE's NBC television business, volunteered, "Our ad sales are going well. NBC's earnings might be up an extra \$30 million this year."

Offered Brian Rowe of Aircraft Engines, "Look, I think we may be able to help you by getting a dozen compressor engineers to take a look at that compressor problem."

After replacing more than one million defective compressors, Appliances survived, with its market share in

refrigerators intact. Schipke kept his job. And GE's 1988 net income rose to \$3.4 billion, not far off from plan.

By the early 1990s the CEC had become GE's main nerve center, communicating new ideas company-wide at lightning speed. The CEC has also become a power center, influencing the company's direction and providing more checks and balances to the CEO's authority than ever existed before at GE.

The real power of the CEC is subtle, stemming from its ability to create consensus and inspire teamwork. There may be no more efficient way to influence a large organization.

Although the public attention that has been focused on Welch might suggest the contrary, the CEO's unique personality traits are not what make the system work. Any sizable company employs plenty of people capable of running meetings and interacting with other people with just as much brio as Welch. The trouble is that few companies have yet recognized the value of their executives' interpersonal skills, and so have not made

them a primary basis for promotion.

GE cherishes those skills, and creates many opportunities for its employees to hone them. Each of GE's operating businesses now has its own version of the CEC, enabling every business leader to play the Welch role; lower-ranking executives get other opportunities. The ability to relate effectively to other people has become a major factor in executives' performance reviews. Through such means, GE is breeding a new generation of leaders distinguished by the ability to elicit cooperation from others. When, years from now, these people rise in large numbers to the company's top jobs, their example may redefine the art of management. ❊

To order Control Your Destiny or Someone Else Will direct from the publisher, call 800-223-6834, ext. 9479; from New York state only, call 212-492-9479.



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

March 4, 1993

OMB BULLETIN NO. 93-09

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Deficit Control and Productivity Improvement in the Administration of the Federal Government

1. **Purpose.** This Bulletin provides instructions on implementing reductions in administrative expenses contained in the FY 1994 Budget.
2. **Authority.** Executive Order 12837, "Deficit Control and Productivity Improvement in the Administration of the Federal Government", dated February 10, 1993, specified that:
 - o Executive branch agencies shall include a separate category for "administrative expenses" when submitting their budget request to the OMB.
 - o The Director of OMB shall resolve all questions regarding the definition of administrative expenses.
 - o Agencies shall submit budgets that reflect the following reductions from the amounts made available for FY 1993 adjusted for inflation: for FY 1994, no less than a three percent reduction; for FY 1995, no less than a six percent reduction; for FY 1996, no less than a nine percent reduction; and for FY 1997, no less than a fourteen percent reduction.
 - o To the extent that any agency fails to comply with these mandates, the Director of OMB is authorized to reduce that agency's budget request for administrative expenses to achieve the appropriate reductions.

These instructions are being issued pursuant to Executive Order 12837 and the Budget and Accounting Act of 1921, as amended.

3. **Background.** Executive branch agencies are required to reduce administrative expenses to assist in controlling the Federal deficit and improving the administrative productivity of the Federal Government.

To calculate the impact of the reduction across the government, OMB used the object classification data provided to support the January 1993 budgetary statement. The object class 20 (contractual services and supplies) series was used to create a base from which dollar reductions were determined.

The reductions were subtracted from the baseline for each agency for FYs 1994-1998 and reflected in the approved budget levels provided to each agency on February 18th.

4. **Implementing the Reduction.** Agencies are instructed to revise the budget data base consistent with the required reductions for administrative expenses. Each agency has the flexibility to allocate the reduction among accounts, functions, and object classes within that agency, subject to OMB review.

Administrative reductions may be taken from any object class, as appropriate. For example, if the agency saves money by not purchasing motor vehicles, the agency may take credit for the reduction even if such purchases are recorded in the object class 30 series.

Dollar savings in personnel compensation and benefits (object class 10 series) due to the FTE reductions may not be counted as administrative savings unless (1) the agency's total FTE level is reduced below the OMB-approved FTE level, consistent with the implementation of Executive Order 12839, and (2) the dollar savings are greater than the dollar savings from the personnel reduction dollar savings.

a. **OMB Report.** OMB will provide each agency with a report that affirms the total agency reduction for FYs 1994-1998 provided on February 18th and the base from which it was calculated. The reductions must be met. Neither the base nor the reductions for the agency as a whole can be changed.

b. **Allocation of Reductions.** Each agency shall distribute the reductions among the agency's budget accounts, provided that:

- o The agency meets its total reduction in budget authority and outlays and the account level detail is consistent with the President's report on "A Vision of Change for America"; and
- o The reduction is distributed in such a way as to provide the minimum administrative expenses necessary for the start-up of program initiatives by this Administration.

c. **OMB Review.** If an agency does not meet its total required reduction in budget authority or outlays, the Director of OMB shall reduce that agency's accounts to ensure that the total savings required from the agency are achieved.

Adjustments may also be made by OMB if the reductions do not provide the minimum administrative expenses necessary for the start-up of program initiatives by this Administration,

5. **Supporting Information.** The President's FY 1994 Budget will include a summary table that presents each agency's administrative expense base and the reduction amounts for FYs 1994-1998. Agencies should begin to take steps to ensure that administrative expenses can be tracked below the agency level, although such information will not be published until the FY 1995 Budget. OMB will provide further guidance after the FY 1994 Budget is transmitted, including reporting requirements for the FY 1995 Budget.

6. **Effective Date.** This Bulletin is effective immediately.

7. **Inquiries.** Inquiries should be addressed to the OMB representative with primary budget responsibility for the account.



Leon E. Panetta
Director

TO: Marla, Elaine
FROM: Bruce
RE: New Democrat Tour
DATE: March 9, 1993

NEW DEMOCRAT TOUR

COMMUNITY POLICING

Houston
Los Angeles (FALCON program)
Charleston, S.C.
New York City

EMPOWERMENT

Chicago Housing Authority (Vince Lane)
Chicago -- South Shore Bank or Full Circle Bank (microenterprise)
Chicago -- visit privatized city service with Daley
The Atlanta Project
St. Louis -- Bertha Gillkey, tenant management
Baltimore (Sandtown) -- Rouse community-based revitalization

WELFARE REFORM

Riverside, Calif. (welfare to work)
New York/Hartford -- America Works (welfare to work)
New Jersey welfare program -- Wayne Bryant
Maryland -- AFDC voucher cards

COMMUNITY SERVICE

Boston City Year
City Volunteer Corps (NYC)

EDUCATION REFORM

Minnesota or California -- charter schools
Harlem District 3 or 4 -- school choice
Binghamton, NY (or Arkansas or Oregon) (apprenticeship program)

REINVENTING GOVERNMENT

Oregon -- performance-based government (Gov. Roberts)
Phoenix garbage collection -- public union outcompeted private company

NATIONAL PERFORMANCE REVIEW ORGANIZATION

VICE PRESIDENT

POLICY/STEERING GROUP

ADVISORS

ADMINISTRATOR

Info

PUBLIC LIAISON

outreach
- Communications
- Hill
- Constituencies

Paper Room

LIBRARY/COMM./
BASELINE
OC/REPORT
TRIAGE
WAR ROOM

War Room Mgr. (-3-4)

Resurrection

- COMPENSATION
- PROCUREMENT
- INFORMATION TECH. - full time person
- DEVOLUTION
- LAYERING
- OTHER CROSSCUTS

- JUSTICE
- STATE
- LABOR
- EPA
- FEMA
- SBA
- INDEPENDENT REGULATORY
- OTHER SMALL AGENCIES

- HHS
- HUD
- ENERGY
- GSA
- OPM
- NASA
- VETERANS AFFAIRS
- TRANSPORTATION
- DEFENSE
- INTERIOR
- EDUCATION
- AGRICULTURE
- COMMERCE
- TREASURY

Resurrection Team

Convergence Govt Space

Kroger
Wernick
Lowe
Weinstein
Rohlf

Gordon
Cantelero

12,000 sq ft

**NATIONAL PERFORMANCE REVIEW
PROJECT PLAN - TASK LIST**

Task	Product	Beginning	End
<u>Decisions on structure/plan</u>			
- Organization			
- Themes			
- Principles			
<u>Kick-off</u>			
- Announcement			3/3
- Cabinet Meeting			
- VP - COOs			
- Video teleconference with bureaucracy			
- Team Charge!			
<u>Admin/Logistics</u>			
- "War Room" & space			
- Log-in and reporting system			
- \$ consultants			
- communication system (internal)			
<u>Baseline</u>			
- GAO, IG, Grace, etc reports			
- Develop taxonomy and distribute			
<u>Staffing</u>			
- calls to agencies			
- select team leaders			
- consultants (?)			

Outreach

- Publicizing
 - "800" numbers
 - VP's address
- E-mail
 - Compuserve
 - Prodigy
- Town Meetings
- Agency site meetings
- Summit

Idea Processing

- Response (substantive or acknowledgement?)
- Database (?)
- "Triage" or sort out

Team Operations

- Review baseline
- Apply principles/criteria
- Engage "experts"

Quality control & Reporting

- Fast-track "quick hits"
- Cross-cutting exercises
- Interim products (?)
- Final report
- Production

Institutionalization

NATIONAL PERFORMANCE REVIEW
STAFFING

Agency Program Teams (6-10 members)

Problem: Objectivity

Options:

Lead by higher-level agency staff

OMB, GAO or a Congressional staff member

Consultant member

Shuffle in members from other than parent agency

Cross-Cutting Teams (3-5 members)

Lead by OMB or GAO

Outreach

Lead by Vice President staff

Comprised of agency public/legislative affairs staff

NATIONAL PERFORMANCE REVIEW RELATED GROUPS AND MECHANISMS

Government:

- President' Council on Integrity and Efficiency
- Chief Financial Officers Council
- President's Council on Management Improvement

Non-Government:

- National Association of Public Administrators
- Citizens Against Government Waste
- Concord Group
- Should these groups be folded into the Task Force?
- And/or, should they perform separate, yet related tasks?

NATIONAL PERFORMANCE REVIEW ISSUES

Organization

- What will the Steering Group membership be?
- What is the appropriate organizational placement and role of Task Force Administrator?
- Concerning cross-cutting programmatic questions, how do we deal with "border management" control? Is another team appropriate?
- Advisors/FACA issues -- Could advisors to this Task Force be used to force a FACA decision?

Steering Group

- How will Steering Group deal with ultra-sensitive issues?
- How will role of Steering Group be defined? This will determine how engaged they are with program groups. If not desirable to have Steering group heavily engaged, institute PAD-type group to:
 - filter issues not warranting Steering Group's attention, make decisions on these issues; and,
 - communicate policy direction from Steering Group to program groups; and,

Assorted

- How extensive will GAO, consultants (and associated costs), Hill staff presence be in Task Force's composition?
- What kind of responses will be given to incoming correspondence? Cursory? Two-step to include result after project completion? Other?

3/4/93

NATIONAL PERFORMANCE REVIEW

1. Organization
2. Schedule
3. Project Plan - Task List
4. Staffing
5. Related Groups and Mechanisms
6. Issues

Appendices:

- Carter Presidential Reorganization Project
- Grace Commission
- Rivlin Commission
- Sharp Commission

3/4/93

NATIONAL PERFORMANCE REVIEW

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Reinventing Government Workplan - March 4, 1993

Week #1 - March 8

VP - Hill Visits, Texas Event

Staff: Begin review and cataloguing of existing government and outside reports.

Receive OMB Management Staff briefing

Discuss and refine Organization Chart

Design Outreach mechanisms - to civil service, to public.

Interview candidates for Administrators

Designate liason persons for Communications, Political,

Congressional and Public Liason

Note - March 11 Senate Hearing

Week #2 - March 15

VP - Begin visits with Cabinet officers combined with Management by walking around events.

Meet with outside advisors - Osborne et.al.

Staff: Continue review of existing reports.

Draft blueprint for review teams

Circulate draft to outside advisors for comments

Hire Administrator & Librarian

Week #3 - March 22

VP - Continue meetings with Cabinet officers, some Management by walking around, Hill Visits, Meetings with Auditors and GAO.

Staff: Along with the new Administrator interview and select members of the agency teams.

Week #4 March 29

VP: First Meeting with the agency teams re: their mission.

Do one event that symbolizes what we are trying to do.

Staff: Set up a system for reviewing the work of the agency teams and establish a timetable for reporting.

April: Teams begin the agency review process

Communications, Political, Congressional and Public Liason

Plans in place.

May: Agency review process continues.

June: Internal first draft generated

July: Draft revised and any relevant legislation drawn up.

Congressional strategy and Communications strategy in place.

August: Final draft developed including relevant legislation and executive orders.

Pryor

The broad heading of waste, fraud, and abuse can encompass a wide variety of reform efforts. The President's Council on Integrity and Efficiency estimates that if senior agency officials simply managed better, the government could save \$17.5 billion.

Three areas that we are familiar with are the government's use of contractors and consultants, weapons testing, and streamlining government programs.

Contractors/Consultants

Issues

* The federal government spent over \$90 billion on service contracts in FY90. This is nearly twice the \$47.6 billion that the government spent in FY80.

* A large part of the \$90 billion is spent on purchasing "commercial activities" like mowing lawns and maintaining buildings. However, anywhere from \$4 to \$25 billion of \$90 billion goes for "consulting services". No one knows how much the federal government spends on consulting services. Neither OMB nor the Congress knows exactly where the money is going. The government's books are not in order. Senator Pryor has referred to this \$4 to \$25 billion as an open money sack.

* The government has tried for fifteen years simply to come up with a working definition of consulting services and has been unsuccessful to date.

* The General Accounting Office and the Inspectors General at DOE and DOD have found that these consulting service contracts cost anywhere from 20 to 40 percent more than if the government used in-house workers. Not all of this work could be done in-house, but on cost effectiveness grounds, much of it should be.

* Another issue raised by the reliance on contractors is the fact that they are being used to do sensitive "government" work. For example, DOE uses contractors to conduct the appeal hearings if a DOE employee's security clearance application is rejected.

Examples

* The Star Wars program (SDIO) allows contractors to help run its contracts office. The contractors actually sit on the source selection board that makes the decision on which contractor will win the contract. SDIO also spends thousands of dollars for its contractors to travel all over the world.

* Some agencies have allowed contractors to actually write the congressional testimony of senior agency officials, often without the officials knowing about the real source of their testimony.

* EPA has contractors that draft many of its regulations. It allows contractors to write official letters of enforcement that get sent to private businesses. EPA also allows contractors to help draft the rules under which it will award contracts.

* While the RTC will be coming forward with a request for \$25 to \$40 billion to finish the S&L bail-out, it has still not solved its internal management problems. RTC's contractor problems are severe. It recently entered into a two page agreement with one contractor for \$25 million. The contractor copied millions of pages of documents at 67 cents a page. The going rate for copying is about 10 to 15 cents a page. The RTC has over 95,000 contractors and has never been able to account for its contract dollars.

* Last year, an OMB Swat Team reviewed a large sample of federal contracts and found that the government could save millions by doing a better job of managing contracts on the front end and auditing them more diligently when they are completed.

Solutions

* Create a line item for consultant spending. In a February 10 press release regarding government waste, President Clinton announced he was going to require itemization of administrative costs, including consulting and contracting. Senator Pryor successfully amended the FY93 Labor Appropriations bill creating a line item for consulting services. The law kicks in for the FY94 budget submission.

* Create a Contractor Review Board. OMB can establish a Board to review each agency's contracts. The review should be an in-depth scrutiny, requiring the agency to justify the need to hire more expensive contractors, particularly in light of the tough budgetary climate.

* President Clinton can ask Congress to include sunset provisions in any legislation creating a new program. The period should be long enough for the program to get up and running but short enough not to create yet another entrenched bureaucracy.

Weapons Testing

Issues

* In 1983, Congress created the Office of Operational Test and Evaluation (OT&E) within the Defense Department to force some manner of impartial testing onto the services. The creation of the office was vigorously opposed by the Reagan Administration. OT&E has not been as rigorous as a "junk yard dog" in ensuring completely independent testing as its creators had hoped.

Solutions

* This is an area where President Clinton could ask why this "fly before you buy" testing idea hasn't been leaped on by DoD as a way of both protecting the soldiers and sailors affected by faulty weapons and protecting the taxpayer from unnecessary spending. President Clinton could simply embrace the concept and highlight its importance.

Streamlining

Issues

* In almost every area of government, there are multiple programs and multiple agencies responsible for any issue. For example:

- We spend \$2.7 billion on export promotion programs. Ten different agencies have responsibility for export promotion and the funds are not allocated on the basis of any government-wide strategy.
- DoD employees affected by downsizing and base closures are being prevented by the multiple bureaucracies from taking advantage of all the programs designed to help them. The Army, the Air Force, the Navy, the Office of the Secretary of Defense, DoD's Office of Economic Adjustment, OPM, the Labor Department, the Commerce Department, the Small Business Administration and the Transportation Department all share some responsibility.

Solutions

* Begin, as Secretary Reich has already in training programs, to streamline the overlapping areas. Some of the overlap is within departments which may be slightly easier to address first.

* In addition, suggestions have been made to re-arrange locations of different functions; for example, fold the Arms Control and Disarmament Agency into the State Department.

REINVENTING GOVERNMENT EVENT
WEDNESDAY, MARCH 3

WHAT WE NEED

1. Statement for Clinton
2. Statement for Gore
3. Fact Sheet on Audit, etc.
4. Congressional Support
5. Background on Pres's War on Waste

Alan Stone

Marla Romash

Julia Moffitt
Bruce Reed

Paul Weinstein
Susan Brophy

Roth → John Mercer
Lieber
Doye
Glenn
Kerney
Campbell
Kerney
Pryor

Gordon
Conyers
Osborne
Sharp
Driscoll
Brooks
Rosty

Murvin Kenyon
Saturn

Advertise 800-#'s → USA Today
Restatement of the Pres's war on waste

(→ Call 800 #'s)

- Hoover Commission - where?
- Christine Varney re Action Alert
- Call Bart Gordon re 800 #'s
- GORE CORPS
- Brophy re staff contacts

- GORE CORPS -

NATIONAL PERFORMANCE REVIEW

Patterned after a highly successful statewide audit by Comptroller John Sharp in Texas, the National Performance Review would be carried out by an internal team under the direction of the White House and OMB, and would enlist front-line federal workers and the general public in a high-profile search for ways not only to cut wasteful spending, but to improve services and make government work better. The team would be given a six-month deadline, and its recommendations would be presented to Congress for one or more up-or-down votes in the fall.

The Texas Model

Texas launched its Performance Review in 1991 to address a \$4.6 billion budget shortfall. John Sharp formed a team of 100 auditors from 16 state agencies to conduct a sweeping review of how the Texas state government does business. They set up a waste hotline for employees and taxpayers, held public hearings around the state, and interviewed hundreds of front-line workers. After five months, the Performance Review presented recommendations for savings of \$5.2 billion, half of which the Legislature adopted. A second review proposed recommendations last month on how to save another \$4.5 billion.

