

CHAPTER 8 MANAGEMENT INITIATIVES

President Reagan has pledged to reduce the intrusion of the Federal government into the affairs of State and local government and the lives of U.S. citizens. There is now considerable potential for such intrusion, as the following suggests:

- Non-defense Federal employment levels have increased at twice the rate of population growth over the past two decades.
- Four new Cabinet Departments have been added to the nine that existed in 1965.
- The ownership of nearly one-third of the Nation's total land keeps many of the potential benefits of such land out of the economic mainstream.

The President is equally determined that the Federal Government improve the management of those assets and activities that are properly within the Federal realm and to reduce fraud, waste and abuses. There is much room for improvement:

- Fraud and waste in Federal Government programs probably cost the taxpayers billions of dollars annually.
- An estimated \$33 billion of the \$218 billion owed to the Federal Government on September 30, 1981, was either delinquent or in default.
- Patterns of wasteful spending have been uncovered in production and distribution of Government periodicals, pamphlets and audiovisual products; with travel by Federal employees; and in the ineffective and unnecessary use of consulting services.
- Federal procurement processes, involving more than one-fifth of the budget, are overly regulated, complex and restrictive of competition.

Reducing Federal Intrusion

The 1983 budget contains initiatives that would reduce the size and projected cost of the Federal workforce, eliminate organizational units that symbolize and provoke inappropriate extensions of Federal authority, terminate anti-competitive regulatory programs, and relieve private citizens and individuals of onerous paperwork and reporting requirements.

- The number of Federal employees will be systematically and steadily reduced to a target level in 1984 that is 75,000 workyears below the level projected in the revised 1982 Budget.
 - The greatest reductions will be made in domestic agencies with the major regulatory and oversight social service programs.
 - Defense and certain other clearly Federal responsibilities will be exempt or subject to reductions of lesser proportions.
- The budget contains the President's plan for the abolition of two Federal departments, each of which represents a major new extension of Federal authority during the last Administration:
 - The Department of Energy, founded in 1977 on the concept of comprehensive national energy planning, will be dismantled. Its legitimate activities in weapons development, long-range, high-risk research, and resource management will be assigned to the Departments of Commerce and the Interior.
 - The Department of Education, established in 1980 as the culmination of two decades of increasing Federal involvement in the affairs of State, local and private educational institutions, will be abolished.
- Several small agencies are also proposed for elimination:

- The U.S. Fire Administration, which involves the Federal Government in fire prevention and protection activities that have been local responsibilities since Benjamin Franklin's day. The U.S. Fire Academy will be continued, however.
- The Bureau of Alcohol, Tobacco and Firearms, whose activities can be absorbed into other elements of the Treasury Department.
- The U.S. Metric Board, whose appropriate functions can be better carried out by the Commerce Department.
- Other agencies, including the Appalachian Regional Commission, the Legal Services Corporation, and the Water Resources Council, which were first proposed for elimination in the revised 1982 budget.
- As part of the overall effort to reduce Government spending in support of the President's economic recovery program, the budget anticipates an October 1982 pay increase for Federal civilian employees of 5% (versus a current services increase of 8%).
- The President proposes a major new initiative to increase the sales amount of Federally held real estate assets:
 - A Government-wide review of real property holdings will identify and release for sale properties not essential to Government functions.
 - The Administration will propose the repeal of current laws that mandate property transfers at less than fair market value.
 - The sale of surface rights to selected lands held by the Bureau of Land Management and the Forest Service will also be accelerated.
 - The Administration's goal is to realize \$4 billion annually from these initiatives by 1984, and to promote the most economic use of lands.
- Acceleration of leasing of Outer Continental Shelf (OCS) tracts that have promise of containing oil and gas.
- The President also proposes to eliminate or reduce a number of regulatory activities that involve the Federal Government in planning or controlling economic behavior that is more efficiently determined by the free market. For example:
 - The budget of the Federal Trade Commission will be reduced by 14% from the 1981 level, requiring the Commission to eliminate low-priority and redundant initiatives that impose unnecessary constraints on the private sector.
 - A two-year phase-out is proposed of the two Federal programs that support a complicated and ineffective array of health planning and regulatory institutions. Competition among health care providers will control health costs better.
- Other initiatives will also lessen the taxpayer's burden in supporting the Federal workforce. The overhead administrative staff of the Bureau of Indian Affairs, for instance, will be cut back to levels that will permit more efficient service delivery.
- A concerted, Government-wide initiative will be expanded to place strict and enforceable limits on the freedom of Federal agencies to impose paperwork burdens on American citizens — an effort that has already produced impressive results. This will reduce Federal costs involved in collecting marginally useful information and, even more importantly, will relieve State and local governments and private institutions and individuals of the costs of millions of hours devoted to filling out Federal forms.
- FHA-insured home buyers will be charged for insurance premiums in a manner which is more consistent with private insurance market practices. Instead of paying a premium equal to 1/24th of 1% of the outstanding mortgage balance every month, each FHA-insured home buyer will make a one time payment at time of settlement.

Fraud, Waste and Abuse

President Reagan has launched a major effort to fulfill his pledge to the American people to do something about fraud, waste, and mismanagement in Government programs. These efforts are designed to eliminate unnecessary expenditures, collect all debts owed, assure that every dollar collected by the Government is put to a proper and productive use, and restore confidence in the governmental process.

- President Reagan's anti-fraud efforts have already had a significant effect on the way the Federal Government conducts its business. Over \$2 billion has been either recovered or represents expenditures that have been avoided during the latest reporting period covering April through September 1981.
- The President's Council on Integrity and Efficiency was established to coordinate the fraud and waste effort and the Inspector General program. This group of the Government's top investigators, auditors, and management experts has activities underway in dozens of important areas, such as:
 - expanding the use of computer matching techniques to prevent losses in Federal grant and benefit programs;
 - uncovering cases of fraud by providers of medical care in programs like Medicaid and Medicare; and
 - developing effective internal controls over the use of Government property, travel by Federal employees, the use of consultants, and the production of government publications and audiovisual materials.
- The President's Council on Integrity and Efficiency and the Inspectors General will continue to focus the efforts of approximately 6,000 auditors and investigators on improving the operation of the Government's programs. Special emphasis will be placed on eliminating fraud and waste in Federal entitlement, construction, and housing programs.

Additional Management Initiatives

Several other initiatives are designed to secure additional value from current resources and assets held by the Government, building upon measures already underway:

- Reductions in operating expenses common to all Federal agencies:
 - Actions to reduce the cost of travel by Federal employees, with projected savings of about \$35 million in airfare discounts for the year ending June 1982 and an objective of annual savings of \$200 million through the aggressive pursuit of airfare and other discounts, elimination of unnecessary travel, and reduction of the administrative expense of managing government travel.
 - Elimination of audio-visual products and publications by Federal agencies will have saved over \$20 million through 1982. On-going reviews of every periodical and pamphlet should produce additional savings in 1983.
 - Reduction in the use of consultants in Federal agencies.
- Improved collection of debts owed the Federal Government also is a key element of the President's economic program and his philosophy of government. Goals have been established and responsibilities assigned by agency to collect as much as \$4 billion of delinquent debts each year. The Administration has asked the Congress to enact legislation needed to eliminate disincentives in the Government's debt collection process; to make available essential tools and techniques used effectively in the private sector; and to provide for better control over the way the Government extends and services credit and collects debts.
- The Administration is committed to far reaching and fundamental reforms in the Federal procurement process. Federal procurement is a \$130 billion-a-year business involving one-fifth of the Federal budget, more than 130,000 Federal employees and over 17 million contracting actions a year. Proposed reforms include:

- New concepts of competition that will permit the Government to attract the innovation and skills of the marketplace.
- Increased emphasis on the need for a skilled and knowledgeable workforce of career professionals to operate and oversee the Government's procurement programs.
- Simplification of contracting procedures by means of a single, Government-wide procurement regulation.
- Elimination of complexity by standardizing and streamlining the clauses used in Government solicitations and contracts; increased emphasis on using commercial practices for buying commercial products; and simplifying small purchase procedures.

REDUCING FEDERAL INTRUSION

Reducing Federal Employment

Executive Branch Total Full-Time Equivalent Employment (Excluding the Postal Service)

	(in thousands)				
	1981 estimate	1982 Revised Budget	1982 current	1983 estimate	1984 estimate
TOTAL	2,110.7	2,100.8	2,080.3	2,053.7	2,035.1
<i>Defense</i>	947.0	937.7	945.2	947.3	947.0
<i>Non-Defense</i>	1,163.7	1,163.1	1,135.1	1,106.4	1,088.1

Federal Employment in 1981

In 1981, the Executive Branch (excluding the Postal Service) employed the full-time equivalent of 2,110,700 civilian employees in 13 cabinet level departments and 94 agencies. Of these, 947,000 were in the Department of Defense.

Proposed Reductions

The Reagan Administration has taken a series of actions to reduce Federal employment. These actions complement the program reductions, the block grants, the devolution of Federal activities to State and local levels, and the regulatory relief program.

- On January 20, 1981, his inauguration day, President Reagan placed a freeze on Federal hiring.
- In March 1981, new and lower employment targets for 1981 and 1982 were established as a part of the Reagan Administration's revised 1982 Budget.
- On September 24, 1981, the President announced a further 75,000 reduction goal for the nondefense Federal workforce between the revised budget for 1982 and 1984. This required an 8-10% reduction in personnel in nearly all Federal agencies (except the Department of Defense), including the Executive Office of the President. Less stringent reductions or exemptions were provided for the State Department, Veterans Administration medical care, tax collection, and law enforcement activities such as the Federal Bureau of Investigation.

Rationale

Federal civilian employment in the Executive Branch reflects the increased emphasis that the Congress and previous Administrations have placed on programs in the nondefense sector. Total Federal employment increased only moderately between 1960 and 1980. Defense employment decreased by 8% but nondefense employment increased from 760,800 to 1,200,800, (or 58%), over the same period, more than twice the 26% increase in the U.S. population.

During this same period, employment increased in:

- The Labor Department by 230%.
- Health, education and welfare activities by 164%.
- The Justice Department by 82%.
- The Treasury Department by 64%.
- The Department of Housing and Urban Development (formerly the Housing and Home Finance Agency) by 53%.
- The General Services Administration by 33%.
- The Veterans Administration by 32%.

The primary reason for these increases were new programs and program expansions enacted by the Congress and supported by previous Administrations. The mandate the people gave to President Reagan in November of 1980 was to reduce the size of the Federal Government.

Effects of the Proposed Change

- 97% or 72,500 of the 75,000 full-time equivalent (workyear) reduction goal for the period 1982-1984 has been allocated to the departments and agencies. This will result in annual savings of \$2.1 billion once the reductions are fully effective in 1985.
If an increase of 9,300 full-time equivalents (workyears) required for Veterans Administration medical care is excluded, the remaining nondefense agencies are reduced by 81,800.
- Agencies have been encouraged to make the reductions in the programs in which excessive growth has occurred and in peripheral activities, e.g., public affairs, publications, audio-visual productions, and other overhead activities.
- The following are examples of specific reductions.
 - The Department of Agriculture (-12,100) — Programmatic reductions and increased efficiencies are planned in: the Forest Service (about one-half of the total reduction); the Animal and Plant Health Inspection Service; the Farmers Home Administration; the Soil Conservation Service; and in Science and Education Programs.
 - The Department of Commerce (-7,300) — A net decrease will result from completion of the Decennial, Economic and Agricultural Censuses, the termination of the Economic Development Administration, and the phasedown or elimination of National Oceanic and Atmospheric Administration weather and marine related activities. Additional reductions are associated with energy functions transferred to the department.
 - The Department of Health and Human Services (-16,800) — The Department will reduce employment by: converting categorical grants to block grants for health, social and community services programs; decreasing regulatory requirements for health and social services programs and eliminating overhead functions, closing (or returning to community control) Public Health Service Hospitals; contracting out services to be performed by the private sector where it is cost effective under OMB Circular No. A-76; and eliminating excessive overhead functions.
 - The Department of Housing and Urban Development (-1,600) — This decrease is due to reductions in departmental decisionmaking and oversight in favor of State and local discretion in those programs that directly affect them.
 - The Department of the Interior (-8,100) — Declining staff levels will be achieved through reductions in overhead (particularly in the Bureau of Indian Affairs), closing some facilities, streamlining regulatory processes, and use of less labor intensive methods of natural resource management.
 - The Department of Labor (-3,200) — Some reductions will occur in virtually all activities, reflecting both reductions in less essential programs and increased operating efficiencies. Major reductions will occur in the Employment and Training Administration and in the Mine Safety and Health Administration.
 - The Treasury Department (-2,200). Reductions will occur in selected activities with staffing held relatively constant in direct law enforcement and revenue collection functions. Decreases will be achieved through streamlining of current operations, increased efficiencies, and a major reorganization and termination of the Bureau of Alcohol, Tobacco and Firearms as a separate entity.
- The following table shows the estimated workyear changes by major agency from the 1982 estimates in the revised (March) 1982 Budget to 1984.

**FULL-TIME EQUIVALENT OF TOTAL FEDERAL CIVILIAN EMPLOYMENT
IN THE EXECUTIVE BRANCH^{1/}**

(Excluding the Postal Service)