The Texas audit was based on a conscious inside-outside strategy: By making a lot of noise about government waste, the Review made it virtually impossible for the Legislature to vote against budget cuts -- and by enlisting public employees in the process, it built broad support for change from within.

A National Performance Review

At the national level, a Texas-style audit would look like this:

1. Each Cabinet Secretary would assign 5 to 10 people from his or her department to work with OMB career staff and the White House on an intensive six-month audit. The team should include front-line workers as well as managers, auditors, and CFOs.

2. The Review would be divided into 8-10 teams, organized along functional lines rather than by agency. One team would look at federal-state relations to recommend ways to limit unfunded mandates, streamline the waiver process, devolve federal responsibilities, etc. Others would examine service delivery, the

budget process, procurement, and so on.

3. The teams would look not only for wasteful spending, but for ways to eliminate unnecessary layers of management, reduce duplication of effort, treat taxpayers more like customers, and make government more responsive to the people. Each team would review existing analyses of government practices and past efforts at government reform, interview public sector managers and employees, and consult with management experts in the private and public sectors.

4. An 800-number would be established for public employees and taxpayers to call in tips on wasteful spending, and to recommend ways to improve government services. We could hold town hall meetings on the subject as well.

5. Over the next several weeks, we would work with Congress on legislation to seek broader reorganization authority, which would give the audit greater latitude to recommend sweeping changes. This legislation would not be crucial to the audit's success, but it is vital to our long-term efforts to reinvent government.

6. The Performance Review would have no more than 6 months to produce its recommendations. These recommendations would be submitted to Congress as soon as possible, either as a single package or in a series of up-or-down votes.

7. Any good ideas we find before the Labor Day deadline could be released early to be included in the economic package, as a way to maintain public pressure for spending restraint.

The audit should be part of a broader Campaign to Reinvent Government, which might include legislation enabling us to implement:

- * civil service reform;
- * performance-based budgeting; and
- * "government enterprise zones" that would waive the rules for managers at selected federal agencies.

How to Make This Work at the Federal Level

There are two basic Several members of Congress (Glenn, Roth, Lieberman, Kerrey, and others) have introduced legislation to create a

Congressional Background

What the Review Would Do/How It Would Work

Key Questions

NATIONAL PERFORMANCE REVIEW CHECKLIST

Talk to Counsel re volunteers (esp. Sharp)

✓ Talk to Eller/Watkins re 800 number

✓ Decision memo for Rasco/BC

Organization?

-- Members: VP? OMB?

-- Work Plan; Groups

-- Hill Advisors: sponsors?

Consult with Hill staffs plus Rosty,

List of egregious examples to point to

Call Brophy re Rosty contacts

Press strategy: Broden, etc.

THE WHITE HOUSE
WASHINGTON

2/22/93

George,

Sen. Pryor felt
that the Pres. might
want to use this
info. in a speech on
gov. waste.

Mark Millitt

To: Bruce Reed
Mike Waldman
DZ

Fr: GS —

Can we adapt any of this?

GS

4
DAVID PRYOR
ARKANSAS

RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-2383

ARKANSAS OFFICE
3030 FEDERAL BUILDING
LITTLE ROCK, AR 72201
(501) 324-8338

United States Senate
WASHINGTON, DC 20510-0402

COMMITTEE:
AGRICULTURE, NUTRITION, AND
FORESTRY
FINANCE
GOVERNMENTAL AFFAIRS
SPECIAL COMMITTEE ON AGING

February 23, 1993

To: Mark Middleton

From: Frank Thomas

Re: DP's Contract Review Board Idea FAX #456-6424

Mark,

Pryor's letter to Panetta follows. The Senator thinks it's an idea which has some merit in examining waste in government. Let me know if you need anything on this end. Thanks.

PAGE 1 OF 3

JOHN GLINN, CHAIRMAN

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LEONARD WHITE, STAFF DIRECTOR

FRANKLIN G. POLK, MINORITY STAFF DIRECTOR AND CHIEF COUNSEL

United States Senate

COMMITTEE ON
 GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

February 23, 1993

The Honorable Leon Panetta
 Director
 Office of Management and Budget
 Old Executive Office Building
 Washington, D.C. 20503

Dear Mr. Panetta:

I am writing to express my concerns about the government's extensive reliance on contractors and consultants. As you know, I have looked at this issue for the past fourteen years. It involves a number of issues including cost, conflict of interest, waste, and the concept of inherently governmental functions. As a result, there have been some initial steps taken to address the issues of conflict of interest and who should appropriately perform sensitive government functions.

However, given the need for tough budget reductions, I think it is necessary to review the \$90 billion the government spends on service contracts. Federal spending on these contracts has actually doubled in the past decade and is the fastest growing area in government procurement. I believe that the Office of Management and Budget should establish a Contract Review Board to take a hard, close look agency-by-agency of every contract awarded. The agencies should have to justify each contract, explain why it is necessary in these tough budgetary times to continue to rely on a private sector workforce, and consider more cost effective ways of getting the job done. The Contract Review Board could include representatives from the various agencies and the Inspectors General. Given the President's goal of cutting administrative costs by 14% over the next four years, I believe timely action by the Review Board would greatly aid that effort. I would be happy to work with you to implement any Board recommendations.

Consistent with the effort to reduce government spending, I believe we need to examine whether all new programs should contain an automatic sunset provision which would require the Congress to re-examine the effectiveness and the need for the program after four or five years. This would allow the program to get up and running but would not be a blank check for the establishment of yet another entrenched government bureaucracy.

The Honorable Leon Panetta
February 23, 1993
Page Two

I would appreciate hearing your views on these suggestions
and look forward to working with you on these and other
matters.

Sincerely,



David Pryor

DP/kaw

103D CONGRESS
1ST SESSION

S. _____

IN THE SENATE OF THE UNITED STATES

Mr. KRUEGER introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To provide for a Special Assistant to the President to conduct a Federal performance audit and review, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Federal Efficiency Im-
5 provement Act of 1993".

6 **SEC. 2. FEDERAL PERFORMANCE AUDIT AND REVIEW.**

7 (a) **SPECIAL ASSISTANT TO THE PRESIDENT.—(1)**

8 No later than 30 days after the date of the enactment

1 of this Act, the President shall appoint a Special Assistant
2 to the President for the Improvement of Federal Effi-
3 ciency (hereafter in this Act referred to as the "Special
4 Assistant") to serve within the Executive Office of the
5 President. The Special Assistant shall conduct the Federal
6 Performance Audit and Review described under subsection
7 (b).

8 (2) The Special Assistant shall establish a staff of
9 no more than 200 persons, that shall be composed of Fed-
10 eral employees who are—

11 (A) selected by the Special Assistant based
12 upon experience and expertise in auditing or inves-
13 tigation of Federal programs and agency activities;
14 and

15 (B) detailed to serve on such staff—

16 (i) without reimbursement to employing
17 agencies;

18 (ii) with the approval of the head of the
19 agency of each such employee; and

20 (iii) without interruption or loss of civil
21 service status or privilege.

22 (3) No employee detailed under paragraph (2) may
23 remain on such detail after the date occurring 30 days
24 after the date of the submission of the final report under
25 section 3.

1 (4) The Special Assistant may secure directly from
2 any Federal department or agency such information as the
3 Special Assistant considers necessary to carry out the pro-
4 visions of this Act. Upon request of the Special Assistant,
5 the head of such department or agency shall furnish such
6 information to the Special Assistant.

7 (5) The General Accounting Office and the Inspectors
8 General as defined under section 11(3) of the Inspector
9 General Act of 1978 (5 U.S.C. App.) shall provide such
10 support services as the Special Assistant may require, in-
11 cluding the detail of employees and the furnishing of infor-
12 mation under paragraphs (2) and (4) to the greatest ex-
13 tent as provided by law.

14 (b) **FEDERAL PERFORMANCE AUDIT AND REVIEW.**—
15 The Special Assistant, in conducting a Federal Perform-
16 ance Audit and Review, shall—

17 (1) examine any Federal program or activity of
18 an agency and make recommendations for improving
19 efficiency and effectiveness;

20 (2) review all applicable reports, analyses, and
21 studies conducted by the General Accounting Office,
22 including the General Accounting Office 1992 tran-
23 sition series, to avoid duplication of studies and se-
24 lect programs and activities to audit and review;

4

1 (3) propose savings by restructuring incentives
2 to motivate Federal employees;

3 (4) propose actions to improve the efficiency
4 and quality of services delivered;

5 (5) propose actions to restructure Government
6 organization to provide for long-term efficiency and
7 savings;

8 (6) study the Federal Government by function,
9 not by agency structure, to avoid an unintentional
10 bias in favor of the status quo;

11 (7) establish a special team to study Govern-
12 ment-wide issues such as procurement and person-
13 nel;

14 (8) establish a telephone line for public com-
15 ment and hold regional public meetings to increase
16 public input; and

17 (9) study ways to improve the effectiveness and
18 to increase the independence of Inspectors General
19 in Executive agencies.

20 **SEC. 3. FINAL REPORT.**

21 No later than 6 months after the date of the enact-
22 ment of this Act, the Special Assistant shall submit a final
23 report to the President and the Congress on the Federal
24 Performance Audit and Review conducted under this Act.
25 Such report shall include—

5

- 1 (1) detailed findings:
- 2 (2) recommended actions to be taken by the
- 3 President, including specific rescissions of budget
- 4 authority to implement the recommendations result-
- 5 ing from the audit and review; and
- 6 (3) proposals for legislation to implement such
- 7 recommendations.

8 **SEC. 4. RESCISSION PROPOSALS.**

9 No later than 60 days after the submission of the
10 final report under section 3, the President shall submit
11 such rescissions of budget authority under title X of the
12 Congressional Budget and Impoundment Control Act of
13 1974 (2 U.S.C. 681 et seq.) as he determines necessary
14 to implement any recommendation in such report.

JOHN GLICK, CHAIRMAN

SAM NUNN, GEORGIA
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 WARREN B. RUDMAN, NEW HAMPSHIRE
 JOHN SEYMOUR, CALIFORNIA

United States Senate

COMMITTEE ON
 GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-8250

February 23, 1993

LEONARD WEISS, STAFF DIRECTOR
 FRANKLIN G. POLK, MINORITY STAFF DIRECTOR AND CHIEF COUNSEL

The Honorable Leon Panetta
 Director
 Office of Management and Budget
 Old Executive Office Building
 Washington, D.C. 20503

Dear Mr. *Panetta*:

I am writing to express my concerns about the government's extensive reliance on contractors and consultants. As you know, I have looked at this issue for the past fourteen years. It involves a number of issues including cost, conflict of interest, waste, and the concept of inherently governmental functions. As a result, there have been some initial steps taken to address the issues of conflict of interest and who should appropriately perform sensitive government functions.

~~However, given the need for tough budget reductions, I think it is necessary to review the \$90 billion the government spends on service contracts. Federal spending on these contracts has actually doubled in the past decade and is the fastest growing area in government procurement. I believe that the Office of Management and Budget should establish a Contract Review Board to take a hard, close look agency-by-agency of every contract awarded. The agencies should have to justify each contract, explain why it is necessary in these tough budgetary times to continue to rely on a private sector workforce, and consider more cost effective ways of getting the job done. The Contract Review Board could include representatives from the various agencies and the Inspectors General. Given the President's goal of cutting administrative costs by 14% over the next four years, I believe timely action by the Review Board would greatly aid that effort. I would be happy to work with you to implement any Board recommendations.~~

Consistent with the effort to reduce government spending, I believe we need to examine whether all new programs should contain an automatic sunset provision which would require the Congress to re-examine the effectiveness and the need for the program after four or five years. This would allow the program to get up and running but would not be a blank check for the establishment of yet another entrenched government bureaucracy.

*Bruce:
 This is a letter
 from Pryor to
 Panetta on
 Gov't contracts. It's
 pretty good.*

The Honorable Leon Panetta
February 23, 1993
Page Two

I would appreciate hearing your views on these suggestions
and look forward to working with you on these and other
matters.

Sincerely,

A handwritten signature in black ink that reads "David". The letters are cursive and somewhat stylized, with a large 'D' and 'd'.

David Pryor

DP/kaw

OSBORNE 2.22.93

KEY INITIATIVES:

1. Categorical Grants: consolidate, cut 5% (\$50B)
 - 550-600 grant programs, - 80 in educ. alone
 - 1000s of people in grantsmanship
2. Civ. service reform: 21st C. civil service system
 - 459 job classifications (NAPA says cut to 5)
 → NAPA study on Fed. Classification [Scott Foster, 347-3190] Gain sharing?
3. Budget reform: incentives to raise revenue; perf-based budgeting
4. Sunset law
5. Pilot approach: USDA, IRS, HUD, Labor, Educ. [Govt. Enterprise Zones]
 Ex. - wave all laws

AGRI.

- 500 ag. counties - 11,000 field offices - \$2.5 B - \$1,100/farm
- 40 farmers - 13 USDA employees in Clark Co, Nevada

HUD - 25% overhead

Key Players.

S. Liebman, Ruth, Glenn, Campbell, Kueger, Bingham, Conrad?
Reid, Dargan
H. Hamilton Gordon, Lamar Smith

Roth Bill → 5 separate reports

Joe Kaminski, GAO

→ WAIVER INITIATIVE

→ INTERNAL CONSULTING FIRM

PENSION BENEFIT GUARANTY CORPORATION
OFFICE OF THE EXECUTIVE DIRECTOR

February 17, 1993

Dear Bruce,

Thanks for taking time yesterday morning to discuss "reinventing government."

Attached is a letter I wrote recently for the OMB team which covers some relevant issues.

I will put additional thoughts in writing and look forward to seeing you next Monday at 3.

Sincerely,

Jon Kaminski, GAO

James L. Wolbarsht
Deputy Executive Director
and Chief Financial Officer
(Acting)

Hamilton, Gordon

Lieberman, Roth, Glenn, Campbell,
Kreuger, Bingaman

Sen.
Reid, Dorgan

Conrad?
Lan-Smith?

Scott Faden 347-3190

* → NAPFA study on Federal Classification
- gain sharing
Roth Bill - 5 separate reports

The Honorable Bruce Reed
Deputy Assistant to the President
for Domestic Policy
The White House
Washington, DC 20500

Osborne

459 job classifications

21st C. Civ service system

Incentives/bonuses

Perf-based budgeting

Change the culture + change the incentives

You can't make case w/o numbers

550-600 grant programs, 80 in
educ. alone

-1000s of people writing & reading grants

500 ag. counties, 11,000 ag. service offices - \$2.5b. \$800/m

40 farmers, 13 USDA employees - Clark Co., Nevada

HVD - 2570 overhead

- * Categorical grants
- * Civ. service reform
- * Budget reform; incentives to raise new revenue
- * sunset law
- * pilot approach to Labor, HVD, Educ., IRS, USDA
- * account acting

govt. enterprise zones

RED
TAPE

→ Internal
consulting firm

→ Waiver
initiative (OIRA)

FILE

JAMES L. WOLBARSHT
2111 JEFFERSON DAVIS HWY.
POST OFFICE BOX 15070
ARLINGTON, VA 22215
703/418-3000

January 6, 1993

Joseph J. Minarik
Policy Director
Committee on the Budget
U.S. House of Representatives
220 House Annex One
Washington, DC 20515-6065

COPY

Dear Joe:

This letter follows up on our chat this morning. But first, a reminder that I'm not seeking a job!

Having served in ten departments and agencies during three administrations of both parties over 23 years, it is hard not to have a few well-intentioned thoughts as I depart town.

For the past two years I have served as Chief Financial Officer of the Pension Benefit Guaranty Corporation, a billion-dollar federal corporation with unauditable books when I arrived. My time as a member of the first "class" of federal Chief Financial Officers has solidified my thinking on federal management issues. They are both a big problem and a big opportunity for the Clinton Administration.

The key issue, which strikes me as a critical one for Director-designee Panetta, is that "management" has, for years, taken a back seat to "policy." In the case of OMB, reference is often made to the "silent M." It isn't understood or perceived as important, despite its inclusion as "half" of the agency title.

Why should a "policy" director such as yourself or a Director-designee such as Chairman Panetta care? The short answer is that making policy is only the first step in dealing with any issue. Without successful implementation there are no results.

In an enterprise as large as the U.S. government, "management" encompasses the range of mechanisms by which policy decisions of the President are translated into action by the bureaucracy. The American public knows that American government doesn't work smoothly -- and legislative/executive branch cooperation will certainly aid in the initial stages of policy development. But, in the end, those policies must still be handed over to some large and unwieldy bureaucracies for implementation.

OMB must be the focus for this cluster of issues. Having each Cabinet officer try his or her own approach just doesn't work! Attempts by standalone CFOs, for example, to quantify activity in program shops despite routine resistance does not result in an effective outcome.

Effective private CEOs (and successful public ones) seek tested approaches to develop strong financial staff functions which become critical "eyes and ears" for top management. It doesn't happen by itself. When it doesn't in private business, firms go bankrupt! In Washington, we just print more money.

In the context of the Clinton Administration, let me toss out two thoughts:

- 1) The CFOs are the only federal officials capable of developing cost/benefit information with which decision-makers can address programmatic trade-offs in a resource-constrained environment.
- 2) If Mr. Perot received 20% of the popular vote (in part) by demanding more business-like government, what better (and what other tool) than the CFOs as a focal point for business-like government in the Clinton Administration.

I mentioned these thoughts to Congressman Jim Jones, the current Chairman of the American Stock Exchange, whom you will recall as Chairman of the House Budget Committee. He said that he "certainly agreed with them." But some work needs to be done during the Transition to make them become a reality. A vision is needed of what Chairman Panetta wants to bring to the Director position in terms of improved federal management -- before appointments begin to be made.

The "program sponsor" for the CFOs is the Deputy Director for Management at the Office of Management and Budget, and his number two is the Controller of the Office of Management and Budget. These two political appointments are key to the entire program. Obviously, who these individuals should be depends on the new President's (and new Director's) vision of the jobs and his view of the tasks to be performed by the incumbents.

Having watched several transitions in my own two decades in and out of public life, I discern a recurring mistake when positions are filled with good people before the requirements of the job are carefully defined. The result is what I like to call the "right" people in the "wrong" job. This type of mismatch is often fatal.

Page Three

Not all brilliant attorneys would be best suited to act as a departmental General Counsel. Such legal positions can often be more demanding of managerial skill than of analytical prowess. While some jobs are "think" jobs, and others are more like "factory manager" jobs. Step One - the OMB transition needs to develop a vision of what good federal management means and of what good federal financial management means!

Beyond that basic, there is much to be done to ensure that all of the CFOs are appropriately qualified to take on the tasks to be demanded of them. Of this first "class" of CFOs (as with the original group of Inspectors General) it has been opined by many that the positions took on a variety of flavors in different departments and agencies, and that the incumbents had widely-varying qualifications for the job. Very true. Step Two - the designated Deputy Director for Management and the Controller need to outline the type of qualifications that they think appropriate for incoming CFOs in federal organizations. More than the words "good managers" are needed in the position descriptions.