	Fiscal Year				
	1981 estimate ^{2/}	1982 Revised Budget ^{3/}	1982 current	1983 estimate	1984 estimate
Agriculture.....	117,300	121,000	117,000	111,000	108,900
Commerce ^{4/5/}	52,600	45,500	45,600	40,500	38,200
Defense-civil functions.....	34,400	32,300	32,300	30,700	29,100
Health and Human Services ^{6/}	148,400	154,400	147,600	141,400	137,600
Housing and Urban Development.....	16,100	15,700	14,900	14,400	14,100
Interior ^{5/6/}	85,900	87,400	85,000	81,600	79,300
Justice ^{5/6/}	56,900	55,100	56,400	55,800	54,400
Labor.....	22,600	21,600	19,200	18,600	18,400
State.....	23,400	22,900	23,000	23,300	23,500
Transportation ^{4/}	58,800	69,300	60,100	61,900	62,500
Treasury ^{6/}	123,900	124,400	122,200	123,000	122,200
Environmental Protection Agency.....	12,700	12,900	12,200	10,500	10,500
National Aeronautics and Space Administration.....	22,600	22,700	22,500	22,000	22,000
Veterans Administration.....	214,100	209,600	215,900	216,800	218,900
Other:					
Foundation for Education					
Assistance ^{6/}	6,200	5,300	5,400	4,800	4,800
General Services Administration.....	34,000	32,800	32,300	31,000	29,500
International Communication Agency ^{6/}	7,900	7,600	7,900	7,900	7,900
International Development Cooperation Agency.....	5,800	5,800	5,700	5,600	5,400
Nuclear Regulatory Commission.....	3,400	3,400	3,400	3,400	3,300
Office of Personnel Management.....	7,200	6,600	6,400	5,900	5,800
Panama Canal Commission.....	8,900	9,100	9,000	9,000	9,000
Small Business Administration.....	5,000	4,700	4,500	4,200	4,100
Tennessee Valley Authority.....	50,100	44,800	42,500	41,400	40,300
Other civilian agencies ^{5/6/}	45,500	47,200	43,100	40,700	39,900
Undistributed Reduction.....	—	—	—	—	-2,500
Subtotal.....	1,163,700	1,162,100	1,134,100	1,105,400	1,087,100
Defense-military functions ^{6/7/}	947,000	937,700	945,200	947,300	947,000
Subtotal.....	2,110,700	2,099,800	2,079,300	2,052,700	2,034,100
Contingencies ^{8/}	—	1,000	1,000	1,000	1,000
Total.....	2,110,700	2,100,800	2,080,300	2,053,700	2,035,100

1/ Excludes developmental positions under the worker-trainee opportunity program (WTOP) as well as certain statutory exemptions.

2/ Data are on an estimated basis, because most Executive Branch agencies were not reporting full-time equivalent (FTE) information prior to October 1981.

3/ As contained in the Revised 1982 Budget, transmitted to the Congress in March 1981.

4/ Reflects the transfer, during 1981, of the Maritime Administration from the Department of Commerce to the Department of Transportation.

5/ The budget proposes dismantlement of the Department of Energy (DOE), effective October 1, 1982. Employment data for activities previously performed by DOE are included in the agencies that are proposed to assume these activities.

6/ The budget proposes dismantlement of the Department of Education (DEd), effective October 1, 1982. Employment data for activities previously performed by DEd are included in the agencies that are proposed to assume these responsibilities.

7/ Section 904 of the 1982 Defense Authorization Act (Public Law 97-86) exempts the Department of Defense from full-time equivalent controls.

8/ Subject to later distribution.

Dismantling the Department of Energy

AGENCY: Department of Commerce, Interior
and Others

FUNCTIONAL CODE: 270, 250, 050

Funding

	(\$ in millions)							Savings From Current Services	
	1981	1982	1983	1984	1985	1986	1987	1982	1983
BUDGET AUTHORITY*	11,203	11,511	10,224	11,350	12,222	13,723	13,061	195	768
<i>Energy*</i>	7,048	6,309	4,117	4,338	4,588	5,529	4,442	195	1,334
<i>General Science</i>	504	529	601	629	652	674	695	0	-37
<i>Defense</i>	3,651	4,673	5,506	6,383	6,982	7,520	7,924	(0)	-529
OUTLAYS*	11,631	11,668	10,572	10,556	11,111	13,085	12,996	20	834
EMPLOYMENT (FTE)	19,330	18,375	14,541	14,278	N/A	N/A	N/A	N/A	N/A

* Includes in 1982 through 1987 off-budget funds for the purchase of oil for the strategic petroleum reserve as follows:

BUDGET AUTHORITY	—	3,684	2,074	1,935	2,440	3,299	2,197
OUTLAYS	—	2,834	2,774	2,297	2,196	3,546	2,818

** Full time equivalent work years

Program Description

The existing Department of Energy is an agglomeration of activities that support:

- Various *energy* programs related to nuclear and non-nuclear research and development, energy production and conservation, emergency preparedness (including the Strategic Petroleum Reserve) and policy planning and information;
- Fundamental *general science* programs, primarily in high energy and nuclear physics; and
- Nuclear *defense* programs, primarily weapons research and development and production.

Proposed Change

- The dismantling proposal fulfills the President's commitment to abolish the Department of Energy.
- Elements of the Energy Department are proposed for transfer to other agencies:
 - Energy-related programs will be transferred principally to the Department of Commerce (e.g., energy research, emergency preparedness, and policy planning and information) and to the Department of the Interior (e.g., leasing policy, oil and gas production, oil storage, electric power marketing and transmission).
 - General science and defense programs will also be transferred to the Department of Commerce.
 - Within the Department of Commerce, a new Energy Research and Technology Administration will be proposed to manage the energy research, general science and nuclear weapons programs and to maintain the synergistic relationship among these programs.
 - Continuing energy regulatory functions (e.g., interstate electric rate setting, pipeline and hydropower dam permitting) will be located in a separate and independent Federal Energy Regulatory Commission while remaining petroleum regulatory enforcement activities will be transferred to the Justice Department for completion and phaseout.

- In conjunction with the dismantling action, the Administration is reducing or phasing out programs that have subsidized industry and substituted for appropriate private sector investment and have thus inhibited or distorted energy producer and user behavior in the marketplace. These programs principally include:
 - Near term R&D and demonstrations to accelerate the introduction of new technologies into the marketplace, and
 - Energy conservation grants to State and local governments.
- The Administration is also proposing to continue to finance off budget the oil purchases for the Strategic Petroleum Reserve as directed by the Congress in the Omnibus Budget Reconciliation Act of 1981.

Rationale

- The Nation's energy problems will be resolved primarily by the American people, not by the government. The marketplace is the proper regulator of behavior by energy producers and consumers.
- The existence of the Department of Energy has sent the wrong signals to energy producers and consumers, deluding them into a sense of complacency and dependence upon central planning rather than encouraging aggressive, efficient economic behavior based upon realistic prices and clear tests of profitability.
- Instead of improving the nation's energy situation, Federal Government programs which were developed over the last decade actually reduced our ability to respond effectively to the energy supply disruptions and rapid price increases that occurred. Government controls, for example, contributed directly to creating the long gasoline lines in 1974 and in 1979.
- Therefore the Administration is proposing to abolish the Department of Energy and eliminate all unnecessary subsidy programs and burdensome regulatory activities.
- Those programs and activities that are appropriately a Federal responsibility are being retained and placed in departments and agencies that can most effectively administer them.

Effects of the Proposed Change

- Actions taken to reduce or eliminate Energy Department activities, together with the dismantling, will produce in 1983, estimated budget authority savings of \$1.3 billion and employment reductions of 3,800 workyears from present estimates of 1982 levels.
- After reaching a low (\$4.1 billion) in 1983, energy program funding increases in 1984 and beyond reflect largely the buildup of nuclear related projects now committed, the Strategic Petroleum Reserve, and energy production and distribution activities.
- The rising budgets for defense and general science programs in 1983 and beyond are consistent with Administration priorities for the Nation's security and future progress.
- Creation of an Energy Research and Technology Administration as a separate organization in the Commerce Department will allow for a better focused, more specialized management of the high technology weapons, science and energy programs than was possible in the Department of Energy with its broader and more diverse responsibilities.
- The Department of Commerce is also well suited to manage (1) energy information activities, in view of its current statistical functions; (2) remaining elements of domestic and international energy policy, in view of its role in economic and international trade policy; and (3) emergency preparedness planning and response, in view of its knowledge of and continuing contacts among businesses and State and local governments as well as foreign governments.

- The expertise of the Department of Interior in resource management will enhance the quality of executive direction for the Strategic Petroleum Reserve, the Naval Petroleum and Oil Shale Reserves, and the Power Marketing Administrations. Off-budget financing for Strategic Petroleum Reserve oil acquisition will assure continuity of funding to maintain a rapid build-up of oil stocks.
- Establishing the Federal Energy Regulatory Commission as a separate agency recognizes its regulatory independence as intended by the Congress as well as strengthens the Commission's ability to make management improvements relevant to its unique responsibilities.
- The Justice Department, with its expertise in litigation, is the appropriate location for cleanup and phaseout activities (largely litigation) of the petroleum regulatory regime terminated by the President in January 1981.

Dismantling the Department of Education

AGENCY: Foundation for Education Assistance* FUNCTIONAL CODES: 500,501,502,503,506,751

*Funding***

	(\$ in millions)							Savings From Current Services	
	1981	1982	1983	1984	1985	1986	1987	1982	1983
BUDGET AUTHORITY.....	12,918	11,233	8,765	7,795	7,778	7,280	6,800	1,351	4,769
OUTLAYS.....	13,063	13,364	11,401	8,901	7,903	7,416	7,921	337	1,778
EMPLOYMENT (FTE).....	6,165	5,386	4,828	4,828	4,828	4,828	4,828	NA	NA

*Includes activities formerly included in the Department of Education.

**Reflects the Foundation as it would be with enactment of the Administration's proposals.

Program Description

The Department of Education has provided assistance to local and State education agencies, higher educational institutions, other nonprofit groups and institutions and individuals. It has supported:

- Compensatory education programs for disadvantaged students, Indians, the handicapped, and children whose primary language is other than English;
- Direct grants to school districts whose property tax bases are adversely affected by the presence of Federal facilities;
- Rehabilitation programs to assist physically and mentally handicapped individuals to become gainfully employed or to live independently;
- Vocational and adult education programs;
- Assistance in the form of grants, loans, and work study to help students and their families meet the cost of postsecondary education;
- Special programs to assist economically disadvantaged students to enter, continue, and/or resume postsecondary education as well as assistance to developing colleges, such as historically black colleges; and
- Statistical information and research programs aimed at increasing knowledge of how students learn, data gathering and disseminating of information about educational research and successful educational practices.

Proposed Change

The principal elements of the proposal are:

- The Department of Education will be abolished;
- A Foundation for Education Assistance will be established;
 - The Foundation will be headed by a Director, appointed by the President; and
 - The Foundation will assume responsibility for block grants and consolidated aid for State and local educational agencies; student loans and grants; support for compensatory and equal educational opportunity programs; and a core of informational, statistical, and research services for education;
- Activities not directly related to education support functions will be allocated, as appropriate, to other agencies.

In conjunction with the dismantling action, the Administration is terminating programs which either have achieved their objectives or which are more appropriately the responsibilities of States, local governments, or private institutions. These programs include:

- Higher education graduate fellowships, where financing can be provided through institutions or private assistance, or from student resources;
- Library support programs, which are the responsibility of State and local governments or of colleges and universities;
- Veterans cost of instruction, covering expenses that institutions can meet through tuition and fees;
- Aid to land grant colleges, which subsidizes regular operating expenses covered by tuition and fees;
- College assistance for migrants, who are eligible for other forms of student aid; and
- Cooperative education, which institutions should arrange with business and industry where it serves their needs.

Rationale

- The primary responsibility for education belongs to parents, States, and localities. A Cabinet-level Department of Education symbolizes the preemption of appropriate State and local activities.
- Federal intervention in education has been intrusive, has imposed unnecessary administrative and regulatory burdens on education agencies, and is supported by too large a bureaucracy for the limited role the Federal Government should play.
- Federal dollars have distorted State and local, and private education policies by mandating priorities for local officials, and by taking many decisions about what and how to teach out of the hands of local boards, teachers, parents, and administrators.

Effects of the Proposed Change

- Actions taken to reduce, consolidate, or eliminate programs, the transfer of certain programs to other agencies, and the replacement of the Department of Education with the Foundation will result in savings of 1,411 workyears from the 1981 level for the Department of Education to the 1983 budget request (with annual savings of \$56 million). 644 staff are transferred with programs to other Federal agencies.
- The Foundation's organizational structure will be trim and efficient. Ninety-six existing Federal programs will be consolidated to 38 programs. Regional representation activities will be abolished. Eleven unnecessary Federal boards and commissions will be repealed. Twenty-three Federal education programs will be terminated.
- Twenty-eight Federal programs will be transferred to other Federal agencies where they can be more efficiently operated.
 - Rehabilitation programs for the disabled will be transferred to the Department of Health and Human Services where they will be coordinated with similar programs.
 - The special programs for Gallaudet College, the American Printing House for the Blind, and the National Technical Institute for the Deaf will be transferred to the Department of Health and Human Services and will be coordinated with other programs serving the disabled.
 - Indian Education programs and Impact Aid construction on Indian lands will be transferred to the Department of the Interior to improve the coordination of programs serving Indians.

- International education programs will be transferred to the International Communications Agency to be coordinated with the Agency's other bi-national programs.
 - Department of Defense Overseas Schools will remain in the Department of Defense, rather than be transferred to the Department of Education as scheduled. This will avoid a myriad of logistical and accountability problems.
 - Impact Aid maintenance and operations programs will be transferred to the Department of the Treasury. Treasury will make payments based on a formula for Federal aid in lieu of taxes in much the same way as it administers general revenue sharing.
 - The enforcement responsibilities of the Office for Civil Rights will be transferred to the Justice Department where, should Foundation efforts to achieve voluntary compliance fail, strong litigative actions to enforce civil rights laws that affect education will be pursued.
 - College Housing subsidy and construction programs will be transferred to the Treasury Department. There is no new assistance available under these programs. The Department of the Treasury is better able to manage the Federal payments associated with long term loans made in prior years.
 - The Minority Institutions Science Improvement Program will be transferred to the National Science Foundation where it will be administered in conjunction with other science support activities and where it can be evaluated by persons with technical and scientific knowledge.
- Resources for programs transferred to other agencies (excluded from table above) are:

	(\$ in millions)							Savings From Current Services	
	1981	1982	1983	1984	1985	1986	1987	1982	1983
BUDGET AUTHORITY	1,957	1,590	1,154	1,139	1,139	1,138	1,137	104	608
OUTLAYS	2,028	1,774	1,336	1,092	1,075	1,063	1,062	80	489
EMPLOYMENT (FTE)	718	681	644	644	644	644	644	NA	NA

Market Value Sale of Excess Real Property

AGENCY: General Services Administration

FUNCTIONAL CODE: 804

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
RECEIPTS.....	60*	60*	250	249	272	272	272

*Average level of receipts.

Program Description

The Office of Real Property Disposition manages disposal of real property. Excess real property refers to land and buildings no longer required to meet the operational needs of Federal land holding agencies. Property is disposed of in three ways:

- Discounted transfer to other Federal agencies.
- No-cost conveyances to State/local governments for public benefit purposes e.g. health, education, recreation.
- Negotiated and competitive sales to the public.