This needs to be coordinated with Presidential Personnel, with the Cabinet, and with the interested committees in the Congress. There are related issues to be tackled such as whether non-political CFOs should remain in some major departments. I must tell you that this is a key debate which requires early resolution. I could argue both sides for you ad infinitum: CFOs and numbers are not political by nature...alternately that effective CFOs must be inextricably linked to their Cabinet officers and intimately involved in programs, etc. But someone needs to study the issue and establish a template which supports the new Cabinet in making good choices which will also provide the kind of federal financial organization that I would hope that the President will demand.

The OMB transition team needs to be designated to address this issue and to provide guidance to Presidential Personnel and to the Cabinet on filling the posts. The alternative is a series of independent decisions made by well-intentioned folks with their own distinct agendas. The result will be a team that is less complete, less strong, and which can not provide the cross-corporate (i.e., cross-executive branch) strength behind the OMB Director and the President that could otherwise exist. Why not do it right from the start?

Parenthetically, I know of two separate proposals to the Transition (both from former high-level Carter Administration officials) to address the next stage of this approach through training for the new top officials. Harvard's Kennedy School has run courses for years for national security officials. A number of folks, including me, think that something needs to be provided for the incoming officials on the management side of all agencies

Page Four

and departments. This program might include an update on all of the statutory changes of the last 12 years including the Chief Financial Officers Act, the Federal Managers Financial Integrity Act, etc. Such programs should expand into ongoing professional training and education for top financial and management officials in the government. The OMB team should look at these proposals.

These are normally the types of issues that get bypassed in the search for good policies during the first hundred (or so) days of a new Administration. The Transition, to my understanding, has only "policy" clusters. None exist on management issues or on cross-cutting issues in the government. They certainly would be part of any study of a major multi-national corporation. Why should they not be addressed here? Likely most folks are arguing for jobs based on their abilities at making "policy." What about those who can get things done? In the long run, the ability to implement the President's policy choices will lead to the success or failure of the Administration. That's what good management is all about.

There are some related points which I will mention only briefly here. In an increasingly resource-constrained world, the government needs to focus more on results rather than on resources as at present. One reason for this misdirected focus is certainly the lack of data on which to make better-informed judgements. The CFOs can be key to shifting this paradigm in Washington and in America, but they will need some centralized support from OMB to effect such a change. Federal budgetary accounting is cash based, and so arcane, that it is not well-suited (if at all suited) to providing the kinds of information that decision makers should demand.

The entire theme of quality in government has been barely touched upon. This administration relocated the Federal quality effort from the Office of Management and Budget to the Office of Personnel Management. This one action speaks volumes about why the "M" side of OMB remained so weak on a comparative basis with the "B" side. The focus has been on resources, not on results, in the way that it must be going forward. You surely can't discuss "reinventing government" without considering quality. And you can't address quality issues across the government from a small bureaucratic outpost.

A recent book by the Council on Excellence in Government entitled the Prune Book, "The 45 Toughest Financial Management Jobs In Washington," would certainly stimulate the mind of whoever is tasked to address these issues. It identifies many of the key ones, provides some background, and is notable to informed readers by the issues that are not currently being addressed.

Page Five

My parting caution is a lesson I think I've learned from watching Washington through five administrations and serving in three -- that once all the key people are in place, it's too late for such reflections. If the Clinton Administration wants to address such matters, it must start very, very soon.

While "people are policy," and picking good people is the cornerstone of the effort, any boss wants to get the "right people in the right jobs." This means first identifying the tasks to be performed, in advance, and then picking people with the right skill sets. This may be the immediate critical role of OMB in the process. It must happen at different levels. The skills needed to be an effective Deputy Director for Management, at OMB may not be the same skills needed to be a good CFO. Has anyone written the position descriptions? Has anyone given the Director-designee any options in these areas?

For an organization to function effectively, the boss must also ensure the proper organizational structure and functional inter-relationships which enhance the ability of the incumbents to operate effectively. In short, do you want a disorganized group or a precision team? Has anyone considered the ability of a properly-designed financial structure within the Executive Branch to provide the same type of support to the ultimate CEO, the President, that the head of an ITT or Nestle might receive from his financial organization? Has anyone written position papers on how to implement such a concept within the beltway? The new OMB transition team needs to get involved now.

Enough from my soapbox. If you'd like to chat further or you would like me to chat with someone else, give me a ring. I can be reached at PBGC (202-778-8810) days or evenings at the letterhead number.

Joe, It's hard to get off a "good government" kick after two decades. I'd just like to see the concept addressed seriously. I'd like to think that there's a way to contribute the experience (and mistakes) of two decades around here before I run off to make some money.

Thanks for "listening." With best thoughts.

Sincerely yours,



James L. Wolbarsht

attachment



Pension Benefit Guaranty Corporation

2020 K Street, N.W., Washington, D.C. 20006-1860

James L. Wolbarsht
Deputy Executive Director and Chief Financial Officer
Pension Benefit Guaranty Corporation

Mr. Wolbarsht is Deputy Executive Director and Chief Financial Officer of the Pension Benefit Guaranty Corporation (PBGC), a self-financing government corporation that provides insurance for defined benefit pension plans nationwide. The PBGC administers two insurance programs covering nearly 40 million workers in 85,000 pension plans.

As Chief Financial Officer he provides direction to and oversight for all of the Corporation's financial programs and systems. These include the areas of financial policy and operations, financial planning and budgeting, premium operations, information resources, executive information and reporting systems, management controls, procurement and investment management. As CFO he manages an administrative budget exceeding \$100 million, annual revenues exceeding \$1 billion, and investable assets approaching \$6 billion.

Mr. Wolbarsht has more than twenty years of financial experience in both the private and public sectors, most recently as President of DEFCON, Incorporated where he arranged several international joint ventures. Previously he managed capital budgeting and led the mergers and acquisitions group at General Dynamics Corporation. He began his career as a planning officer with Mellon National Corporation.

On the public side he was Staff Director for the President's Commission on Industrial Competitiveness in the Executive Office of the President. He has advised numerous federal agencies including the Departments of State, Defense, Treasury, Transportation, Commerce and the Environmental Protection Agency. He has served as an expert on management for the U.S. General Accounting Office.

Mr. Wolbarsht received an A.B. with honors from Harvard College and an M.B.A. from the Harvard Business School. He served as a Lieutenant in the U.S. Navy and resides in Arlington, Virginia with his wife and daughter.

REINVENTING GOVERNMENT .

thoughts by Jim Wolbarsht
updated February 22, 1993

- As President Clinton said in his State of the Union message, the American people do not have confidence in how their government works. They expect better value for their money.
- The American people will not make necessary sacrifices for the good of the Country if they don't believe that their hard-earned tax dollars are being well-spent.
- The American public perceives the federal bureaucracy as being reactive, inefficient, wasteful, sluggish, and unaccountable to the American people. In general, the public perceives a "lack of responsibility" on the part of its government.
- Having departments and agencies which "work" well is critical to the success of the President, because making policy is only the first half of his battle. Policy must be executed well to have impact. The Public wants "results," not good intentions.
- Every one of us has his/her own unsatisfactory experiences in dealing with government. The real barometer of success in "reinventing government" will be a new public attitude.
- The "sad" part of this problem is that all of our departments and agencies are staffed by the same well-meaning workers who are so disenchanted with government. This must mean that we can change the environment and thereby change the results!
- If we keep doing what we've always done, we'll keep getting what we've always gotten -- a government that does not "work" uniformly well.
- By thoughtful application of new "human resource technologies" government can expect to achieve the same positive results that successful private firms have used to compete and "win" in the global marketplace.
- The White House needs to take the lead on this issue, because it is a "cross-cut." The management side of OMB must play, as must the Office of Personnel Management (including its Federal Quality Institute) and the Presidential Personnel Office.
- It is necessary to get the Budget side of OMB working together with the Management side, and very specifically in support of this new concept. This has been much easier said than done.
- One underlying theme should be "empowerment" of the workforce, but the related concepts of "incentives and disincentives" to behavior are critical. When "good" workers behave in dysfunctional ways, it is necessary to look at behavior motivators.

- Among the cross-cutting federal systems that must be addressed are personnel classification, position management and the federal acquisition regulations. These are complex topics.
- A supportive effort would put new emphasis on improved federal financial management. As Ross Perot stated in response to the President's State of the Union message, "the numbers are so squishy" that it's hard to tell how we're doing.
- * | - There is the obvious importance of creating department-by-department financial statements that can be consolidated into a real government-wide financial statement. It would be like having a real household budget for the first time.
- There is an equally critical need for "performance measures." In a resource-constrained budget environment, the only way to make other than "emotional" decisions on spending is to have some type of quantification in support of decision-making.
- This is very difficult in some programmatic areas. But it can sometimes be shown that the high costs of prevention are far less than the later spending necessary for the "cure." Cost/benefit analysis is beneficial in making program tradeoffs.
- These types of analysis will only be available through much improved financial organizations across the government. The Deputy Director for Management at OMB must step up to the role of "program sponsor" for the Chief Financial Officers, and be ready to provide support for them with their Agency Heads.
- There are several key steps that need to be taken now. The first is assignment of responsibility for "reinventing" and related themes to a senior official on the White House staff. This needs to be someone who can effectively coordinate such senior staff as the Director of Presidential Personnel and the Director of the Office of Management and Budget.
- The "champion" for this program needs to be in a position to work across the Cabinet to ensure that successful initiatives are quickly replicated, and that identified problems are equally-quickly shared and resolved. Intra-departmental communications will be critical to success.
- As noted earlier, people are another critical key to success of a "reinventing program." As Task Forces are established from different agencies, the participants need to be those who are in key roles within their own agencies and thereby able to ensure support in the "field" throughout the process. Both career and political types need to participate throughout.

- The role of Presidential Personnel in conjunction with the Cabinet and the designated program "champion" can not be over-emphasized. Finding staff at the Assistant Secretary level that is intellectually aware and emotionally understanding of the tenor of the "reinventing effort" will make a measurable difference in the likelihood of success.
- Tom Peters, author of many respected management texts, subtitled a recent volume "Handbook for a Management Revolution." His point is that some types of change are not inherently incremental, but quantum. Unfortunately, this is exactly contrary to the way that bureaucracies normally work.
- Change of any magnitude, let alone rapid change, is unsettling to human beings. Being human, people tend to resist it, even when they are "intellectually" in agreement. This affects the potential success of a program, because inertia in the federal bureaucracy is well-documented and the "system" has outlived most prior efforts at reform.
- The implication is that action must begin immediately and with enough visibility to signal that President Clinton is firmly behind constructive change in the operation of the government. Like any large and stable (although not necessarily optimal) system, the government is easily capable of defeating modest efforts to overcome its inertia.
- As the old saying goes, "when you're up to your behind in alligators, it's hard to remember that your objective is to drain the swamp." Given the exceptional demands of running a government, it is far easier to get into a reactive mode than it is to stay proactive and focused on longer-term results.
- Initial efforts should be focused on problem identification. This can be done by a task force of career staff on detail to the project. But the civil service has existing values which will preclude recognition of all issues that matter. There tends to be a focus on "level of effort" rather than results." This mandates the inclusion of external facilitators early on.
- The second stage must develop implementation plans complete with baselines and tracking mechanisms to determine progress. Organizations targeted for change must be held accountable, both at the political and the career level, to the extent of rewriting performance standards to reflect new expectations. Without this "incentive," a strong pressure to continue old and dysfunctional behaviors will remain in place.
- This entire effort should be initiated and designed to show dramatic change by the end of calendar 1994. After that, steps should be taken to institutionalize the program and make it self-sustaining.



Congress of the United States
House of Representatives

February 18, 1993

Mr. George Stephanopoulos
Director of Communications
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear George,

The President did a good job last night and I believe we are off to a strong start.

To follow up on our conversation, I am enclosing the letter I recently sent to the President regarding a formal or informal commission on federal waste.

I hope that you will call on me if I can be of help in addressing this critical issue.

Sincerely,

BART GORDON
Member of Congress

BJG/cmd
Enclosure
6-11-93
10:00 AM

To: D² Kahn, Bruce Teed
Fr: GJ

Idea: a good
idea.



Congress of the United States
House of Representatives

February 16, 1993

The Honorable William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President,

I once again want to thank you for the invitation to yesterday's White House meeting.

While that meeting is still fresh in everyone's mind, I want to expand on the point I made yesterday concerning a presidential commission on waste and mismanagement.

The recent announcements of White House staff cuts and across-the-board reductions in departmental administrative costs were important in terms of both substance and symbol. Nevertheless, building credibility with the American people requires even bolder action because the public does not trust how the government is spending current resources.

That is exactly why I urge you to create a presidential commission with the mission of "re-inventing" the federal government from top to bottom.

This proposal warrants your attention because bureaucratic mismanagement and waste will undermine your most important policy initiatives. I am familiar with two programs where this painful fact is especially true -- Pell Grants and Head Start.

Many elected officials and education experts understand the student loan default problem, but few realize that the Department of Education's management of the Pell program is even worse. The Department cannot determine whether a single student who received a Pell Grant ever graduated, got a job, or even attended the first day of class. Billions of dollars have been wasted.

Head Start is one of our best programs, but we have scores of bad-apple Head Start contractors -- misusing funds and failing to provide service. Last year I found that the Department of Health and Human Service's administrator for children, youth and families, the top Head Start administrator, does not even have direct authority over the regional offices which actually run the program. It can take years to remove even the worst contractors from Head Start.

These two programs represent opportunity and hope to millions of Americans, but they also represent places in our government

where your new funding initiatives must be accompanied by efficient, common-sense management.

You already have at hand some of the resources for a strong commission: key GAO officials and inspectors general as well as pro-Administration business leaders who have already managed difficult downsizing.

I would add Postmaster General Marvin Runyon to this panel. While there is little doubt that he "breaks some eggs to make an omelette," Mr. Runyon has already shown fundamental change can happen in the federal government management structure.

Unlike the Grace Commission or other such groups that have made oversight and waste recommendations in the past, your commission should look for ideas to help needed federal programs work better, not excuses for killing programs en masse.

The commission would also provide a means of broad public input -- a chance for Americans to see their own role in improving the federal government.

I would very much like the opportunity to help you make a presidential commission on federal waste and mismanagement a reality and to see that the commission becomes a credit to your service as President.

In closing, I want to add that I make these recommendations as one who places great trust in your ability and judgement. I am fully committed to doing what I can to make your Administration a resounding success.

By taking on waste and mismanagement in the federal government, you can build political capital needed in other fights. And most importantly, you can make an indelible mark on the way our government works.

I again offer my assistance toward this project and look forward to hearing from you.

Sincerely,

BART GORDON
Member of Congress

BJG/lmf

REINVENTING GOVERNMENT

thoughts by Jim Wolbarsht
updated February 22, 1993

- As President Clinton said in his State of the Union message, the American people do not have confidence in how their government works. They expect better value for their money.
- The American people will not make necessary sacrifices for the good of the Country if they don't believe that their hard-earned tax dollars are being well-spent.
- The American public perceives the federal bureaucracy as being reactive, inefficient, wasteful, sluggish, and unaccountable to the American people. In general, the public perceives a "lack of responsibility" on the part of its government.
- Having departments and agencies which "work" well is critical to the success of the President, because making policy is only the first half of his battle. Policy must be executed well to have impact. The Public wants "results," not good intentions.
- Every one of us has his/her own unsatisfactory experiences in dealing with government. The real barometer of success in "reinventing government" will be a new public attitude.
- The "sad" part of this problem is that all of our departments and agencies are staffed by the same well-meaning workers who are so disenchanted with government. This must mean that we can change the environment and thereby change the results!
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THE WHITE HOUSE
WASHINGTON

DATE: 02/25/93

TO: MACK MCLARTY
MARK GEARAN
BRUCE REED

FROM: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

The attached has been forwarded
to the President.



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

February 24, 1993

93 FEB 24 P6:19

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta

SUBJECT: Washington Post (2/2/93) Article: "Clinton cautioned on 'Administrative Waste'"

This responds to your request about the Post article (TAB A) and the two pieces to which it refers, an article by James Colvard and a memorandum to you from the Heritage Foundation.

The Colvard Article (copy and OMB staff assessment are at TAB B)

- Colvard was OPM's Deputy Director during the second Reagan term. He was a career civil servant respected for his managerial skills. He argues:
 - Against across-the-board cuts in favor of "differential judgments."
 - For more flexible reduction-in-force (RIF) rules and giving managers wider discretion to avoid the imbalances in the workforce that occur if reductions occur only by attrition.

The Heritage Memo (copy and OMB staff assessment are at TAB C)

- Author, Donald Devine, who was President Reagan's first OPM Director, is a figure generally disliked by employee organizations. The Heritage memo recommends 10 actions in two broad categories:
 - Immediate actions such as a freeze on hiring, 3 percent across-the-board administrative cuts, and a 25 percent reduction in Executive Office of the President staff.
 - Changes in RIF procedures to give greater weight to performance over seniority; strengthening controls to limit the total number of Federal employees; greater emphasis on and reform of contracting out of Federal operations; and privatization.

Important Issues Raised

- Should we continue to use limits on the number of employees as a management tool? The authors disagree. Colvard argues for "managing to payroll." Devine argues that Reagan Administration hiring freezes and limits on the number of employees were effective. The essential arguments are:

Pro (limits on the number of employees)

- Hiring freezes and limits on the number of employees seem to have powerful short-term effects and can accelerate redistribution of staff. For example, after an initial hiring freeze at the beginning of the Reagan administration, the administration put strict budget controls and limits on the number of employees in what it considered to be low priority programs. As a result, total employment at Agriculture, HHS and GSA went down, while Justice, Treasury and VA went up.
- Limits on the number of employees and other controls such as limits on administrative costs are important management tools when there is no capability to measure program performance. In the staff's view, the current state of performance measurement in Federal agencies is uneven at best.
- The number of Federal employees is a political issue and limits are a visible way of showing a commitment to reducing the size of government.

Con (do not place limits on the number of employees)

- Controls on employment can lead to dysfunctional behavior including contracting out when it is not economical or sensible.
- The quality management movement (and authors like Peters and Osborne) argue for more managerial discretion and the elimination of input and procedural controls in favor of managing for results. Several other national governments and some States and localities are trying performance budgeting. The most successful thus far are at the local level; e.g., Sunnyvale, California.

- What should be done about the RIF process? Both authors and OMB staff agree that the process for reducing staff is "broken."
- Without substantial reform of RIF procedures, the workforce gets, on average, older, whiter, more male, and more expensive.
- Today's procedures (largely embodied in law) are the result of persistent pressure by employee organizations (1) to protect against arbitrary action; and (2) to protect jobs.