Less than 30% of the excess real property handled by GSA is disposed of through negotiated or competitive sale. Thus, the Federal Government would generate less than one third of the cash receipts possible if all properties excessed under current practices were sold at market value.

Proposed Change

The Administration proposes to eliminate all discounted transfers to other Federal agencies and all no-cost conveyances to State and local governments. Federal agencies would be required to pay 100% of fair market value. State and local governments would be permitted first right of refusal but would also be required to pay full market price. The only exception would be no-cost property conveyances to State and local governments for use as correctional facilities. This exception is being made because of the President's strong commitment to assist States and localities in upgrading their criminal justice systems.

This fact sheet deals only with the effects of eliminating transfers below market value under current laws and procedures for excessing unneeded properties. The Administration is proposing other changes in Federal property management explained under "Real Property Management Program."

Rationale

This proposed change would ensure that the Federal Government would receive full compensation for disposal of real property assets. Requiring Federal agencies to seek appropriations for acquisition of property will improve asset management and expose acquisitions to budgetary review.

Eliminating no-cost conveyances to State and local governments would ensure efficient utilization of property. Some properties donated to State/locals have never been put to the intended public benefit use and the lack of effective reversion remedies in such cases has resulted in permanent losses to the Federal Government. This proposal would introduce price consciousness on the part of the recipients resulting in purchases being made only when needed. GAO and GSA have documented a number of cases in which donated Federal property has been underutilized or has been used for a purpose other than public benefit. For example, D.Q. University in Davis, California received a valuable parcel of land intended for educational purposes. That property has never been utilized for the intended purpose and although the University's non-compliance has been well documented by a number of Federal agencies, attempts to revert the land to Federal ownership have been unsuccessful.

The proposed change is also intended to increase receipts to the Treasury. Conservative estimates of the economic benefits are that sales proceeds will more than triple. Frequently, the most valuable excess properties are donated or transferred on a cost-free basis. Recently, a high value parcel consisting of 45 acres of land and 49 buildings was donated to the City of Los Angeles. If sold at competitive prices, this property could have yielded a minimum of \$15 million to the Treasury. This is just one of many instances in which the Federal Government has forfeited the opportunity to increase cash receipts.

Effects of the Proposed Change

- The dollar value of sales of real property will increase considerably, resulting in greater cash receipts to the Treasury.
- Federal agencies will acquire properties excessed by other agencies only when they need these properties.
- Waste and misuse of excessed Federal property will be reduced.
- Highest and best use of property by purchasers will be ensured.
- Properties sold to the private sector will enhance the tax base of the community.
- As a result of this proposal, an increase in 1983 receipts is estimated to be \$190 million.
- Increases in receipts from an *active* Federal property management program are expected to be much greater than those identified here. The fact sheet on the proposed Real Property Management Program explains the program and its expected results.

Real Property Management

AGENCY: General Services Administration
 Department of the Interior
 Department of Agriculture

FUNCTIONAL CODE: 954

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
CURRENT LAW.....	—	—	—	—	—	—	—
RECEIPTS.....	—	—	1,000	4,000	4,000	4,000	4,000

Program Description

The General Services Administration manages about 36 million acres of land. This land is primarily developed property utilized by Federal agencies to carry out program missions. GSA disposes of Federal property which is declared by the holding agencies as excess to their program needs. Historically, GSA has disposed of excess property in one of three ways:

- Free transfer to other Federal agencies.
- Donation to State/local government for public benefit use.
- Negotiated and competitive sales.

The Departments of the Interior and Agriculture manage 650 million acres of Federal land, much of which is undeveloped. About 500 million acres of this property is managed by Interior's Bureau of Land Management (BLM) and Agriculture's Forest Service (USFS). BLM has responsibility for subsurface mineral rights and for mineral leasing on all Federal lands. Under limited authority the departments dispose of Federal property by:

- below market value sales and transfers to State and local governments;
- trading parcels with State and local governments or private owners to block together more efficiently managed contiguous tracts; and
- in the case of BLM, limited sales to the public

Additionally, the Army Corps of Engineers and Interior's Bureau of Reclamation manage lands contiguous to many of their water resource facilities which are not needed for the day-to-day operation of the facilities. With very few exceptions these lands have traditionally been retained and managed by the agencies.

Proposed Change

- The Administration proposes to undertake a concerted program to improve Federal asset management and to dispose of unneeded Federal property.
- Properties to be identified for disposal include:
 - Assets excess to the needs of Federal agencies holding them;
 - Property of significantly higher value in private rather than in public use;
 - Public lands that cannot be efficiently managed due to the small size and location of the parcels;
 - Public lands in urban or suburban areas that hinder local economic development; and

- Lands acquired during the development of water resource facilities but no longer necessary to the day-to-day operation of those facilities.
- A White House/Cabinet-level Real Property Review Board will be established to ensure maximum coordination of the effort. This Board will perform the following functions:
 - Develop and monitor policies for acquisition, utilization, and disposal of Federal assets.
 - Establish practices that create economic incentives/disincentives causing agencies to manage property assets efficiently.
 - Actively identify high value property that is not being put to highest and best use.
 - Coordinate a selective appraisal of Federal property holdings.
 - Mediate disputes that may arise regarding property identified for disposal or conditions applying to the property to be conveyed.
- The Administration's initiatives for 1983 call for discontinuing free transfers to Federal agencies and phasing out discounted and no-cost conveyances to State/local governments. Sales of real property will be at full market value.
- This proposal does not affect lands that are essential to protect for their unique characteristics and national values in areas such as national parks, monuments, historic sites, refuges, or wilderness areas. It also does not include lands set aside to be conveyed to the States, Indian tribes, or Alaskan Natives.

Rationale

- This proposed initiative will enhance the Federal Government's overall management of property assets. There is currently no government-wide mechanism for policy development or coordinated management of property acquisition, utilization or disposal. Additionally, there are no economic incentives in place to encourage agencies to manage property assets efficiently.
- In the case of Agriculture and Interior holdings, some lands should be in other ownership to permit optimum use.
 - Some of the acreage in Federal ownership is located in or near urban areas. It is of no particular use to the Federal Government, yet limits community growth and takes property away from its best potential uses.
 - Some other Federal lands consist of widely scattered, small parcels which cannot be efficiently managed.
 - Other parcels may have potential for higher and better uses in private ownership, such as for raising crops or timber.
- Some of the lands managed by the Corps of Engineers and Bureau of Reclamation may have been purchased because they were needed during a construction effort or to round out parcel purchases from previous owners. These lands and others may not be needed for the efficient operation of the project, yet may have high value for private development.

Effects of the Proposed Change

- Sale of selected Federal properties will:
 - Reduce Federal property management costs,
 - Increase Federal receipts,
 - Make property assets available for local economic development and homesites, and
 - Increase the local tax base.

- Federal agencies will improve management of real property assets by having incentives to dispose of unneeded assets or those not being used economically.
- Highest and best use of property holdings will be promoted.
- Receipts of GSA managed property from sales are expected to total \$1 billion in 1983. Receipts from a combination of the sale of GSA managed property and from sale of land held by Departments of the Interior, Agriculture, and Army Corps of Engineers are expected to total \$4 billion annually beginning in 1984..
- Less than 5% of total Federal land will be sold over the 5 year period, but that will include parcels most important to local development.
- Sale of public lands is not expected to decrease Federal mineral leasing activities, the revenues from which are shared with the States.