Possible Options to Address Concerns Raised

- Have OPM consider a legislative initiative, which would be highly controversial, to change the RIF process to avoid the previously described negative results. This will require developing the "grand bargain" with Federal employee unions proposed by David Osborne in Mandate for Change (pp. 271-272). Some union leaders, like John Sturdivant of the American Federation of Government Employees, have made public statements that suggest they may be receptive.
- Continue the work already underway to move to performance budgeting: to manage for results, not to control inputs and processes. Efforts underway are development of performance measures for commercial activities under the Chief Financial Officers Act and a legislative proposal sponsored by Senators Glenn and Roth (S.20) that would mandate broader tests of performance measurement and budgeting. We have not yet taken a position on S.20.
- In carrying out the across-the-board cuts in administrative costs and in the total number of Federal employees as announced on February 10, give cabinet secretaries as much discretion as possible. For example, give secretaries the maximum latitude on where to take administrative and personnel cuts, consistent with supporting Presidential priorities.
- Privatization includes selling off governmental assets and enterprises and redefining the role of the Federal government vis-a-vis the private sector. It is another way of reducing the number of Federal employees and raises larger policy issues of what constitutes the Federal role and Federal-State-local relationships that are far broader than managerial efficiency. Such issues are being treated in the context of particular programs; e.g., health care and education. (Privatization was a high priority in President Reagan's second term, but, in reality, little was accomplished.)

A

To Leon P / Phil Lader
Please see Heritage afterward
get this guy's paper - BC

THE FEDS

Clinton Cautioned on Cut In 'Administrative Waste'

By Stephen Barr
Washington Post Staff Writer

President Clinton's proposal to cut "administrative waste" at federal agencies and eliminate 100,000 "unnecessary positions in the bureaucracy" is not the most effective way to rein in the government's growth, a paper prepared by a specialist in public service contends.

"It is an illusion to suggest that, somehow, there is a category of work called 'administrative' which is separately identifiable from the mission-related outcome effort of an agency," writes James E. Colvard, a senior fellow at the Center for Naval Analysis and a member of the board of trustees at the National Academy of Public Administration.

Although Colvard basically agrees with Clinton's objectives, he calls the notion of an administrative cut just another way of telling the government to do more with less.

The only way to save money over the long term is not by cutting back on administrative costs but finding ways to improve efficiency and to trim the layers of internal rules in federal offices, he writes.

"Current rules and regulations are so complex that they represent barriers to effective action rather than defining the boundary condi-

tions under which actions can occur," Colvard says.

That means, Colvard writes, that "what the administration has to decide is what things it will not do."

Colvard's paper, to be published in the spring issue of Public Manager magazine, comes at a time when Clinton is considering how to act on some of his campaign pledges. During the campaign, Clinton promised to cut 100,000 jobs in the bureaucracy by attrition, eliminate wasteful spending programs

IDEAS AND FINDINGS

and require federal managers to achieve 3 percent in administrative savings in every federal agency.

In a memo to Clinton, the conservative Heritage Foundation endorsed the idea of an across-the-board administrative cut and suggested the president also order a freeze on federal hiring to help achieve his work-force cuts.

But Colvard, a former deputy director of the Office of Personnel Management in the Reagan administration, argues that such "politically attractive approaches" are nothing more than "delusions and snares."

"It would be far better for the administration to make differential judgments about what government

functions it values and what institutional forms it prefers and provide those—along with organization size numbers—as strategic guidance to agencies," Colvard writes.

He says agencies may need the authority to lay off workers, because attrition may take too long. Reliance on attrition also means "the shape of the work force will be driven by termination decisions of individual employees rather than organizational needs," Colvard says.

In fact, Colvard recommends that agencies have the discretion to hire even as they are "downsizing." While that rules out a hiring freeze, Colvard thinks agencies would be in a better position to improve performance if they managed by payroll rather than by personnel ceilings.

Among his proposals, Colvard urges that the government's retirement rules be changed so that management could exercise "an option to retire the employee" rather than leaving retirement decisions solely in the hands of the worker. Such a "bold initiative," he says, would allow the government "to maintain a technologically current work force that matches the changing needs of the government and the demographics of the society."

Colvard acknowledges that civil servants—more so than Postal Service and Defense Department employees—are governed by complex work rules designed to ensure fair treatment when it comes to layoffs. But allowing work force reductions to be shaped primarily by the seniority system, he argues, would undercut gains made by women and minorities.

The Washington Post
2/2/93
Phil Lader
Staff Writer

Bush-Postal Board Flap Leaves 1 Chair Empty

By Bill McAllister
Washington Post Staff Writer

When the Postal Service Board of Governors convenes this morning at L'Enfant Plaza, there will be an empty chair at the table, a reminder

Bush hoped Ashley's vote would tip the board against the lawsuit. But Ashley never got to attend a board meeting before Bush left office.

The governors won an appeals court decision of their right to sue

the board until their replacements are confirmed by the Senate. Ashley's recess appointment does not require Senate confirmation and the Postal Service has asked the district court to rule on whether

"Downsizing a Federal Case: Losing Weight and Keeping it off"

James E. Colvard, Prepared for The Public Manager

Summary

- There are three main groups of Federal employees: the military, the Postal Service, and the Federal Civil Service:
 - The military operates under rules that allow quick and rather precise downsizing.
 - The Postmaster General has substantial discretion in downsizing the Postal Service, and its homogeneity, singularity, and strong unionization can make change easier to accomplish.
 - Any attempt to downsize the Federal Civil Service is driven more by administrative rules rather than executive discretion.
- Because of these rules, across-the-board reductions in the workforce, while politically attractive, are delusional and snares. Far better to target cuts to specific functions.
- Agencies should be given tactical discretion to use reductions-in-force rather than attrition. (Agencies should also have discretion to hire selectively.)
 - Reductions achieved by attrition take too long to realize and impede getting the changes that are planned.
 - The shape and skills of the remaining workforce is dictated by who decided to leave, rather than by management.
 - Past general hiring freezes have been uniformly ineffective because different jobs have different turnover rates, and a skills imbalance results.
- The Administration's objective should be to reduce administrative costs through efficiency. To do this:
 - Give managers more discretion to act.
 - Reduce the level of internal bureaucratic regulation.
 - Hold managers accountable for their actions.
 - Refrain from enacting new laws or promulgating new rules every time an official fails to exercise discretionary authority properly. Penalize the individual, don't over-regulate the system.
 - Give agencies greater authority to offer positive incentives.
- Positing that fixed percentage administrative cuts can be made without affecting productive output is an erroneous notion. Administrative costs, however characterized, are not truly separable from mission or program costs. Cuts in administrative costs will affect the level of government services provided.

Staff Assessment:

•- On differences among military, postal, and Federal civil service practices.

- Defense has been granted several special authorities to help assure a balanced force as it downsizes, including: (1) a variable separation initiative that gives extra monetary incentives for mid-level officers and enlisted personnel; and (2) a continuation, for a limited period of time, of certain benefits available to active-duty employees, such as medical and commissary privileges.
- The Postmaster General has substantial discretion to accelerate employment reductions in the Postal Service, such as through his ability to offer up to 6 months basic pay as a separation incentive for employees eligible for early retirement.
- Federal civil service employee reductions are more dependent on rules, (largely embodied in law) that provide certain preferences for veterans, handicapped persons, tenure, and, lastly, employee performance. Such a framework limits managerial flexibility and agency discretion.

•• On the effectiveness of hiring freezes.

- The chief benefit of hiring freezes has been to demonstrate to the public and to the bureaucracy that the Government is serious about setting an example of austerity.
- Government-wide hiring freezes were approved by President Reagan in 1981, and by President Nixon in 1971, but typically only for one to two months.
- At the outset of the Defense downsizings in 1990, DOD imposed a civilian hiring freeze, but found almost immediately that it had to take a more flexible approach. Separations were concentrated heavily in clerical and blue collar skills. There was a substantial administrative burden in processing waivers to the freeze. The freeze also "dried up" job opportunities for military family members returning to the U.S.
- Employment reductions actually achieved through freezes have not been substantial because they have lasted for only one to two months. The initial hiring freeze in 1981 dropped employment by an estimated 10,000-15,000 jobs. Freezes have, however, been the precursors for further selective employment constraints in particular agencies. For example, the Reagan freeze in 1981 led to a more formal effort to reduce 75,000 FTE in domestic Federal agencies from 1982-1984 and shifts in

staff from agencies judged to be lower priority (e.g., HHS and Interior) to ones designated as high priority (e.g. Justice and Defense).

- Those agencies facing substantial personnel cuts may not be able to rely on attrition alone to provide sufficient flexibility. Younger workers and those in lower-paid administrative occupations have a higher attrition rate. For example, the annual attrition rate for secretaries/typists with 5 years of service or less has typically been double the average attrition rate. As a result, a "hard freeze" (no replacements permitted) or a low replacement rate freeze (e.g. one hire for every three departures) will result in a significantly unbalanced workforce.

• On the effectiveness of incentives, current incentive schemes do not work:

- Ratings of employees under the broadly-based pay for performance program for middle-managers have been inflating steadily. Average ratings on a five-point scale have increased from 3.88 in 1985 to 4.11 in 1990.
- Major pay incentive demonstration projects (at China Lake, California and at McClellan Air Force Base) have not been successful on either cost or productivity grounds. At China Lake, annual salary costs are 2 percent higher than at comparable installations. At McClellan, average salaries are running nearly 10 percent higher compared to control sites. There is no clear indication that productivity at these sites has improved to justify these higher salary rates.
- The existing performance-based pay system (PMRS) covering more than 150,000 Government supervisors and managers at the GM 13-15 levels has been ineffective because: (1) salary costs have increased with no quantifiable improvement in output and (2) employees have been dissatisfied with a system in which nearly everyone receives a token increase each year.
- Annual bonuses are provided to more than one-third of the Senior Executive Service members. The average amounts are small and provide little, if any, incentive for improved performance. All agencies annually give the maximum total amount of bonus as permitted by law.
- All recent legislative proposals have limited managerial discretion (e.g., they sweeten early retirement provisions, but let the employee decide).

B

Draft

(Prepared for The Public
Manager. Copyright 1993.)

VARIATIONS ON GRIDLOCK

Downsizing, a Federal Case:
Losing Weight and Keeping it off

James E. Colvard

Citizens in all democracies seem convinced that their government is too large, and all successful U.S. politicians in recent memory have run on the proposition that they will reduce the size of government. Most of those elected have not lived up to their advertised intentions, not from lack of intent or effort, but because this is a complex objective and good intentions are not enough to achieve it. Even when reductions are achieved they often have uneven results in terms of improving the quality and reducing the cost of government functions.

Three Fundamental Groups

First, it must be recognized that there are three fundamental groups of federal employees: military, postal service employees, and career civil servants. Each operates under different rules and regulations and has different power bases and clientele. Of these three groups most major downsizing has occurred in the military, particularly in periods following World War II and military actions in Korea and Vietnam.

The Military

The military operates under rules that permit downsizing to occur rather quickly and with a certain amount of precision as to individual components and even specific individuals involved. The challenge of a military drawdown is to retain the right force composition to deal with future threats that will occur at undetermined places and times and involve as yet undetermined opponents.

Briefly stated, the objective is to reduce capacity without losing capability when you don't know how much we will need and against whom we will use it. This is never an easy task; it is even more challenging given today's turbulent international scene. The problem is exacerbated by the fact that military bases and units such as national guard and reserves are political pork within the area where they exist. Cutting a force in such a fashion that you do not wind up with a hollow military requires clear strategic thinking by the secretary of defense (SecDef) and the joint chiefs of staff (JCS). It also requires an objective and nonparochial role for the Congress. This is almost a political oxymoron. The current base closure procedures insulate the Congress sufficiently to depoliticize that aspect of military downsizing. No such mechanism exists to insulate the Congress in making decisions on national guard and reserve forces.

Our previous national experiences with large military drawdowns has not been good. We have achieved the reductions, but at great loss of military capability: the objective of reduced:

capacity has been achieved, but not the objective of retained capability. Two major reasons for this have been a lack of strategic thinking by the DOD and the overruling of military judgments by political judgments.

Given the undefined threat it is difficult to justify a categorical military need objectively. Thus decisions must be based on judgment--and in a democracy it is appropriate for political judgments to take precedence. An inversion of the power relationship between the political and military is not needed, but informed political judgments must give more weight to the advice of professional military officers.

With the current capability for strategic thinking that exists in the JCS, the SecDef and chairman of the Senate Armed Forces Committee it may be possible to overcome these two major contributors to past mistakes as this administration downsizes the military. We are a militia-oriented nation that has historically armed and fought when threatened and then quickly disarmed after achieving our military objectives. We tend to view disarmament as a decision rather than a complex process.

After 45 years of a significant standing military, and with the current all volunteer force, the nation faces a challenge in reducing its military capacity unlike any it has faced before in its history.

The Postal Service

Downsizing the second group of federal employees, the postal workers, presents different challenges. In their status as employees of a government corporation chartered by Congress 21 years ago, they are neither fish nor fowl. Run by a board of nine presidentially-appointed and Senate-approved governors, the Postal Service is more like a nonprofit corporation than it is a federal agency. The recent fight between the board of governors and President Bush over the degree of autonomy the Postal Service has in running its affairs highlighted the Postal Service's unique status in the government.

The Postal Service has discretion that other agencies working under the general civil service regulations do not have. The ongoing drawdown of 30,000 employees in the middle management and support positions initiated by postmaster general Marvin T. Runyon demonstrates that discretionary authority.

Due to their homogeneity, department singularity, and strong unionization, the postal employees have always had more political clout than other federal employees. In some respects this makes their downsizing easier because it is based in political negotiation and power brokering. The first step is to put in place a postmaster general with the vision of the administration and the skill to lay out a corporate plan and the will to follow it. The current postmaster general seems to have the latter two attributes with the only question being whether his vision coincides with that

of the administration. The Clinton administration is probably well equipped to deal with the postal service since it is a political problem and administrations come into power by being good at politics.

The Federal Civil Service

The third group, federal civil servants, represent a mixture of political problems and administrative or management problems. The federal civil service is controlled by a set of rules established in law that contain very specific provisions for reductions-in-force, or workforce downsizing. Thus control of the outcome of downsizing decisions becomes driven by administrative rules rather than executive discretion.

This is both good and bad. Good because it tends to insure fair treatment to everyone in the distribution of negative rewards, i.e., downgrading or separation--bad because the preponderance of factors in the rules favor seniority. An emphasis on seniority in reducing the civil service augurs poorly for gains of recent years in the hiring of women and minorities. It also is insensitive to current workforce needs since it is based on needs that existed 20 years ago when most of the currently protected employees were hired.

The political aspects of downsizing the federal civil service workforce have to do with the administration's decision about whether it will make cuts across the board or differentially on an agency-by-agency basis. If it opts for differential cuts it must decide which agencies to cut and which to hold constant or to increase. The politically attractive approaches of across-the-board reductions to be taken from administrative work and through attrition are delusions and snares.

It would be far better for the administration to make differential judgments about what government functions it values and what institutional forms it prefers. These judgments should then be provided--along with organization size limitations--as strategic guidance to agencies. Even better than workforce size numbers would be workforce payroll ceilings. Managing the agencies to payroll rather than personnel ceilings allows the agencies to factor in the quality of performance whereas personnel ceilings place a premium on head count, not cost of performance.

In addition to this strategic guidance the agencies must be given tactical freedom and some discretion to meet the objectives of the guidance. The discretion must include, for example, the authority to conduct reductions-in-force rather than wait for attrition.

This is critical for a couple of reasons. First, attrition may take too long to achieve the changes the administration wants in both the size and character of the federal workforce. Second, left only to attrition, the shape of the workforce will be driven by termination decisions of individual employees rather than

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organizational needs. Turnover rates, for example, are highest among secretaries and fire fighters, where daily availability of individuals to perform those functions are critical to organizations. Not filling a secretary vacancy while retaining the people the secretary supports is not good management.

Reductions through attrition are thought to be more sensitive to employees, and this is true in the narrow view. But in the broader view, the interests of all the citizens to whom the government has a responsibility are not well served by the resulting inefficient organizations that come from downsizing only by attrition.

Thus, agencies must have the discretion to hire at the same time they are reducing. This balance of controlled (as controlled as it can be under federal rules) reduction and selective hiring will maximize the leadership's ability to attain the workforce size and composition goals. Discretion to hire also means there can be no federal workforce hiring freeze while the downsizing is in process. Past general hiring freezes have been uniformly ineffective for the reasons previously cited.

Additional discretionary authority for the agencies must include the opportunity to offer positive incentives, such as early-out options with bonuses, to encourage attrition. Limited authority to grant such incentives has already been provided by Congress to the Department of Defense. Those and other carefully considered positive options should be made available to all federal agencies that are asked to undergo significant downsizing.

The notion also exists that an administrative cut of some percentage can be made without affecting productive output. This may be politically attractive, but it is an illusion to suggest that, somehow, there is a category of work called "administrative" which is separately identifiable from the mission related outcome effort of an agency. It further suggests that this can be incisively cut without pain. This is another way of saying "do more with less." In other words we want the same level of government services, but we want to pay less for it; so take it out of the "administrative" costs.

What the administration has to decide is what things it will not do. That is the only way in the long term to really save on administrative or any other kind of costs. The objective is to reduce administrative costs through efficiency and that comes by giving managers discretion to act which means reducing the level of internal bureaucratic regulation in the government. The need to obtain approval in advance and the attendant long decision chains are major contributors to "administrative" costs. A major difference between government agencies and private corporations is the level of discretionary authority that the executives and managers have. An organization that requires pre-action approval will never be as efficient as one that employs post-action reviews.

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In attempting to avoid mistakes, waste, fraud, and abuse the government has developed so many rules and regulations that it drastically slows decisionmaking and action and at the same time reduces accountability. It would be far more efficient and responsible to allow executives and managers discretion and to hold them accountable for their actions through subsequent assessment. If an objective of the new administration is to reinvent government based on managing to outcomes, it can only achieve that objective through granting discretionary authority to managers and executives throughout the government.

The most effective downsizing the Clinton administration could achieve would be through downsizing the administrative overburden of government rules and regulation. The Congress can help by refraining from passing a new law forbidding categorical actions every time some executive agency fails to exercise properly their discretionary authority. Appropriate action against the erring individual is the proper way to deal with improper exercise of authority. This requires a resolve, that no previous administration has had, to deal forcefully with poor performance and abuse of authority.

A bold initiative that would have long-term positive effect in downsizing and shaping the federal workforce would be to change the optional retirement rules to be optional for the employer as well as the employee. Currently when federal employees reach certain stages in their career--e.g., have 30 years of service and are age 55--they have an option to retire with an immediate annuity. It is totally the employee's option. If the law were changed such that when an employee has reached a point of qualifying for an immediate annuity (and to make it a reasonable annuity they should have a minimum of 20 years service) management has an option to retire the employee. This would allow government organizations to maintain a technologically current workforce that matches the changing needs of the government and the demographics of the society. This would remove no current employee options, but rather give management an additional one. (Editor's note: The employee would lose the option to stay on if the superior decided otherwise.)

Summary

In summary, it is easier to talk about downsizing the federal workforce than to do it. While there is one vocation of "public service," there are multiple communities of public servants. At least three of those workforces are sufficiently large and different that they require separate planning and thought about reshaping and reducing them.

The military component supports the first requisite of the constitution--to provide for the common defense. The military establishment is always an attractive reduction target in time of peace with the allure of a peace dividend. Since the nation's sovereignty depends directly on the effectiveness of its military forces, their shaping and sizing must be done with great care and objectivity.