FTC Deregulation Efforts

AGENCY: Federal Trade Commission

FUNCTIONAL CODE: 376

<i>Funding</i>	<i>(Hours in millions)</i>						
	1981	1982	1983	1984	1985	1986	1987
BUDGET AUTHORITY.....	70.8	68.8	60.8	55.1	54.6	54.2	54.2
OUTLAYS.....	70.1	68.1	61.0	54.0	53.5	53.0	53.0
FEE.....	1,671	1,455	1,310	1,199	1,199	1,199	1,199

Program Description

The Federal Trade Commission (FTC) is an independent regulatory agency with three primary missions: enhancing competition, protecting consumers, and performing economic analysis. The Bureau of Competition shares responsibility with the Justice Department's Antitrust Division in the enforcement of antitrust statutes. The FTC also seeks to protect the marketplace from deceptive practices.

Proposed Change

The proposed reduction reflects the FTC's intent to refocus, retarget and pursue the objectives set forth in antitrust and consumer protection statutes. The 1983 budget and employment would be reduced by 14% from 1981 actual levels in the competition, consumer protection and economic analysis missions.

Rationale

By imposing fiscal restraints and reduced staffing levels, the reductions will contribute to President Reagan's continued effort to reduce Government spending and to remove unnecessary regulatory burdens on the private sector.

Effects of the Proposed Change

As a result of the proposed funding and staff reduction, the FTC will:

- Reduce reporting and regulatory burdens on business. The reporting burden hours on business will be reduced by approximately 15% in calendar year 1982.
- Impose a moratorium on the collection of new data under the Line of Business program in order to analyze information already collected and to determine whether the program should be continued.
- Place greater reliance on preliminary economic analysis in carrying out FTC's enforcement of the antitrust laws.
- Emphasize horizontal mergers and price-fixing cases that could clearly lead to a lessening of competition and undermine competitive markets and consumers' welfare.
- Modify or eliminate regulations that have increased costs to consumers without providing commensurate benefits.
- Focus its interventions before regulatory agencies to reduce regulatory burdens and enhance competition in the private sector.
- Eliminate resources for public intervenor funding, a program that finances interest groups to participate in administrative and judicial legal proceedings.

- Close several regional offices in order to consolidate resources and improve the efficiency of operations.
- Reassess the advertising substantiation program; consolidate food and drug advertising into one program; monitor food and over-the-counter drug advertising; and continue to police false and deceptive advertising.
- Analyze special needs, and problems of small business.

Health Planning

AGENCY: Department of Health and Human Services

FUNCTIONAL CODE: 551

Funding

	(\$ in millions)							Savings From Current Services	
	1981	1982	1983	1984	1985	1986	1987	1982	1983
BUDGET AUTHORITY.....	127	64	2	0	0	0	0	—	67
OUTLAYS.....	159	116	67	17	7	4	3	—	20

Program Description

The health planning program provides support, primarily through formula grants, for 186 local health systems agencies (HSAs) and 57 State health planning and development agencies (SHPDAs). The program has a dual charge to assure equal access to quality medical care and to control costs. In 1981, the Federal Government provided 90% of HSA funds and 75% of SHPDA funds.

Proposed Change

The Federal health planning program is proposed for phase-out over the 1981-1983 period, consistent with a 2-year Administration timetable to develop and carry out health financing reforms that encourage competition in the health sector. The Congress has accepted, in the 1982 Budget levels for health planning, the first phase of the Administration's proposed funding reductions.

Rationale

- As part of the general effort to restrain health care costs by stimulating competition in the health care industry, the Administration proposes phasing out the Federal health planning program. This program represents an effort to impose a complex national health regulatory program on States and localities. Moreover, it has not proven effective in controlling costs on a national basis, and it inhibits market forces needed to strengthen competition and provide less costly services.
- If competitive forces are to restrain costs, free entry into health care markets is essential. Otherwise, high-cost providers can monopolize health care markets. The certificate-of-need review process, conducted under the health planning program, is a system whereby hospitals and other institutional providers must receive a Government franchise and government approval before beginning operations. This system inhibits free market entry, often propping up high-cost institutions behind a Government-created entry barrier. Elimination of this franchising system is a necessary element in the Administration's efforts to promote the effective functioning of private market forces in the health care sector.

Effects of the Proposed Change

- The elimination of the health planning/regulation program, in conjunction with other health financing and regulatory reforms, is expected to enhance competition, reduce costs and improve access to health services.
- If States or local entities believe individual planning agencies to be worthwhile, they can provide continued support, as warranted, from their revenues.

Professional Standards Review Organizations

AGENCY: Department of Health and Human Services

FUNCTIONAL CODE: 551

Funding

	(\$ in millions)							Savings From Current Services	
	1981	1982	1983	1984	1985	1986	1987	1982	1983
OBLIGATIONS	145	24	—	—	—	—	—	48	78
OUTLAYS	156	92	—	—	—	—	—	17	76

Program Description

The Professional Standards Review Organization (PSRO) program provides funding for physician-sponsored organizations to review the quality and appropriateness of medical care provided to certain Federal beneficiaries.

The Omnibus Budget Reconciliation Act of 1981, in response to Administration proposals to phase-out the program, provides the Secretary of HHS with the authority to refuse to renew agreements with PSROs found to be ineffective or inefficient, but requires that no fewer than 130 PSROs will be funded in 1982. The Act also allows States the option to contract with PSROs on or after October 1, 1981 to perform utilization and medical review functions required under Medicaid.

Proposed Change

The Administration will propose legislation to phase-out support for PSROs by July 1, 1982. Under current law, the utilization review function must be performed by hospitals where PSROs are not active. Since these Federal regulations have also not proved effective, the mandate for utilization review would also be eliminated.

Rationale

- The PSRO program was established to provide a regulatory framework for Federal control of the health care system and health costs. Such a system is contrary to Administration policy directions which emphasize competition as a superior means of cost control.
- The program grants the review franchise on the basis of group sponsorship rather than on the criteria of cost, effectiveness, and competence, thus leading to funding inefficient and ineffective organizations.
- The program has not been cost-effective on a national basis. In 1981, the Congressional Budget Office provided evidence that the PSRO program expense—combined with PSRO ineffectiveness and simply shifting costs rather than saving money—actually raised national health care spending. A net loss of \$.60 resulted for every dollar spent on the program.

Effects of the Proposed Change

PSROs will be able to contract their services with State Medicaid programs and private systems of care. This should allow the most effective PSROs to continue.

Bureau of Indian Affairs Administrative Staff

AGENCY: Department of the Interior

FUNCTIONAL CODE: 302

Funding

	(\$ in millions)							Savings From Current Services	
	1981	1982	1983	1984	1985	1986	1987	1982	1983
BUDGET AUTHORITY.....	87	84	68	52	52	52	52	—	16
OUTLAYS	84	81	65	50	50	51	51	—	16
TOTAL PERSONNEL (FTE).....	3,480	3,360	2,720	2,080	2,080	2,080	2,080	—	—

Program Description

The Bureau of Indian Affairs (BIA) provides services to Indians that non-Indians receive from all three levels of government. BIA's operating programs which are proposed to be funded at \$781 million in 1983 include: education, social services, housing, economic development, welfare, natural resources development, and rights protection. \$68 million is proposed in 1983 to administer these programs. BIA has a three-tiered administrative and program delivery structure with a central office in Washington, D.C., 12 area offices, and 85 agency offices. In 1983 17% of BIA's total personnel resources would be involved full time in performing administrative functions.