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Because every citizen is a client of the postal service, decisions about the service more directly affect the polity on a short-term basis than any other component of the government workforce. This, coupled with the Postal Service status as a semi-independent agency, makes the shaping and sizing of the service a political question. While actions concerning the postal service may be the most volatile, it is the area with which any incoming administration has the most experience and which it should best understand how to handle.

Both the military and the postal service have rather singular and clear missions. The bulk of the rest of the federal workforce is career civil servants with a diversity of functions that range from some as old as the nation itself, as in the case of customs collections, to such contemporary activities as disposing of nuclear waste and exploring outer space.

This group of employees has the least political clout and operates under the most administratively complex system. Due to its diverse nature, the most effective way of dealing with its shaping and sizing is to make policy and priority decisions centrally within the administration and then delegate execution, along with the discretion required to carry it out, to the agencies. This discretion must be coupled with simplified administrative rules and controls which will allow managers and executives to be held accountable for their actions taken within the boundary conditions that the rules establish. Current rules and regulations are so complex that they represent barriers to effective action rather than defining the boundary conditions under which actions can occur.

Finally, the administration must have the will to discipline those who abuse authority and the Congress must resist the temptation to pass laws in the face of inappropriate action that "protects against such acts for all time." *

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HERITAGE FOUNDATION MEMORANDUM
"How to Cut the Federal Bureaucracy"
SUMMARY AND ASSESSMENT

The Heritage paper recommends a ten-point action plan to reduce Federal employment and improve the responsiveness of the Federal bureaucracy.

Action #1: Implement a total Federal hiring freeze, as well as an across-the-board 3 percent administrative cut.

Staff Assessment

- A hiring freeze would be symbolically useful, but probably unnecessary, to achieve a 100,000 reduction over three years, given a 6-7 percent attrition rate. Approximately 130,000 permanent employees leave annually.
- An underlying assumption of the action is that all Government needs trimming. However, since total freezes affect all activities, including high priority and essential ones, most freezes can be maintained for only a month or two.
- The substitute for a hiring freeze is to set specific targets by agency and let each decide how best to reach that target.
- Across-the-board administrative cuts that exceed the Heritage recommendation have been announced.

Action #2: Eliminate minimum staffing levels mandated by Congress.

Staff Assessment

- The Congress has included minimum staffing levels or "floors" for certain agencies through appropriation language. For example, the Congress has stipulated that the Customs Service must maintain not less than 17,871 full-time equivalent positions in fiscal year 1993, of which 960 must be allocated to air interdiction activities. Continued use of the floors is clearly problematic, particularly in those agencies where employment reductions should be made.

Action #3: If a total hiring freeze is approved, it should be followed by a flexible hiring freeze administered by OPM.

Staff Assessment

- A total freeze can only be held for a limited time:
 - one to two months (see staff concerns under Action #1). It then becomes necessary to relax the restrictions at least for some essential activities. The two principal options are:
 - go back to "business as usual" where hiring proceeds as resources permit; or
 - continue to apply a selective freeze on those agencies with lower-priority programs.
- Currently, OPM does not have the authorities or experience to deal with issues of resource allocation and constraint.

Action #4: Reform RIF regulations to give more weight to employee performance.

Staff Assessment

- There is a broad consensus that the current process for reducing staff for performance reasons is essentially unworkable. RIFs under current rules result in a workforce that is more male, white, older, and more expensive.
- More flexible RIF rules would give managers wider discretion to avoid the imbalances in the workforce that occur when reductions are only taken through attrition.

Action #5: Re-establish OPM monthly accounting of FTE employment.

Staff Assessment

- OPM already maintains the data that permits tracking FTE employment by agency on a monthly basis. The data are not always current, however, because of delayed reporting by agencies.

Action #6: End limits on the number and function of political appointees; cut the EXOP by 25 percent.

Staff Assessment

-- It is not apparent that existing limits on the number of political appointees represent a significant constraint. The President personally or through his appointees has broad discretion in appointing:

- More than 1,150 Presidentially-appointed, Senate confirmed positions;
- 10 percent of the Senior Executive Service or about 880 jobs;
- About 1,800 positions of a confidential or policy-advocating nature (Schedule C jobs). Technically, there is no numerical limit on these jobs.

-- The 25 percent EXOP cut has already been announced.

Action #7: Reaffirm commitment to the career civil service; and discourage "burrowing in" by political officials.

Staff Assessment

-- The Ramspeck Act permits appointments in certain cases, principally from Congressional staffs to executive branch jobs, without going through the normal competitive process. Past GAO investigations have found few instances where the Act was abused.

-- There were a few celebrated cases at the end of the Bush Administration, but they are the result of misuse of the Ramspeck Act. Congressional aides who had been appointed to political positions in the Bush Administration left those positions late last year and were re-hired as Congressional employees for a few days so that they could be certified as Ramspeck-eligible.

Action #8: Announce a major privatization initiative.

Staff Assessment

- The Reagan administration pressed for privatization, such as selling government assets, under OMB Director Miller. Privatization included both through contracting out and divestiture actions. Those efforts met with only limited success.
- Examples of attempts at privatization during the Reagan administration include the sale of helium production facilities, Alaska power, and loan assets. More recently, the Energy Policy Act of 1992 created the United States Enrichment Corporation, a government-owned corporation, to manage the government's uranium program and make recommendations to the President by July 1, 1995 regarding divestiture of assets.
- Privatization raises larger policy issues including the role of the Federal government vis-a-vis the private sector and Federal-State-local relationships.

Action #9: Modify existing contracting out rules.

Staff Assessment

- There is general consensus that the contracting out process is unduly cumbersome and that management of contractors is weak in some agencies. There is strong employee organization and Congressional interest in contracting out rules.
- OMB has had efforts underway since 1990 to improve the contracting-out process but, to date, has had little success in doing so. This lack of success has resulted from an inability to reconcile the concerns of the service industry, which itself is divided in how to simplify the process, and employee organizations, who see the process as a way of protecting jobs.
- OMB staff are working on a proposal to simplify procedures for contracting out activities and to make overall contract management more effective.

Action #10: Upgrade performance appraisals and extend performance pay.

Staff Assessment:

- An effort is needed to overhaul the appraisal systems used by Government managers with more emphasis on results expected from the employee and, where appropriate, on tasks requiring effective teamwork.
- If performance pay is expanded to more categories of employees, one recurring problem will need to be addressed. Data show that for those groups currently under one set of performance pay systems there has been a tendency to inflate performance ratings so that more employees receive performance pay/bonuses.

December 14, 1992

HOW TO CUT THE FEDERAL BUREAUCRACY

We cannot put people first and create jobs and economic growth without a revolution-in-government. We must take away power from the entrenched bureaucracies and special interests that dominate Washington....

I will reduce the White House Staff by 25 percent and challenge Congress to do the same.... [I will] eliminate 100,000 unnecessary positions in the bureaucracy. I will cut 100,000 federal government positions through attrition.... I will require federal managers and workers to achieve a 3 percent across-the-board administrative savings in every federal agency.

Bill Clinton

*Putting People First:
A National Economic Strategy for America.*

EXECUTIVE SUMMARY

There are few campaign promises that will become due earlier than your pledge to cut 100,000 federal government employee positions. Your commitment to reform—or your lack of it—will be obvious to the American people from the very beginning.

You have apparently modelled your transition and initial legislative strategy on the early days of the Reagan Administration. You would be wise to examine that Administration's strategy on reducing the size of the federal bureaucracy, too, for it offers a tested means to achieve your campaign pledges. That experience, and the lessons from other Administrations, suggests a ten-point action plan for achieving your objectives:

Action 1: Institute on Inauguration Day a total freeze on federal hiring (except political appointments), accompanied by a 3 percent across-the-board administrative cut. This is the kind of blunt instrument approach needed if your goal is to be accomplished. Because it allows no exceptions, bureaucratic gaming cannot frustrate the achievement of the bulk of your personnel reduction target, allowing appropriate adjustments to be made later, after most of the targeted savings have been accumulated at the beginning.

- Action 2: Demand that Congress eliminate minimum staffing levels in all departments and agencies.** A reduction program cannot be effective if large areas of personnel are excepted from its control.
- Action 3: In the second phase of personnel reductions, institute a modified freeze.** This more flexible hiring freeze should be planned for an unnamed date at least six months in the future; and administered by the Office of Personnel Management. This will allow continued reductions but ones managed in accord with the efficient use of personnel resources.
- Action 4: During the modified freeze, reform the Reduction-in-Force (RIF) regulations to give more weight to performance and less to seniority, and to limit bump-and-retreat rights.** This change, designed to permit the government to retain its best employees, should be made part of an overall personnel reduction strategy.
- Action 5: Reestablish Office of Personnel Management (OPM) monthly accounting of full-time equivalent (FTE) employment.** Without accurate data prepared on a regular basis and some agency to oversee progress, the goal of trimming the bureaucracy will soon be forgotten.
- Action 6: Demand from Congress the elimination of legislative limits on the number and functions of political appointees, and reduce the Executive Office of the President staff by 25 percent.** You will need to maintain and even increase the number of political appointees if the bureaucracy is not to smother reform initiatives. It is political appointees who will determine whether or not the Administration will be successful. But the Executive Office of the President is bloated by its own bureaucracy, and its efficiency is impaired. Fulfilling your pledge to reduce it by 25 percent will give impetus to other agencies and Congress to do likewise, and most important, will make the White House a more effective and efficient decision-making body.
- Action 7: Reaffirm your commitment to the career service.** A strong core of political appointees still must rely upon a professional civil service to be effective. To achieve its support, you must protect the integrity of the career service by such things as limiting "burrowing in" by political appointees to career positions, and seeking changes in the law to protect the service, including the repeal of the Ramspeck Act.
- Action 8: Announce a major privatization and contracting-out initiative, with the responsibility for the initiative transferred from the Office of Management and Budget to the Office of Personnel Management.** States and local governments have used privatization extensively to cut costs and improve efficiency. The federal government lags behind the rest of the country in the use of private firms and organizations to perform government opera-

tions. To catch up, it needs a major new initiative that is effectively managed.

Action 9: Modify existing contracting-out rules to provide full-costing of federal government operations when these are compared with private bidders. The bidding process today requires would-be private contractors to factor all overhead costs into bids, yet allows government agencies to exclude many items from their calculations. Loading the dice in this way often deprives the taxpayer of the opportunity for more efficient service.

Action 10: Upgrade the performance appraisal and pay-for-performance systems, and extend performance pay beyond managers to the general work force. Better pay for better performance is at the heart of sound private sector personnel-incentive programs. The opportunity to do this is too limited in a federal sector that needs constant attention to appraisals and resulting rewards to overcome the disincentives of a rule-driven, play-it-safe civil service system.

Opportunities for Reform

If you take prompt and decisive steps such as these, you can make significant headway into cutting the overhead cost of government and toward making the federal work force function more efficiently. The federal bureaucracy is a bloated target for management and budgetary reform. Personnel costs (wages and benefits) equal 15.5 percent of total domestic spending, and other administrative overhead adds 24 percent more, so even minor efficiency gains will translate into big savings. For example, federal retirement alone accounts for 4 percent of the budget. While tougher options are possible, by simply limiting the cost of living increases to the maximum amount of the Social Security cost-of-living-adjustment (COLA) increase, it would be possible to save \$1 billion the first year, and \$20 billion over five years.

Of course, if you really mean to go beyond personnel savings and actually attack the deficit, the Administration of Ronald Reagan could give some additional guidance: After carefully taking out the effects of interest and savings and loan bailout costs, Heritage Foundation scholars Scott Hodge and Robert Rector have shown that the domestic spending Reagan targeted declined from 14.8 percent of gross domestic product to 12.2 percent under his initiatives.¹ Cato Institute scholar Stephen Moore documents that the growth rate of real government spending under Reagan was one-third that of the next closest Administration since World War II. Thus if you are prepared to take serious actions and plan well, there is proof that you can achieve results.

But why, you might ask, should conservatives urge you to learn from the Reagan period, so that you might successfully trim the federal government, allowing you to fulfill your campaign promise and making it more likely that the federal bureaucracy will carry out your policies? For two reasons. The first is that by indicating exactly how you can carry out your campaign pledge, and identifying actions you would have to take if you really do want to cut the bureaucratic overhead of the federal government, the American people will have a checklist on which

¹ Robert Rector and Scott Hodge, "What George Bush is Not Being Told About Federal Spending," Heritage Foundation Backgrounder No. 886, March 4, 1992, p. 2.

to compare performance with rhetoric. If you are serious—or not—they will be able to tell from your actions.

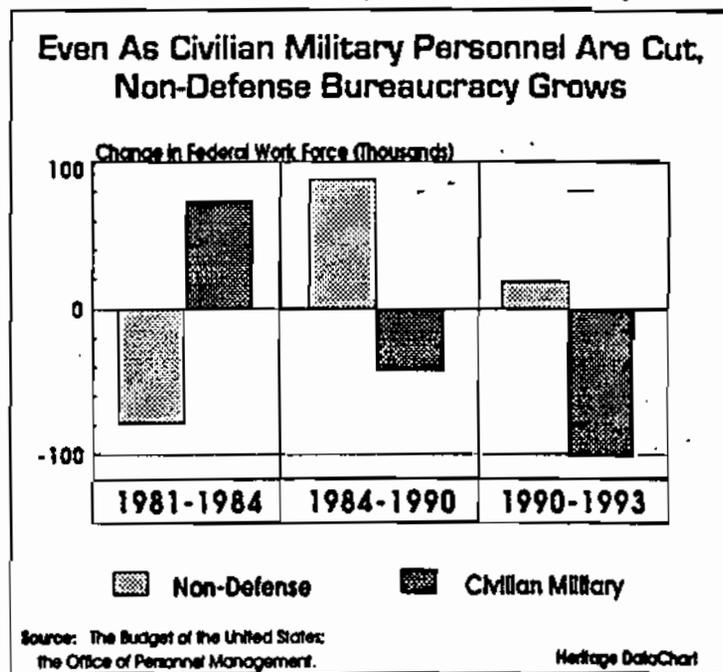
The second reason is that a serious threat to your strategy to reform government will come from inside the federal bureaucracy—as it did when Ronald Reagan came to power. It is the nature of bureaucracy: Pressure will come from those who do not want a lean, efficient government, but simply a large one. And it will come from those who will try to promote the old-style liberal “solutions” through bureaucracy and regulation that were rejected at the ballot box. It is in your interest, as well as the interests of conservatives, to ensure that these forces are not successful through omission. If you pursue these recommendations to make the federal bureaucracy work efficiently for you and these old-liberal policies are still pursued, then you will not be able to blame any failures on bureaucratic intransigence, and the American people will be able to judge fairly that it was the liberal policies that were the problem. And if you do reform the bureaucracy to make it carry out the policies of your White House, that also will provide an efficient executive branch to enable the next conservative Administration to correct the failed liberal policies that were adopted.

LESSONS OF THE REAGAN ADMINISTRATION

The bad news is that cutting 100,000 federal jobs will be difficult. The unions and managerial associations will protest vigorously, the career managers will resist having fewer subordinates to spread the work and build their empires, and the political appointees will try to avoid the hard decisions that will attract unwarranted press attention. The good news is that it can be done—Ronald Reagan showed how.

Then-Governor Reagan promised in the 1980 election to reduce the size of the bureaucracy. Once in office he classified his goal as a decrease in non-defense full-time equivalent (FTE) personnel of 75,000. The accompanying table shows that between 1981 and the end of the first Reagan term in 1984, non-defense federal employment went down by 78,650, thereby exceeding his goal. The decrease in number of employees, the “head count,” actually was 105,484. Significantly, about 90 percent of the decrease had been achieved by the end of the first year. Early, bold, and inflexible action in the form of a total freeze on employment, followed later by a more flexible, managed freeze, allowed the target to be achieved.

It is also important to learn from the shortcomings of Reagan’s second term. By the end of the second term, non-defense employment totals had edged back up nearly to the levels under Jimmy Carter, although defense civilian and military totals had begun a downward trend. The problem was that the energy of the first term had largely dissipated and clear plans and goals were not set, so the natural forces of bureaucratic growth re-asserted themselves. The reductions achieved in the core Great Society agencies generally held firm, but personnel grew in those agencies that received less personal presidential attention.



The Federal Bureacracy: Many Early Non-Defense Personnel Cuts Gave Way to Increases

Agency	1981	1984	1990	1993	81-84	81-93
Agriculture	121,000	108,986	110,755	111,021	-12,014	-9,979
AID	5,616	5,115	4,526	4,454	-501	-1,162
Commerce	36,347	32,305	34,858	36,682	-4,402	+335
Corps of Engineers	32,330	28,681	28,259	27,444	-3,649	-4,886
Education	6,634	5,025	4,596	5,032	-1,609	-1,602
Energy	18,675	16,708	16,815	19,960	-1,967	+1,285
EPA	12,861	11,412	15,155	17,917	-1,149	+5,056
Gen. Services Admin.	32,758	25,572	19,447	19,858	-7,186	-12,900
Health and Human Ser.	154,000	136,969	117,817	125,704	-17,031	-28,296
Labor	21,647	18,577	18,050	18,265	-3,070	-3,383
NASA	22,727	22,080	23,829	24,947	-647	+2,220
Nuclear Reg. Comm.	3,448	3,441	3,188	3,377	-7	-71
HUD	15,703	12,437	13,264	13,837	-3,266	-1,866
Interior	81,747	73,245	71,233	74,000	-8,229	-7,747
Justice	54,422	58,244	79,082	97,968	+3,822	+43,546
Office of Pers. Man.	7,133	5,710	5,702	6,158	-1,423	-975
Panama Canal	9,138	8,137	8,293	8,603	-1,001	-535
Small Business Admin.	4,704	4,238	5,316	4,637	-466	-67
State	22,887	24,139	25,633	26,012	+1,252	+2,925
Transportation	68,055	61,130	64,863	70,212	-6,925	+2,157
Treasury	124,264	123,155	155,931	161,964	-1,109	+36,700
Tenn. Valley Authority	44,752	31,952	23,716	23,000	-12,800	-21,752
USIA	7,636	8,167	8,598	8,679	+531	+1,043
Veterans	209,575	218,545	214,040	221,518	+8,970	+11,943
Other	45,587	41,414	43,506	57,382	-4,173	+11,795
Non-defense	1,163,646	1,084,996	1,169,370	1,187,929	-78,650	+24,283
Civilian Military	937,700	1,011,532	969,059	867,772	+73,832	-69,928
Uniformed Military	2,122,002	2,177,717	2,163,564	1,846,923	+55,715	-275,079

Source: The Budget of the United States; the U. S. Office of Personnel Management.

Setting Priorities: What Reagan Did, What Bush Did Not

While the two Reagan terms are instructive in their different ways, so is the Presidency of your immediate predecessor in the White House. George Bush said he, too, would cut the bureaucracy, but he never made clear beforehand what programs were to be targeted, even in the general terms of the second Reagan Administration. Nor did he detail plans specifying how or to what degree this should be accomplished after he entered office. Consequently the domestic bureaucracy under Bush increased 24,283 (actually more if budget sleights of hand are corrected) during his term. Conversely, through congressional pressure and to a great degree against Bush's desires, uniformed military personnel actually went down 275,079 and civilian military employment decreased 69,928.