Proposed Change

- The Administration proposes to reduce administrative overhead throughout the BIA bureaucracy by a total of \$16 million, through improved efficiency and elimination of overlapping activities while minimizing adverse impacts on programs and services for Indian people. The proportion of total BIA staff spending full time on administrative functions would be reduced from 22% in 1982 to 17% in 1983.
- The funds from the reduction in BIA overhead have been reallocated to two important Indian initiatives proposed in the 1983 President's Budget: (1) a \$5 million program for tribal government development for small tribes; and (2) a \$10 million economic development initiative to provide seed money grants to assist Indian enterprises in leveraging private sector funds.

Rationale

- BIA has approximately one employee for every 40 Indians living on or near reservations, with 5% of total personnel resources located at headquarters and 10% in the area offices. Over 40% of the area office personnel are involved in running the bureaucracy itself and do not provide any direct services to Indians.
- During 1981, in 5 of the 12 area offices the ratio between total area office personnel and the agency personnel they oversee was 1:4 or less, more overhead than effective program management should require.
- Some agency office personnel deliver and oversee the same functions carried out by tribal governments under contract. This is clearly a duplication of effort.
- There is no evidence that the BIA's large administrative structure contributes to either effective or efficient program management. In 1978 GAO reported that BIA had severe problems in administering and monitoring Indian programs and accounting for Federal funds. A follow-up report released in 1981 found that no progress had been made in correcting these deficiencies.

- The \$16 million reduction in administrative overhead will force a reorientation of the BIA bureaucracy, sharpening accountability and reducing nonservice delivery personnel level to a more efficient size.
- The \$5 million small tribes initiative is expected to reduce the need for some administrative work now done by the BIA.

Effects of the Proposed Change

- The Bureau has identified and is implementing cost reduction measures that will reduce administrative and program management costs. This effort, principally in the following areas, accounts for most of the \$16 million cost reduction:
 - Consolidation and redefinition of roles and responsibilities for headquarters and field offices.
 - Disposal of existing real property holdings to reduce facilities and lands no longer required for program and administrative activities.
 - Improved efficiencies in equipment usage, e.g., motor vehicles.
 - Reductions in personal property, supplies and equipment and/or reallocation of existing holdings to avoid new purchases/leases.
- Reductions in Indian operating programs have been geared as much as possible toward reducing administrative overhead in the BIA rather than adversely affecting programs and services delivered to Indians. This is consistent with a resolution approved by the National Congress of American Indians in May 1981 asking that potential cuts in the BIA budget come from BIA administrative costs rather than from Bureau services.
- Despite the \$16 million reduction, the key trust responsibilities of the Bureau for Indian-held assets will be maintained, and accountability will be sharpened.
- The BIA will emphasize contract management, vulnerability assessment, effective oversight of tribally operated BIA programs and elimination of duplication of BIA and tribal delivery systems to reduce costs.
- Improved efficiency in administrative and program management of the Bureau's service delivery system will result in significant cost savings in the implementation of Indian programs.
- The \$10 million economic development initiative and the \$5 million small tribes initiative are being proposed to strengthen tribal government management capabilities and reservation economies in an effort to make tribes more self-sufficient.

Federal Paperwork

AGENCY: Government wide

FUNCTIONAL CODE: 000

Funding

	(Hours in millions)						
	1981	1982	1983	1984	1985	1986	1987
HOURS OF BURDEN IMPOSED ON THE PUBLIC.....	1.5	1.3	1.2	---	---	---	---

Program Description

The Paperwork Reduction Act of 1980 set a goal of reducing Federal paperwork from the level known to exist* when the Act was passed (by 25% — 15% by the close of FY 1982). The FY 1982 paperwork budget allowance reduces federally required paperwork known to exist when the Act was passed by 17% and by 13% from the level that was known to exist when this Administration took office. For 1983, the planning level anticipates a further reduction of about 10%.

Paperwork budget allowance levels are established through the Information Collection Budget on a cycle one year later than that of the fiscal budget. The difference in timing results from the need to establish program priorities through the fiscal process and then follow up with paperwork — information collection — implementation strategies. Hence, the data in the tabulation shown above are the allowance levels for 1981 and 1982 and the planning level for 1983.

Proposed Changes

Paperwork imposed by Federal agencies on individuals, business organizations and State and local governments, among others, is expected to be reduced to 1.33 billion hours (or a reduction of 196 million hours) by the end of fiscal year 1982 from the current level in place (1.53 billion hours) when President Reagan took office in January of 1981.

- Approximately 45% (602 million hours) of the paperwork burden to be imposed in FY 1982 will be generated by the Department of Treasury. An additional 14% of the total burden will result from information collections from the Department of Transportation. These Departments plus the Departments of Health and Human Services (8%) and Agriculture (8%) impose burdens exceeding 100 million hours. These four Departments, plus the Department of Labor, account for over 80% of the total Federal paperwork.
- In 1982, 75% of Federal paperwork will be mandatory, 19% will be required to obtain or retain a Federal benefit (such as a Federal grant) and 6% will be voluntary. When reporting and recordkeeping is viewed by category of purpose, 78% will be imposed for regulatory or compliance purposes, 13% for application forms, 5% will be for program evaluation or research, 3% for program management, and 1% for general statistical purposes.
- In fiscal year 1982, 57% of the total burden will be imposed on businesses and other institutions, 32% on individuals or household, 10% on State and local governments, and 1% on farms.
- The planning level for 1983 anticipates further significant reductions in paperwork Federal agencies impose on the public.

*The Paperwork Reduction Act brought the independent regulatory and bank supervisory agencies under OMB's paperwork authority. Adding the paperwork burden these agencies impose, plus some formerly undocumented burdens, to the previously known level of 1.3 billion hours, results in a 1.5 billion hour estimate of the Government's paperwork burden when the Reagan Administration took office.

Some of the major paperwork reductions that have taken place or will be completed by the close of 1982 include:

- Reduction in requirements for the Federal Communications Commission's (FCC) Radio Station Log (-17 million hours). During 1981 the FCC revised its regulations to relieve radio stations of requirements to maintain logs of programs aired. This requirement had been imposed originally to insure compliance with rules regarding the airing of a certain number of hours of public service broadcasting.
- Adoption of a common claim form for use by Medicare, Medicaid, and third-party payers (-11 million hours). Representatives of the Medicare and Medicaid programs have collaborated with representatives of the private insurance industry and the American Medical Association to develop a uniform claim form for use in outpatient physician visits. Instead of requiring separate forms, third-party payers will now accept a single form with resulting burden reductions on physician offices. Implementation should be completed by the close of 1982.
- Reducing the Internal Revenue Service's (IRS) Employers Quarterly Tax Return will have a beneficial effect (-12 million hours). During 1982 IRS will eliminate a number of items on the present quarterly tax return.
- Reducing the Department of Transportation's (DOT) Driver's Log (-9 million hours). DOT will relieve requirements imposed upon truck drivers in the trucking industry to maintain detailed daily records of their driving time, rest time, and off-duty time. New regulations will exempt certain drivers from the requirements with the effect of reducing the number of drivers that must maintain records.
- A significant portion of the paperwork reduction associated with Federal grants results from enactment of the Omnibus Reconciliation Act of 1981, which consolidated 57 categorical grant programs into 9 new block grants. The Department of Health and Human Services has responsibility for 7 of the 9 new block grants; Housing and Urban Development and Education each have responsibility for one of the other two block grant programs. As a result of this consolidation, paperwork associated with these programs will be reduced by 5.4 million hours or 83% in 1982.