The important point about the data in the table is the different patterns during the conservative Reagan and more moderate Bush Administrations. There are actually four patterns:

Pattern 1: Reagan and Bush both were tough on foreign aid (AID), government engineering projects (the Corps of Engineers and the Tennessee Valley Authority), Education, the General Services Administration, Health and Human Services, and the Small Business Administration.

Pattern 2: While Reagan was significantly tougher in a second set of agencies — Agriculture, Housing and Urban Development, Interior, Labor, Office of Personnel Management, and the Panama Canal Commission — the Bush Administration held up reasonably well, too.

Pattern 3: Both Administrations went weak in the knees in the face of Justice, Veterans, the State Department, and the United States Information Agency, presumably because of joint Republican support of law and order, veterans, and upholding the flag abroad.

Pattern 4: Where Reagan and Bush differed the most was over regulatory agencies. Bush seemingly could not say no — whether at the Environmental Protection Agency, in major cabinet departments (treasury tax agents — perversely added to the budget as "savings" to increase revenues; and commerce and energy overseers), or in-independent ("other") regulatory bodies.²

Thus President Reagan, at least in the first term, cut positions across the non-defense spectrum, faltering only on positions related to crime and America's presence abroad, while Bush let much of domestic government grow without any real overall plan. It is Reagan, then—setting and sticking to his agenda and achieving it the first term before the interests affected coalesced—who provides the best model for a Clinton Administration success in cutting personnel.

² William G. Laffer III and Nancy Bord, "George Bush's Hidden Tax: The Explosion in Regulation," Heritage Foundation Backgrounder No. 905, July 10, 1992.

The Politics: Also Follow Reagan, Not Jimmy Carter

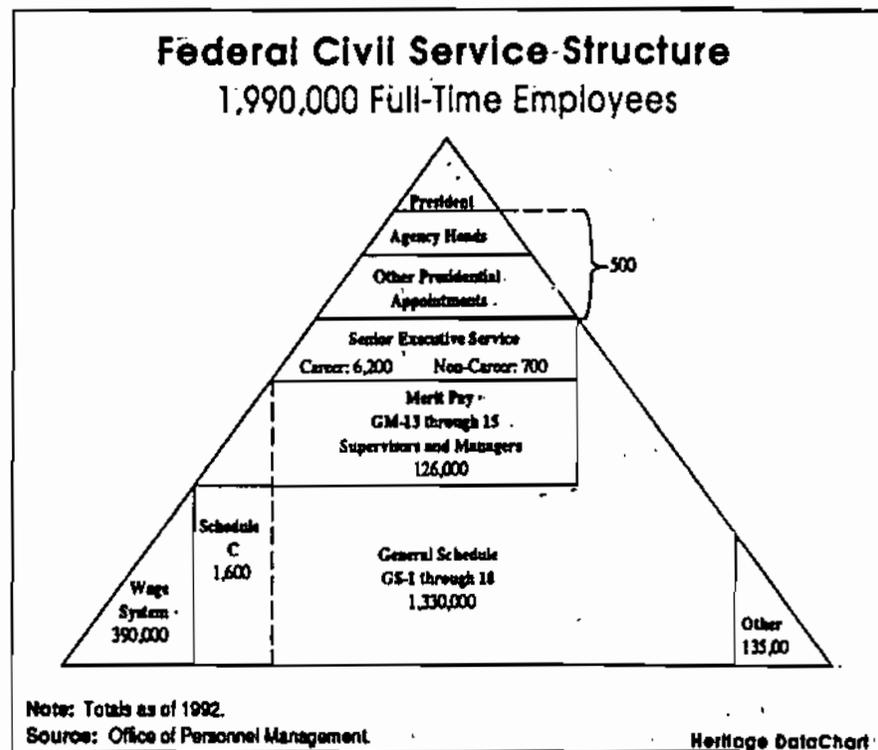
Although it was Ronald Reagan who actually cut the bureaucracy, Jimmy Carter prepared the way for his successor's achievement. President Carter was elected on a platform to reform the bureaucracy, and in 1978 he pushed through to enactment the historic Civil Service Reform Act (CSRA). Without that reform, the Reagan Administration would not have been able, as Paul Taylor of the *Washington Post* put it, "to assert its policy control over the top levels of its bureaucracy" and thereby to carry out its goals.³ The CSRA was crucial because it provided a more flexible personnel management system, which allowed federal executives actually to manage.

The problem was that Jimmy Carter did not tell anyone that he had fulfilled his promise to reform the bureaucracy, and what it meant. He did not highlight his accomplishments, even to his own managers, and thus received only the negative news generated in the media from the unions and others who opposed him. So the CSRA yielded few tangible results under Carter, to a great degree time simply ran out on his term. By contrast, from day one, Reagan and his team used the tools of the CSRA and kept the issue of reducing the size of the government and increasing its efficiency firmly in the news so that they could generate some countervailing support from a public that praised the news that bureaucracy was being mastered.

WHAT YOU CAN CUT

What is the federal bureaucracy? When reporting federal employment figures, the press routinely includes the independent Postal Service—which cannot be managed directly by the President—in government employment totals. Journalists also do not tend to distinguish between defense civilian employment (which President Reagan wanted to expand to win the Cold War) and domestic civilian personnel (which Reagan planned to cut). Sometimes the uniformed military are included, and often they are not. A confusion as you prepare to assume office, President-elect Clinton, is that as candidate you did not make clear where you want to make reductions.

Clarity is essential because the civilian personnel system is immensely complex. As pictured roughly in the accompanying chart, it has many discreet elements:



³ Paul Taylor, "Frictions Crest in Civil Service in Reagan Era," *The Washington Post*, January 19, 1983, p. A1.

- 1) **Presidential appointees, about 500 in number, who serve at the pleasure of the chief executive;**
- 2) **Non-career Senior Executives, totalling approximately 700, serving at the pleasure of the agency head;**
- 3) **Career Senior Executives, consisting of 6,000 or so individuals; who are protected by Senior Executive Service (SES) rules;**
- 4) **Schedule C non-career managers and policy makers, about 1,700 in number, serving at the pleasure of the agency head;**
- 5) **Career managers, numbering 120,000, who are protected by Civil Service rules;**
- 6) **General Schedule professional, administrative, and clerical white collar workers, totalling 1.3 million, who are protected by the Civil Service rules;**
- 7) **Wage Grade blue collar employees, numbering 300,000, who also are protected;**
- 8) **Specialized personnel schedules, who are 120,000 or so workers organized into a dozen professional schedules, such as Foreign Service, lawyers, administrative judges, public health and medical personnel; and**
- 9) **The uniformed military, comprising 1.8 million employees, grouped in their own systems.**

It is important for technical and other reasons that you understand and decide which of these categories is to be included in your target and which is not. The alternative is for reductions to take place in haphazard ways—or not at all—in areas not in accord with your wishes.

Can Defense Cuts Achieve the Goal?

Given the structure of the federal work force, you can hardly achieve part of your goal by taking credit for Postal Service personnel reductions. For one thing, the Postal Service already is taking steps to reduce its personnel. Some 30,000 management and staff positions are being eliminated by Postmaster General Marvin Runyon, and so far an additional 17,000 postal employees have accepted an offer of early retirement. For another, the Service is now a semi-private organization in which you do not have the power to cut positions directly. The real question for you is whether your personnel reduction goal can be met through reducing defense alone, as many liberals clearly want.

Focusing on defense raises the question: How much is enough? Uniformed military employment already has declined by over a quarter-million and civilian defense personnel have been cut by almost 70,000 from the Carter levels. However, as a candidate you also pledged to cut uniformed personnel 200,000, so your promise of a 100,000 reduction in the bureaucracy presumably must be restricted to civilian workers. You could confine the 100,000 reduction to just civilian defense employees, a significant portion of whom are now planned for downsizing over the long run. But your pledge is not very meaningful in policy or management terms if it does not cover anything other than what is already planned, and nothing new for Democrats if it covers only defense. The interesting question is whether your pledge implies more.

HOW TO CARRY OUT YOUR PLEDGE

Bearing in mind the experience of previous Administrations, and the pitfalls and complexities involved in reducing the federal bureaucracy, the following ten-point action plan would be a sound strategy for achieving your goal.

Action 1: Institute an immediate total freeze on federal hiring (except political appointees), accompanied by a 3 percent administrative cut.

In government management, experience shows that most real progress is made by using blunt instruments. A majority of the early success of the Reagan employee reduction policy was the result of the total freeze he placed on hiring before he even left the Capitol on Inauguration Day. As President, you must likewise act decisively and immediately if you are to be judged as acting seriously. Placing a total freeze on federal employment thus should be among your first acts. As a candidate you also promised a 3 percent across-the-board administrative overhead reduction, which should be made part of the same package of measures during the first few days of your Presidency.

A total freeze will allow you to build a "bank" of cut work years that will permit you to achieve your full target of reductions over a longer period through more rational management planning.

The freeze should be "permanent," and it should exempt only the political employees you need to organize your new Administration. Permanent means in this sense indefinite, so that government officials cannot plan simply to delay hiring while proceeding to plan future hires. The freeze cannot in practice remain total for too long without causing severe problems, but that should not dissuade you from instituting the policy. The freeze will need to be modified after six months or so, but the White House should not indicate in advance how it might be modified or there will be bureaucratic gaming.

Action 2: Demand the elimination of minimum staffing levels in all departments and agencies.

During the Reagan and Bush years, for instance, Congress placed minimum personnel levels in several departments and agencies to protect certain programs. This is micro-managing at its worst and an intrusion into presidential prerogative. You do have the advantage, however, that Congress might be more willing to end these limitations for an President of the same party.

Action 3: In the second phase of the freeze, institute a modified freeze, administered by the Office of Personnel Management.

A second phase of the freeze should be introduced after about six months. This should allow exceptions for critical skills and to fill positions for essential functions. To keep agencies from subverting the employment reduction function, the process must be managed centrally by an agency with the expertise and clear focus upon personnel to make the policy a high priority, and managed by an official strongly committed to your personnel reduction goals.

The temptation, of course, is to turn to the Office of Management and Budget (OMB)—close by within the Executive Office of the President—to handle the exceptions process in a modified freeze. OMB has neither the needed skills nor will it have the necessary clear focus upon the mission. The reason is that the budget, not management, necessarily dominates OMB's perspective. OMB only seriously analyzes the cost effects of personnel to specific programs and agencies, never to true staffing needs, much less to the overall objective of reducing the size of the bureaucracy.

The Office of Personnel Management, by contrast, need not suffer from these deficiencies. OPM has the knowledge—or can regain it—of agency operations needed to assess true requirements. And through its special pay rates program, OPM can determine the need for specialized

skills and provide the means to solve them. Thus, under a modified freeze, all agency requests for exceptions should be made to OPM and that agency should be limited only by overall budget levels already allocated to the agencies by OMB.

Action 4: During the modified freeze, reform Reduction-in-Force (RIF) regulations to give more weight to performance.

Consideration should be given to whether phase two should include Reductions-in-Force (RIFs) and furloughs to keep costs within budget. Although as a candidate you did say that the 100,000 reduction would be accomplished solely through attrition, in practice it is not possible to achieve efficient overall work force management without some RIFs and furloughs.

If RIFs are used at all—and they must be for certain operations if they are restructured—your OPM should review the Reagan Administration proposals to base employee retention during downsizing more upon performance than on the current seniority-dominated weighting process, and to limit so-called bump-and-retreat rights, under which lower-level employees are routinely “bumped” out of the service by higher-level individuals with greater seniority who are over-qualified (and overpaid) for the positions. Modifying this practice not only would lead to the better workers being rewarded and the work-product upgraded, but it would mean also that women and minorities would not be disproportionately affected by RIFs simply because they tend to have the least seniority.

By following the Reagan Administration work force reduction guidance emphasizing attrition, but allowing some RIFs and furloughs, it should be possible to minimize the negative effects. Over 90 percent of the Reagan reductions were achieved by attrition—and many of these were moved to other positions through a newly instituted placement program. By contrast, during the only other recent Administration to reduce the bureaucracy by any comparable size, under President Dwight Eisenhower, almost 90 percent of the cuts were achieved by firings. A Democratic Administration could hardly follow the latter course—and it would be too expensive, anyway—but it might well be able to follow the Reagan policy without severe employee reaction if it worked closely with the unions and employee associations.

Action 5: Reestablish Office of Personnel Management monthly accounting of full-time equivalent (FTE) employment.

Not only is the government personnel system naturally complex, the government tries further to confuse the situation by the way it counts employees. At the beginning of Ronald Reagan's first term, there was no accurate count of total standardized work years in the federal government—a necessary basic measure to ensure that bureaucrats do not merely eliminate part-timers in response to higher-level orders while at the same time hiring back full-timers, effectively increasing personnel when appearing to cut them. Even the data collected at that time were not in a useable form and were available only once a year.

Believe it or not, it took several months of enormous pressure to put the employment figures in a form useful for work force management. The resultant data were extremely useful for measuring agency performance and pressuring agencies to conform to presidential directives to reduce employment. Too useful. Regular employment reports are no longer produced. Admittedly, they are produced once a year in the Budget (although somewhat inaccurately), but they are well hidden—this year on page 138 of the appendix. Fortunately, some of the earlier reports still exist and allowed us to construct the earlier table. Your Administration will have to re-create the Office of Personnel Management monthly report if you wish to monitor progress, and your Office of Management and Budget no doubt will resist doing this because OMB does not like anyone peering over its shoulder.

A running measure of full-time equivalent (FTE) work years is indispensable to monitor progress. But that measure does have two political drawbacks. First, you will need to translate your goal to cut 100,000 into FTE terms to be meaningful, or only part-time positions are likely to be cut and the actual number of positions eliminated may be less than you desire. Politically, translating 100,000 positions into FTE will make the total cut look smaller than you promised. Alternatively, of course, you could hold firm to a target of 100,000 FTE positions and cut more slots. Second, because standardized work years accumulate over time, it is necessary to make the reductions early in the year so that they are counted as a full-year persons, if you are to receive full credit for the reductions that in fact are made.

Action 6: Demand elimination of congressional limits on the number and functions of political appointees, and fulfill your promise to reduce the Executive Office of the President (rather than the much smaller and more difficult to cut White House Office) staff by 25 percent.

Political employees will make or break the Clinton Administration, as has been the case with every other. Government management does not have the private sector luxury of bottom-line profit-and-loss financial statements to measure its success. Government budget figures tell only what was spent last year, not whether the program or its staff were successful. In government, the only real replacement for private sector financial statements is personnel management.

Managing and leading people is what efficient government is about, and even more so in the sprawling national bureaucracy. President and former Governor Jimmy Carter showed that it cannot all be done from the Executive Office of the President, like running a small state from the Governor's mansion in Atlanta—or Little Rock. While the White House Office must play a central role in planning, it would be more effective if that role were undertaken with a leaner Executive Office of the President staff (which you wisely promised to reduce by one-quarter) and if the line-function Cabinet and top agency heads were brought more into the top management team. Placing throughout the agencies political appointees who are dedicated to the President rather than their own personal or narrow agency agendas is the secret to control of both the management and policy process.

This in turn means that the Office of Presidential Personnel must make appointment decisions upon loyalty first and expertise second, and that the whole governmental apparatus must be managed from this perspective. Picking appointees who are "best for the job" merely in terms of expert qualifications can be disastrous for a government genuinely committed to change.

The Office of Personnel Management must also play a critical part developing a team, managing the Senior Executive Service (SES) system, and overseeing Schedule C positioning. Because they are so critical, political appointees need some special attention: they need presidential access—limited depending upon rank and importance—and they must be excused from actions otherwise affecting the personnel process, such as freezes. In return, they can better manage the morass that lies below them.

Action 7: Reaffirm your commitment to the career Civil Service, such as by urging repeal of the Ramspeck Act.

If political executives are appointed and well supported as they carry out the President's mission, it is not necessary to subvert the career system. A new Administration understandably is worried that the opposing party will attempt to place many of its political appointees into the career Civil Service. For this reason, Senator David Pryor, the Arkansas Democrat who is chair-

man of the Senate Government Affairs subcommittee on the Civil Service; immediately after the election warned Bush Administration political officials not to "burrow in" to the career bureaucracy.

But this view of the Civil Service should apply to the new Administration as well. The policy of the first-term Reagan Administration was to discourage burrowing in its by own officials as well as those of the previous administration. While the 1940 Ramspeck Act guarantees this to congressional and White House staff for the early days of this transition, the new Administration should end this practice for the future and tighten provisions for other appointees.

The corresponding responsibility on the part of the new Administration is to reject professional career pressure to reduce the number of political appointees. For example, the National Commission on the Public Service, which consists of former career officials, has called for appointing political officials on "merit" only and to reduce the number from 3,000 to 2,000. Congress, too, has begun to limit flexibility for political appointees, a situation a Democratic President should be better able to rectify.

Recognizing both the protected status of the career service and the legitimate role for political appointees strikes the right balance. It also should increase the likelihood that your broader proposals for governmental reform will be achieved.

Action 8: Announce a major privatization and contracting-out initiative, with the responsibility for the initiative transferred from OMB to OPM.

Recent Presidents, as well as governors and mayors across the United States, have recognized the benefits in reduced costs, efficiency, and improved management in the policy of contracting work out to the private sector and other forms of privatization. The California-based Reason Foundation has identified \$300 billion of federal assets that could be put to more efficient use in the private sector, while increasing federal revenues. Moreover, one of your top campaign advisors, David Osborne, has argued persuasively for the strategy.

Still, no recent U.S. President, unlike the chief executive in lower levels of the government or national leaders in other countries, has given contracting-out and privatization the top-level attention necessary to implement it widely, or provided sufficient incentives to prevail against the predictable resistance of career interests. The current U.S. program exists as a neglected backwater within OMB and receives almost no support.

Reducing even 100,000 federal employees does not deal with the problem that the work force is overpaid for most positions, has the most generous pension in the world, and operates under a system that destroys incentives to work efficiently. While effort should be expended to reform these remaining functions, the experience of the Reagan Administration is that reforms will be limited and costs only marginally reduced without privatization.

The wise course would be a serious contracting-out and privatization program backed with your strong personal support and assigned to a new agency to assure priority attention, optimally to OPM. Years of experience at lower levels of government prove that strong leadership can be combined with sensible incentives to turn around or at least neutralize employee resistance. If part of the savings are given to the managers who recommend privatized services and the employees who agree to shift with the function to the private sector, for instance, as well as to those who remain to oversee the operation, it is possible to achieve employee support. As

4. David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (Reading, Mass.: Addison-Wesley Publishing Company, 1992).

President, you could implement the more or less moribund so-called FED CO-OP program—designed to give shares in the private firms to those federal workers who assist in making the transfer. At the state and local level, Democratic mayors and governors have been in the forefront of such privatization initiatives.

Action 9: Modify existing contracting-out rules to provide full-cost accounting of federal operations when these are compared with private competitors:

Current federal law requires a competition between governmental and private bidders for functions that are considered for transfer to the private sector. Even if the governmental operation wins the competition, the result should be improved services as it restructures to be competitive. To be a serious competition, however, it will be necessary to include the total governmental cost—especially pension, foregone taxes, and other overhead costs. This is not the case at present. The private contractor must include all indirect costs while the government does not, handicapping the outside bidder by as much as 30 percent, and denying the taxpayer the chance for more efficient services. As President, you should modify the rules on contracting out to require the proper, full-cost comparisons to be made.

Action 10: Upgrade the performance management system and extend performance pay to the general work force.

Even with a major privatization effort, many functions necessarily will remain within the government, including overseeing contracted-out operations. But in contrast with the private sector work force, federal employees operate within a system that destroys innovation and efficiency. The 1978 Civil Service Reform Act did create a more flexible management and performance-oriented system, but such a rule-driven system needs constant upgrading.

An efficient system depends on a fair and meaningful performance appraisal process, with pay-for-performance consequences resulting from the appraisals. The Reagan Administration understood this and implemented the Carter-planned appraisal system for all employees, and performance pay for managers and executives, giving it high priority at least through the first term. The basic tools still exist, but the system will require constant prodding to force executives to exercise their responsibilities. The temptation is to grade everyone equally and to flatten out bonuses so that managers do not have to make the difficult decisions of telling some people they did poorly and to pay them less. Bureaucracies may run more comfortably when they do not make such tough decisions, but they also run without energy or efficiency.

The Reagan Administration tried early to extend pay-for-performance from just managers to the rest of the federal bureaucracy. Union and employee association pressure on friendly congressmen stymied that reform. But the system cannot work optimally with the great majority of the work force denied the chance to earn higher pay for good performance. If there are not monetary consequences resulting from performance appraisals (or separations for very poor performance, for that matter) they lose their credibility and utility. Again, a Democratic Administration might have better success from a more friendly Congress.

Prepared for The Heritage Foundation by
Donald Devine

Donald Devine, former director of the U.S. Office of Personnel Management, 1981-1985, is author of *Reagan's Terrible Swift Sword: Reforming and Controlling the Federal Bureaucracy* from Jameson Books. He also is a columnist, an adjunct scholar at The Heritage Foundation, and a Washington political and management consultant.

Bruce,

Damus said that he was surprised as well that the assistant archivist stated that the cuts would be no problem because the benchmark used was authorized FTEs. In particular, he didn't think that the detailed instructions from OMB for implementation of the order had been finished and therefore the archivist wasn't in a position to say exactly what would be required.

Damus' understanding is that OPM initially set the number of employees for each agency/department based upon numbers provided to them from each agency/department. It is therefore apparently possible that some provided numbers to OPM based upon authorized FTE levels, rather than estimated or actual FTEs. While this is not consistent with our intent, Damus says that because the actual number of FTEs is a snapshot and changes day-to-day, the significant bite for the agencies will be the loss of money to pay for the reduced number of FTEs beginning in 1994. Contrary to the impression created by the archivist, other agencies and departments are viewing this as serious business - Damus has heard from 10 or so departments/agencies who basically are looking to get some sort of relief from the required reductions.

OMB is drafting a memo that is suppose to clarify what the numbers are, where they are from, etc. The memo is expected to be finished this afternoon and I will get you a copy.

A handwritten signature in cursive script, appearing to read "Steve", is located in the lower right quadrant of the page.

THE PROPOSED PERSONNEL REDUCTIONS WILL RESULT IN REAL SAVINGS

- o On February 10, 1993, President Clinton issued an Executive Order to reduce 100,000 Federal positions over the next three years.
- o The savings in Full-Time Equivalent (FTE) employment and dollars were reflected in the President's economic and budget plan, A Vision of Change for America, issued on February 17, 1993. OMB is implementing the President's Executive Order in two ways: funding and FTE.

FUNDING

- FY 1993. Savings from cutting staff in FY 1993 may be used for non-personnel purposes during FY 1993 only. The President's plan did not propose to rescind the savings in FY 1993 because it would have offset to some degree the positive impacts on the economy of the President's stimulus proposals.
- FY 1994 -- FY 1998. Beginning in FY 1994, each agency's funding request was reduced by amounts derived from the FTE reductions (times average salary levels). These dollar savings are real whether or not any agency's on-board staff was below its 1993 base level of employment.
 - In total, agency requests were decreased by nearly \$8 billion between FY 1994 and FY 1997. (See page 124 of the February 17th document.)

FTE

- All agencies (over 100 employees) were required to reduce their 1993 base level of employment by 1% in FY 1993, 2.5% in FY 1994, and 4% in FY 1995.
 - The 1993 base reflects the amounts appropriated for FY 1993 as opposed to the levels of personnel actually on-board as of the date of the executive order. To the extent these levels were higher than current on-board levels, the immediate impact of the executive order on FTE in FY 1993 may be mitigated. However, by FY 1994 and FY 1995 agencies will have to reduce current on-board levels as the size of the required reduction increases.
 - In total, the 1993 base FTE will be reduced by 152,800 FTE by FY 1997 (including Defense). (See page 142 of the February 17th document.)
 - OMB is putting into place a tracking system to ensure that these reductions are achieved.

DPC Staff

THE WHITE HOUSE
WASHINGTON
February 10, 1993

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES
AND EMPLOYEES OF THE EXECUTIVE OFFICE OF
THE PRESIDENT

SUBJECT: Government Fiscal Responsibility
and Reducing Perquisites

To promote Government fiscal responsibility by cutting the perquisites and excesses of Government office, it is hereby ordered as follows:

Section 1. Executive Dining Facilities

Executive dining facilities in the executive departments and agencies and the White House Executive Mess will not be permitted hereafter to provide below-cost meals. The Office of Management and Budget, after consultation with the agencies as needed, will develop promptly a plan and issue any directives required to recover the costs of meals served in these executive dining rooms.

I strongly support the decision of those Secretaries who have concluded that they do not need an executive dining room for the conduct of their agencies' business and have closed and converted them to other uses. I therefore am requesting the other heads of agencies to review their official needs and close voluntarily executive dining facilities that are not essential for the regular conduct of Government business.

Section 2. Conferences

The public interest requires that agencies exercise strict fiscal responsibility when selecting conference sites. Accordingly, agencies are not to select conference sites without evaluating the cost differences of prospective locations. When agency representatives attend conferences sponsored by others, the agency must keep its representation to a minimum consistent with serving the public's interest. The Office of Management and Budget, after consultation with the agencies, will issue further directives necessary to implement this requirement.

William Davis

TO: Bruce Reed
FROM: Susan Brophy
DATE: February 19, 1993

RE: Legislation to create reinvent government board

Howard asked me to tell you that he would like you to consult with Brooks, Dingell and Rostenkowski, in addition to the Members you have listed. *Janis Mays*

Also, we both have strong reservations about sending any legislation to Congress with the instructions that they be required to give an up or down vote on the package. It is extremely arrogant and would result in us losing votes as a consequence because it is the prerogative of the Congress to determine the rules under which all legislation is considered. Furthermore, we cannot require Congress to do anything. (That whole separation of powers thing.)

The objection is not to the legislation, as long as it is accompanied by extension consultation -- it's the conditions you propose to attach to the legislation.

We are available to discuss this further if you wish.
Thanks.

DPC [initials]

THE WHITE HOUSE
WASHINGTON
February 10, 1993

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William D. Davis

CSE → Welfare

→ Fed Ex more benefits?

150,000,000
124,000,000
25,000,000
620,000
48
09,000

Stark's/Programs

NPR Add

Toll-free II hotline

Indicators? Quality/And

Hearings

Better service

What to target?

Bonus packages

Process reviews

The Project

Technology

Admin. costs

Regulation

Private

challenging basic assumptions

HC fund

Computers

Jefferson

governments

best

best

best

MEMORANDUM

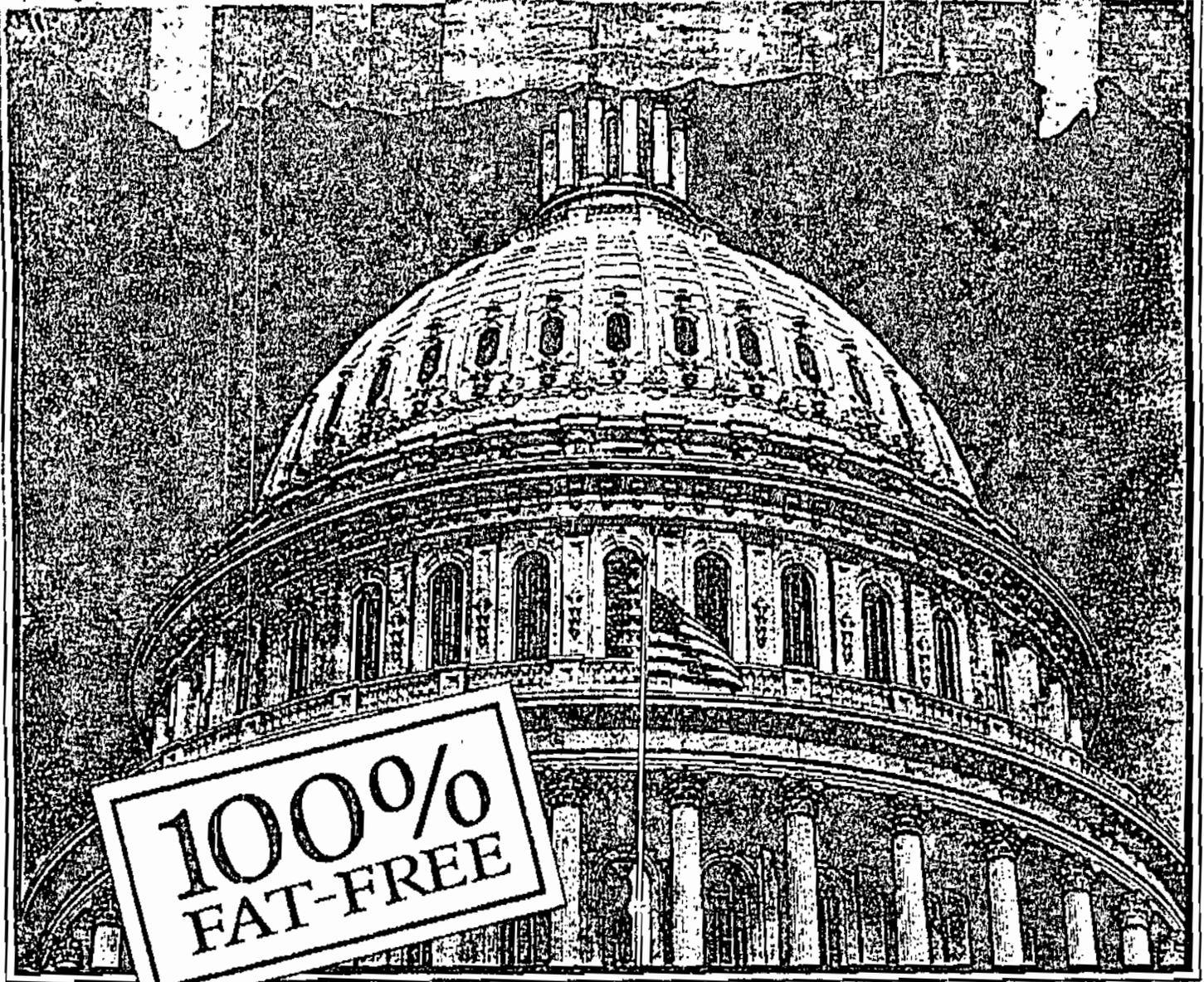
TO: BRUCE REED
FROM: MARK GEARAN *MG*
CC: MACK MCLARTY
RE: WASTE IN GOVERNMENT EVENT
DATE: 22 FEBRUARY 1993

Senator Bob Krueger called today to indicate his interest in the upcoming event of the President on waste in government, and in particular, his effort outlined in the attached ad.

I also attach the Dallas Morning News editorial on the subject.

Mack told Senator Krueger that we would consider how this might be incorporated.

Let me know what you think.



**FRONTLINE FEDERAL EMPLOYEES.
YOU ARE THE SOLUTION.**

You do the work and, like any successful company, it is the frontline, hands-on, dedicated employees who really make things happen. We need leaders to set the course, but if the "system" is ruled from the top down, if the system is caught up in passing the buck or if the system does not empower the frontline employees, the system will fail. That's the problem we now have with government in this country

YOU KNOW WHERE THE WASTE IS.

And as a taxpayer, as well as a federal employee, you are as angry about it as any average taxpayer. But who gets the blame when the system covers up the waste? You do. There are so many needs and so little money. The only way we can save programs that really help people is to cut not just some, but all the waste.

Only you can do that.

Don't let the system destroy worthwhile programs and productive jobs because of waste and fat. Don't let the taxpayers feel like they can't get value for their dollars.

CALL ME WITH EXAMPLES OF WASTE.

Your call will be totally confidential.

My name is Bob Krueger, and I am the new U.S. senator from Texas. I recently replaced Senator Lloyd Bentsen. You don't have to be in Washington long to understand that the problem is the system, not the frontline employees.

That's why I am introducing legislation to require a full-scale, "take no prisoners" kind of audit to expose the waste. But this time I want the audit to be done by aggressive frontline employees, not high-priced consultants or the big-shot bureaucrats. In addition, once your audit is complete, my bill will give the executive office the power to impound wasteful dollars.

You know where the waste is, and we need your experience to expose specific examples of waste and mismanagement.

If we do that, we will pass this legislation and stop the waste.

Call 1-800-856-6703 and help stop the waste.

Together we'll create a fat-free government. The taxpayers will thank you.

BOB KRUEGER / U.S. SENATE

1-800-856-6703

30 A

The Dallas Morning News

Saturday, February 20, 1993

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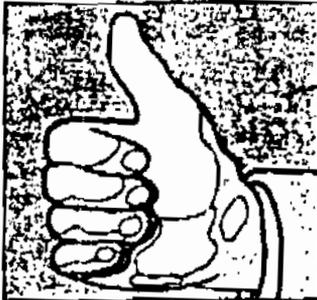
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NANCY BARRY *Community Services*

EDITORIALS

Thumbs up



As he seeks to gather evidence for his proposed bill to make wasteful government spending illegal, Sen. Bob Krueger has now set up a confidential government-waste hot line in Washington, D.C. "I want to hear from the people who know where the real waste is," says Mr. Krueger's taped voice in answering calls.

Before anyone condemns 1-800-856-6703 as a campaign gimmick, let's see if it works. Those with a tip will have 90 seconds to give Mr. Krueger the facts. The senator's staff says 181 calls poured in between 4 a.m. and 2 p.m. Thursday. One caller identified himself as a National Aeronautics and

Space Administration employee who makes \$70,000 a year, but "has no job description and does no work." Another caller alleged that political appointees at the Energy Department had been given more than \$1 million in salary bonuses.

Time and again the experts have told the American people that there is very little waste that can be cut in government spending, and that the big-ticket items are defense and the entitlements. Well, jet fighters, Social Security checks and so forth are, in fact, the biggest slice of the budget pie, but what's that got to do with the price of tea in China? Waste is waste, and wrong is wrong.

After an apparent flip-flop on the issue of gays in the military recently, Mr. Krueger came under attack for lacking backbone. That may or may not have been true. Still, he has certainly shown he is willing to innovate in fighting waste in government. Fairness dictates that the citizens of Texas — indeed, all Americans — applaud him for this.

Transcript of John Chancellor's Commentary
NBC Nightly News
February 4, 1993

John Chancellor: "If you've been dazed by the sound and fury coming from Washington for the last two weeks, you may have missed the real story. Washington is interesting again. It happens every time we get a new President.

 "Good ideas are in the news. Senator William Roth of Delaware is back with his plan to bypass the vested interests, and modernize the government: have a commission make the tough choices and send its recommendations to the President directly. If he approves, modernization occurs automatically, unless both houses of Congress vote to reject it. Call that the Roth Roto-Rooter plan to clean out old government plumbing.*

"Another idea: instead of closing military bases now that the Cold War is over, use parts of them as housing for the poor and homeless. Why abandon good buildings?

"Surprising things are happening in Washington. Would you believe that the Postal Service is running in the black - actually making a profit, and that the cost of stamps may NOT go up this year?

"The new administration has told the Pentagon to come up with a list of spending cuts totalling ten billion, eight hundred million dollars, and do it by Monday. If they start right now, that comes to a hundred and eighty million dollars in cuts every hour, for the next sixty hours. Somebody in the Defense Department said they'll be sending out for a lot of pizza this weekend, which is alright. If they can save one hundred and eighty million an hour, we can afford the pizza.

"Hallelujah, Tom! Washington is getting interesting again."

*Emphasis added.

February 18, 1993

To Bruce
From Paul
Re: Campaign to reinvent government

Word on the hill is that the Senate Government Affairs Committee is planning to hold hearings on reinventing government bills on March 11. Looking at the political calendar, my best guesstimate is that we need to send Congress BC's bill no later than the end of March if we want legislation this year. This would allow for a markup sometime in May or June, and floortime soon after. Final passage would occur sometime after the August recess.

Attached are comments from OMB on draft #5. I talked to Bob Damus yesterday who expressed OMB's concern that the scope of the bill is still too great and that we should concentrate on reorganization rather than civil service reform and State/Federal relations. I told Bob we are open to their ideas, he said he would get back to me after he talked with Rivlin and Lader.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 16, 1993

MEMORANDUM FOR BOB DAMUS

FROM:

FR Frank Reeder

SUBJECT:

"Campaign to Reinvent Government Act of 1993"

Per our earlier informal discussion, I continue to have serious policy concerns with the proposed bill, although it has been improved considerably to address some of the technical issues raised earlier.

It seems to me that, in considering such a proposal, one first needs to define the objectives. As I see them, they are three-fold:

- to attack Federal organizational and management problems that the traditional bureaucratic and legislative processes are either unable or unwilling to attack;
- to create a mechanism that will help develop first an intellectual consensus and then a political critical mass to assure that something really happens; and
- to devise a legislative mechanism that will make it very difficult to ignore the product.

I fear that the bill in its current form is not likely to achieve these objectives. If my sense of the objectives is wrong, stop reading here! Boards and commissions are a time-honored way of warehousing problems that no-one wants to deal with. I am confident that that is not what the drafters intend. Specifically --

- The scope of the Board's activity is so broad as to raise concerns as to whether it will be able to produce. Such a broad mandate does not allow for action on matters that do not require legislation in effect postponing the very actions to reform government that we all seek. I would propose limiting the Board to reorganization initially (along the lines of S.255).
- Constituting the Board as an executive entity, with no congressional role in appointment or confirmation, assures executive control. That can be good, but comes at a cost. Notwithstanding the quality of its work, it will make it harder to assert objectivity when the Board's report is presented. Further, it seems to me that it is highly

unlikely that the Congress will grant in advance fast-track legislative action to the recommendations of a board over which it will have so little influence.

- Conferring exclusive jurisdiction on the two named committees is likely to provoke serious opposition for at least two reasons: (1) at least one committee with substantive jurisdiction is cut out (House Post Office and Civil Service); and (2) virtually every major committee's jurisdiction could be affected. Unlike the base closing commission (whose activities by the way, were wholly within the jurisdiction of the two committees that created it), the matters before this Board are not matters on which members would prefer not to have to vote; e.g., closing bases in their districts.

I would urge that we take this up with the Director as soon he can spare the time. Depending upon his guidance, we may wish to engage staff working on this proposal.

cc: Barry Anderson
Chuck Kieffer
Martha Foley
Walter Groszyk
Bernie Martin
Al Burman
Ed Mazur
Jim MacRae

February 19, 1993

MEMORANDUM FOR HOWARD PASTER, SUSAN BROPHY

FROM: Bruce Reed

SUBJECT: Legislation to create a board to reinvent government

We have drafted legislation to create a board to reinvent government by reducing bureaucracy and eliminating unnecessary layers of management; to eliminate waste, unnecessary spending, and duplication of effort; and in general to make government more responsive to the people it serves.

The President has agreed to the idea in principle, but we have not yet presented him with the bill. If we decide to go forward, he will also need to think about whether he would bring in a big-name politician to head this effort.

Our bill has been prepared in consultation with the staffs of Conyers, Lieberman, Glenn, and Roth, as well as with OMB. Glenn's committee is planning to hold hearings on similar bills on March 11. They're eager for us to move forward.

Under our bill, the Board would be required to produce a report to the President with its findings and statutory language needed to implement its recommendations. The President would then have broad discretion to make changes to the report, after which he would send the legislation to Congress. Congress would then be required to vote up or down on the Board's report. Congress would not be able to amend the report, and debate would be limited.

The Board would be established as an independent agency, and would be comprised of seven members appointed by the President. The Board would terminate 1 year after the date of enactment of this act. However, the legislation provides the President with the authority to extend the Board's term for an additional 6-month period.

THE WHITE HOUSE
WASHINGTON

FEBRUARY 4, 1993

DRAFT -
NEVER
SUBMITTED
TO BC

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Campaign to Reinvent Government

I. **ACTION-FORCING EVENT:** On Tuesday, February 9, you are tentatively scheduled to announce a series of executive orders and other actions designed to streamline the Federal Government. We have prepared a working draft of legislation to create a board with broad statutory authority to reinvent government. This legislation is entitled the "Campaign To Reinvent Government Act Of 1993," and would do the following:

- ◆ Establish a board of 7 members, appointed by the President, that would lead a campaign to reinvent government. The board would have one year to conduct a performance audit of the Federal Government. With your approval, the report and legislation would then be submitted to consolidate, streamline, or eliminate Federal departments, agencies, commissions, and programs; devolve responsibilities from the Federal Government to the States; implement civil service reform; and reduce red tape.

- ◆ Require Congress to vote up or down, with no amendments and limited debate, on the recommendations of the board.

- ◆ Assuming passage of the legislation, direct the Office of Management and Budget, in association with the heads of all affected agencies and departments, to implement the recommendations of the board.

II. **BACKGROUND/ANALYSIS:** This legislation would give you broad authority to cut spending, reduce bureaucracy, and eliminate unnecessary layers of management -- and demonstrate that you will do everything in your power to make government work better before you ask the middle class to work harder.

The review board is based on John Sharp's highly successful performance audit in Texas, and enjoys broad bipartisan support. Senators Glenn, Roth, Lieberman, and Campbell have prepared similar legislation.

In proposing this legislation, you will need to decide who should head it. John Sharp, Phil Lader, and David Osborne are obvious candidates. Warren Rudman could be considered for one of the Republican slots.

III. RECOMMENDATION: We recommend that you announce next week that you will be sending to Congress legislation to create the Campaign to Reinvent Government.

IV. DECISION:

Approve Approve as amended Reject No action

EXPLANATION OF CAMPAIGN TO REINVENT GOVERNMENT ACT OF 1993

Section 1.

Short Title And Purpose -- The title of this legislation is the "Campaign to Reinvent Government Act of 1993." Its purpose is to reinvent government by reducing bureaucracy and eliminating unnecessary layers of management; eliminating waste, unnecessary spending, and duplication of effort; and in general to make government more responsive to the people it serves.

Section 2.

Definitions -- This section sets forth the legal definitions to be utilized in this bill. The term "Board" will be used to describe the entity charged with reinventing government. The term "Executive Agencies" means all agencies of the Federal Government.

Section 3.

Board To Reinvent Government -- This section of the legislation creates the "Board to Reinvent Government." The Board would be established as an independent agency, and be comprised of seven members appointed by the President no later than 30 days after passage of this legislation. The President is not obliged to consult with Congress on the membership of the Board. Members can be from any political party, and there is no limitation on how many members can be of same political party. The President is also responsible for appointing a chairperson of the Board.

The Board will be charged with appointing a staff director. The staff director will be responsible for the day to day management of the Board staff. The bill gives the staff director broad discretion to detail employees from other agencies. These employees will be detailed without reimbursement from the Board -- so as to save on costs -- but without interruption or loss of civil service status or privilege.

The Board will terminate 1 year after the date of enactment of this act. However, the President has discretion to extend the Board's term for an additional 6-month period.

Section 4.

Board Report -- Under this section, the Board is required to produce a report to the President with its findings and statutory language needed to implement its recommendations.

The Board is directed by the legislation to focus on ways to:

- 1) Consolidate, streamline, and/or eliminate Federal departments, agencies, and commissions, or any other type of government entity;

- 2) Develop procedures for the substantive review, reauthorization, and sunseting of programs and regulations;
- 3) Define programs in terms of measurable outcomes; reward performance and increase accountability in return for greater flexibility;
- 4) Reduce paperwork and red tape;
- 5) Improve the delivery of services of Federal departments and agencies to the States more effectively and efficiently.

The President will have 60 days to review the report and make changes at his discretion, after which he is required to submit the report to Congress and make it available to the public.

Section 5

Congressional Consideration Of The Report -- This section requires that Congress act on the Board's report. No later than 30 days after the submittal by the President to Congress of the report, the statutory language of the report must be introduced in the Senate and the House. The bill will be referred only to the House Committee on Government Operations and the Senate Committee on Governmental Affairs. Those committees have only two legislative days to act on the bill, after which the legislation is automatically sent to the House and Senate floors for consideration. Debate on the legislation is limited to ten hours, and no amendments will be permitted.

Section 6

Implementation -- This section establishes that the Director of the Office of Management and Budget (OMB) has primary responsibility for implementation of the recommendations of the report.

Section 7

Authorization -- This section provides a general authorization of such funds as necessary for the carrying out of the requirements of this legislation.

8 am 7 pm Press Briefing
9:30 am Press Briefing
Roosevelt Room
+3% to 100,000,000, Comms.

HANDOUTS

- ① CHART
- ② FACT SHEET
- ③ EO's

WRITE

① Event Memo

MEMORANDUM

February 8, 1993

To: Bruce Reed } Bill Galston
 Christine Varney } Steve Silverman
 Michael Waldman } David Dreyer
 Paul Begala } Ann Walker
 DeeDee Myers } Steve Rabinowitz
 Anne Edwards } Ann Walley
 (anyone I might have forgotten)

Cc: George Stephanopoulos, John Podesta

Fr: Ricki Seidman

Re: Meeting to Prepare for Wednesday's Reinventing Government Event

There will be a meeting at 2:00 in Room 162 to discuss the event portion of tomorrow's Cabinet meeting. Attached are draft copies of the executive orders and the draft statement. Please come prepared to discuss these items and bring with you any other materials necessary for the discussion (noted below).

Our agenda:

BR
9:30 Briefing
↓
EO's

10 am Cabinet Mtg.
- bc breaks for EO's
10:30 Press
- bc stmt
- B. Whit, Cisneros, Ratz, Cleary

- (1) The proposed executive orders and how they should be described to the public. (For example, should we describe the administrative cuts as 11% rather than 3% annually?)
- (2) The President's statement (Mike Waldman is adding language to the current draft that puts this in the context of our upcoming economic reform package)
- (3) props for the meeting and other visuals for TV and handouts for the press
- (4) actions taken by Cabinet officers to cut perks
- (5) script for event, including timing of the public portion of the meeting and press arrangements, which Cabinet members should be prepared to speak, etc.

FACTS

- (6) setting up background briefings for wires and nets
 - (7) contacting talking head experts to provide supportive reactions
1. Def. of Admin. Costs
 2. # of cars
 3. Examples: golf courses, conferences, air travel
 4. Budget #'s

If you have any additional items you wish to add to the agenda, call Collier at x2520. Bring anyone from your department who is appropriate; if for some reason you're not coming, please send a representative who can speak for you.

DRAFT
2/8

FEBRUARY 8, 1993

MEMORANDUM FOR JOHN PODESTA

FROM: Bruce Reed *BR*
SUBJECT: Reinventing Government Decision Memos

I am sending along decision memos for the executive orders and Presidential memoranda you should have received from OMB:

1. Executive Order to Reduce the Bureaucracy by 100,000
2. Executive Order to Cut Administrative Costs
3. Executive Order to Reduce Advisory Commissions by 33%
4. Memorandum to Restrict Use of Government Aircraft
5. Memorandum to Reduce Use of Government Vehicles
6. Memorandum to Reduce Various Perks

I have been working under the assumption that the White House staff cuts would be announced on Tuesday, and that these other measures would be announced on Wednesday. Let me know if that has changed.

THE WHITE HOUSE

WASHINGTON

February 8, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR*

SUBJECT: Executive Order Reducing the Bureaucracy by at Least 100,000 Positions

I. ACTION-FORCING EVENT: You are tentatively scheduled to announce reductions in the federal bureaucracy on Wednesday, February 10, 1993.

II. BACKGROUND\ANALYSIS: This Executive Order seeks to satisfy your campaign pledge to cut the federal bureaucracy by at least 100,000 positions through attrition, as a way to eliminate unnecessary layers of management and improve productivity.

One of every six dollars we spend on domestic programs goes to wages and benefits for federal workers -- not counting administrative costs. Eliminating 100,000 positions in the bureaucracy would save \$3-4 billion a year by FY 1996.

This measure will reduce the government's civilian workforce of 2.2 million people by four percent over the next three years. It orders OMB to issue detailed instructions directing executive departments and agencies with over 100 employees to achieve 25 percent of the cuts in FY 1993, 62.5 percent by the end of FY 1994 and 100 percent by FY 1995. At least ten percent of the reductions would come from management (Senior Executive Service, GS-14 and GS-15). Independent agencies are requested to make similar reductions voluntarily.

III. RECOMMENDATION: This action will help fulfill one of your most visible campaign promises. I recommend that you approve the proposed Executive Order.

IV. DECISION:

Approve Approve as amended Reject No action

THE WHITE HOUSE

WASHINGTON

February 8, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *B.R.*

SUBJECT: Proposed Executive Order To Cut Administrative Costs

I. ACTION-FORCING EVENT: You are tentatively scheduled to announce reductions in executive branch administrative costs on Wednesday, February 10, 1993.

II. BACKGROUND\ANALYSIS: This proposed Executive Order is intended to satisfy your campaign pledge to cut administrative costs in the executive branch by three percent. The Order directs executive agencies and departments to break out administrative costs (to be defined by the Office of Management and Budget) as a separate line item category in their budget requests to OMB. The Order further directs that future budget requests must reflect reductions in the agencies' and departments' administrative expenses of one percent in FY 1994, three percent in FY 1995, six percent in FY 1996, and eleven percent in FY 1997 off the 1993 baseline. Independent agencies are requested to reduce their administrative expenses by the same amounts.

OMB estimates that these cuts would save \$2.4 billion a year by FY 1997.

III. RECOMMENDATION: I recommend that you sign the proposed Executive Order.

IV. DECISION:

Approve Approve as amended Reject No action

THE WHITE HOUSE

WASHINGTON

February 8, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR*

SUBJECT: Proposed Executive Order Reducing Advisory Commissions

I. ACTION-FORCING EVENT: You are tentatively scheduled to announce reductions in unnecessary advisory commissions on Wednesday, February 10, 1993.

II. BACKGROUND/ANALYSIS: This Executive Order seeks to eliminate unnecessary executive branch advisory commissions. There are over 1,100 advisory commissions, approximately 700 of which have been created even though they are not required by statute.

These commissions issue 1,000 reports a year, cost taxpayers approximately \$150 million per year, and are spreading like kudzu. The State Department has an Advisory Committee of the International Commission on the Conservation of Atlantic Tunas and an Advisory Committee to the Inter-American Tropical Tuna Commission. The Transportation Department has a Commercial Fishing Industry Vessel Advisory Committee, a National Boating Safety Advisory Committee, a National Offshore Safety Advisory Committee, a Navigation Safety Advisory Council, and a Towing Safety Advisory Committee.

This proposed Order directs the Office of Management and Budget (OMB) to ensure that executive agencies and departments terminate not less than one-third of those advisory commissions not required by statute. Within 90 days after the date of the Order, executive agencies would be required to submit to OMB: 1) a justification for the continued existence or a recommendation for the termination of each nonstatutory committee and 2) a recommendation to Congress to continue or to terminate any advisory committee required by statute. Agencies and departments would be prohibited from creating or sponsoring any new advisory commission except in compelling circumstances and only with the

approval of the Director of OMB. Independent agencies are requested to comply voluntarily.

III. RECOMMENDATION: It is time to clean house in Washington. I recommend that you approve the proposed Executive Order.

IV. DECISION:

Approve Approve as amended Reject No action

THE WHITE HOUSE

WASHINGTON

February 8, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR*

SUBJECT: Restricted Use of Government Aircraft

I. ACTION-FORCING EVENT: You are tentatively scheduled to announce reductions in government perks and privileges on Wednesday, February 10.

II. BACKGROUND/ANALYSIS: This Memorandum limits use of government aircraft to select officials (Secretary of State, Secretary of Defense, Attorney General, Director of the FBI, and Director of the CIA), and requires that they (1) use the authority only when the particular circumstances require its use and upon approval of the White House Counsel Office; and (2) reimburse at full coach fare. This differs from current practice which allows agency heads to decide for themselves what represents "required use."

This action would make it explicit that you intend only a limited number of officials to have special access, and remove the presumption that every trip by even that limited group must be on government aircraft.

III. RECOMMENDATION: The memory of John Sununu is still fresh. I recommend that you approve issuance of this Presidential Memorandum.

IV. DECISION:

Approve Approve As Amended Reject No Action

THE WHITE HOUSE

WASHINGTON

February 8, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR*

SUBJECT: Proposed Presidential Memorandum Reducing Use Of Government Vehicles By High-Level Government Officials

I. ACTION-FORCING EVENT: You are tentatively scheduled to announce reductions in executive branch perks and privileges on Wednesday, February 10, 1993.

II. BACKGROUND/ANALYSIS: The Presidential Memorandum would reduce the use of limousines by high-level government officials as follows:

Under current law, the President may designate six Executive Branch employees and ten additional officers for daily home-to-work transportation. In addition, each member of the Cabinet is authorized to designate a principal deputy to receive this "portal-to-portal" service.

The proposed Presidential Memorandum would limit portal-to-portal service to Cabinet members, the National Security Advisor and the White House Chief of Staff.

The proposed Memorandum also directs each federal department or agency to reduce the number of executive motor vehicles (except armored vehicles) that it owns or leases by 50 percent by the end of fiscal year 1993.

III. RECOMMENDATION: Portal-to-portal service was one of the most brazen abuses of privilege in the Bush Administration. Reducing home-to-work service will demonstrate your commitment to saving taxpayer dollars (without decreasing government efficiency) and show that you're not going to let your Administration lose touch with ordinary people. I recommend that you approve issuance of this proposed Presidential Memorandum.

IV. DECISION

Approve Approve as amended Reject No Action

THE WHITE HOUSE

WASHINGTON

February 8, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR*

SUBJECT: Proposed Presidential Memorandum To Reduce Various Perks

I. ACTION-FORCING EVENT: You are tentatively scheduled to announce reductions in executive branch perks and privileges on Wednesday, February 10, 1993.

II. BACKGROUND/ANALYSIS: The Presidential Memorandum would reduce perks of Executive Branch employees in the following ways:

Executive Dining Facilities - The Memorandum directs departments and agencies to recover costs for meals served in Executive Dining Rooms, including the White House Executive Mess. It also encourages Secretaries to voluntarily close dining rooms if they are not essential for the conduct of government business.

Fitness Club Facilities - The Memorandum ends the practice of paying for employees' membership at private health clubs (except where an employee's official duties require maintaining physical fitness). Agencies are directed to recover operating and equipment costs from employees who use fitness rooms provided by the agency.

Golf Courses - Government-owned golf courses would be opened to the public (except where the Secretary of Defense designates the course as exempted for security purposes in exceptional circumstances). The Memorandum directs that the costs of operation be recovered from users except in certain limited circumstances.

Conferences - The Memorandum requires that decisions on conference sites and employee attendance be based upon cost effectiveness. The Office of Management and Budget will issue further instructions necessary to implement this requirement.

Medical Services - Agencies are directed, to the extent permitted by law, to charge at least a nominal fee for medical services provided to their employees by the Public Health Service. Certain services, such as emergency care and occupational health

REINVENTING GOVERNMENT EVENT
GALSTON DRAFT 2/8

Throughout my campaign for president I urged a federal government that is efficient, non-bureaucratic, and responsive to the people. In my Inaugural Address I called for bold, persistent experimentation to address our nation's problems. I am determined to use the full powers of my office to fulfill these pledges.

Yesterday I announced my plan for significant cuts in the White House staff. Today, through three Executive Orders, I am extending this effort throughout the executive branch.

The first of these Orders will reduce the federal bureaucracy by 100,000 or more -- not by firing, but through attrition. The federal government is full of good people whose efforts are being choked to death every day by a federal bureaucracy that has been growing for too long. We owe the taxpayers a better deal.

The second Order requires federal departments and agencies to reduce their administrative costs by 3 percent a year. The people's money ought to be used for the services the people really want.

The third Order eliminates hundreds of outdated and

duplicative advisory commissions that have become business as usual in this town. It's time to stop wasting the government's time and the taxpayers' money.

These measures will restrain government spending and reduce the federal deficit. But they're not just cuts for cuts' sake. In recent years, Americans have learned how to do more with less. If corporations can change to meet the challenge of global competition, if governors and mayors can innovate to meet public needs, then surely the federal government can begin to transform itself as well.

We've learned that reducing layers of bureaucracy can make organizations more flexible and responsive. We've learned that modern information technology can bring government closer to the people. We've learned that empowering individuals to make choices can energize them and their government. We learned that competition spurs innovation in the public as well as private sector. And now it's time to put these lessons to work to reinvent the federal government.

Today, I am also issuing Presidential memoranda to limit the perks and privileges that have driven a wedge between Washington and ordinary people over the last 12 years. In my Administration, White House staff won't take limos to work every morning, and Cabinet members won't have a fleet of government airplanes at their beck and call. This government belongs to the

people who pay our way.

To me, leadership means not asking others to take tough steps until you're willing to take them yourself. My plan for jobs and economic renewal will ask the American people to change. But first, their government--starting with the President and the executive branch--must do its part. That's what my orders this week are all about.

They're just the beginning. In coming weeks months every agency and department in my administration will reexamine the way it does the people's business--and find ways of doing it better. The reason is simple: We know who sent us here, and why. And I'll make sure we don't forget it.