Rationale

Information is a commodity which, like other commodities, has costs of production as well as benefits of use. The public has only a limited amount of time to supply, and the Federal Government only a limited amount of resources to assemble, process, and use this information. The Information Collection Budget process requires that agencies recognize these constraints and set information collection priorities accordingly. The objective of the Information Collection Budget is to limit the costs to individuals, private organizations, and State and local governments of filling out forms and records for the Federal government. Under the Paperwork Reduction Act, every Federal form and recordkeeping requirement imposed on more than nine individuals or organizations must be approved by the Office of Management and Budget. Agency requests for OMB approval must be accompanied by an estimate of the annual number of "burden hours" that would be assessed on the public. Through the OMB review process, unnecessary requirements are eliminated and essential ones are kept as short and simple as possible. At the beginning of the fiscal year, each Federal agency is given a budget of the total "burden hours" that it may impose as a result of all of its approved forms and recordkeeping requirements. The agency budgets are compiled in the government-wide Information Collection Budget.

Effects of the Proposed Change

- Federal paperwork will be cut by 17% from the level that was known to exist when the Paperwork Reduction Act of 1980 was passed and by 13% from the level that was in place when this Administration took office. As part of this reduction, paperwork associated with Federal grants is expected to be reduced by 25% in 1982.
- The 13% overall reduction is equivalent to savings of 95,000 workyears of efforts.

FRAUD, WASTE AND ABUSE

INSPECTORS GENERAL

Program Description

The Inspector General Act of 1978 created 12 independent offices of Inspector General (Agriculture, Commerce, Housing and Urban Development, Interior, Labor, Transportation, Community Services Administration, Environmental Protection Administration, General Services Administration, National Aeronautics and Space Administration, Small Business Administration, and Veterans Administration), and consolidated agency audit and investigation under IGs. Prior to 1978, separate statutes created IGs in Health and Human Services (then Health, Education and Welfare) and Energy. In 1980, statutory IGs were established for the Departments of Education and State and in 1981 for Agency for International Development. There currently are 17 IGs based on the 1978 model and legislation is pending to extend the concept to the Departments of Defense, Justice, and Treasury.

The Inspectors General are appointed by the President and also provide reports to the Congress. Their objectives are to detect and prevent fraud and abuse and to promote economy, efficiency, and effectiveness in the programs of their agencies.

Proposed Emphasis

During his February 19, 1981 address to the Nation on the Economic Recovery Program, President Reagan emphasized that the fight against fraud and waste in government programs is a top priority.

The Administration strongly supports the Inspectors General and continues to seek to make their operations as effective as possible, particularly within the context of the current necessary severe budget restraints on government programs. The Inspectors General will be making the best use of their resources by conducting joint management improvement projects with agency Assistant Secretaries for Management.

The Inspectors General and their agency Assistant Secretaries have already arranged to undertake two dozen specific management improvement and anti-fraud and waste projects covering a range of jointly identified needs concerning such matters as:

- Vulnerability of contracting procedures;
- Contracts and grants management;
- Cost reduction programs; and
- Administrative sanctions.

Rationale

There have been many allegations that fraud and waste are widespread in Government programs. Both certainly exist, but it is extremely difficult to pinpoint the magnitude of the problem. Most fraud, according to the General Accounting Office, is undetected, so projections based on known cases have little meaning.

- GAO has defined fraud as "willfull wrongdoing by individuals or public and private organizations that affects the government's interests." While Federal agencies are susceptible to hundreds of different types of fraudulent activities in a wide range of areas, four principal areas seem to be most vulnerable:
 - financial assistance to individuals;
 - inventory control and property management;
 - mail service; and
 - personal property management.

- Projections of waste are even less meaningful than those for fraud, in part because the very term “waste” is so subjective—one person’s waste is another person’s critical program. However, we can at least illustrate the magnitude of possible waste in Government programs: if the Social Security program were operating at 99% efficiency and only 1% of the funds involved in the program could come under the label “waste,” the sheer size of the program would mean that over a billion dollars a year was being “wasted.”
- The cost of fraud and waste to the taxpayers probably amounts to billions of dollars annually. In the last six months of 1981, the Inspectors General in the departments and agencies identified and saved the taxpayers over \$2 billion in funds recovered and costs avoided.

Unfortunately, fraud and waste cannot be legislated out of existence. While significant improvements have been made in the laws to reduce Government program vulnerability to fraud and waste, the most effective strategy still remains vigorous management attention supported by strong audit, investigation, and enforcement programs.

Effects and Prospects

As a direct result of Inspector General efforts in the last six month reporting period:

- Over \$406 million has been recovered by the Federal Government, a 46% increase over the previous reporting period;
- Over \$1.7 billion in expenditures has been avoided;
- There have been 1,179 indictments, a 59% increase over the previous reporting period; and
- 657 convictions have been handed down, a 28% increase over the last reporting period.

The Inspectors General will continue efforts to reduce waste and mismanagement by identifying where it has occurred, recommending remedial actions, and suggesting systemic improvements to strengthen internal controls which will prevent problems from occurring.

- The key to long-term control of fraud, waste, and mismanagement in Government programs is prevention. Inspectors General will use loss prevention studies and vulnerability assessments to spot potential problem areas before fraud, waste, and mismanagement can occur.
- The Inspectors General will continue to identify loopholes in legislation that could result in program susceptibility to fraud and waste.
- The Inspectors General will work across agency lines in cooperative audits and investigations on problems and issues of Government-wide or interagency concern such as benefit program recipient fraud.
- Individual agency-specific audits and investigations will continue to represent the major part of Inspector General operations during 1983.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

Program Description

To coordinate and emphasize the Government-wide anti-fraud and waste effort, President Reagan established the President's Council on Integrity and Efficiency in March 1981. The Council offers a direct means for providing continuing Administration leadership to the Inspector General program, which is focused on legislatively mandated Inspectors General who head the audit and investigation efforts in most Cabinet Departments and major agencies. The Council seeks to identify occurrences of fraud, waste, and mismanagement; recommend remedial actions; and suggest improvements in internal controls to prevent problems from occurring in the first place.

The members of the President's Council include:

- Statutorily mandated Inspectors General from major departments and agencies (Agriculture, Commerce, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Labor, State, and Transportation as well as AID, CSA, EPA, GSA, NASA, SBA, and VA).
- Representatives from the Departments of Defense, Justice, and Treasury, the Office of Personnel Management, and the Federal Bureau of Investigation.

Proposed Emphasis

The Council will continue to lead the Administration's campaign to reduce fraud and waste in Federal programs and operations and to strengthen the Inspector General program by:

- Developing standards for the management and operation of Inspector General-type activities, through, for example, the preparation of standard audit guides for specific problem areas and the establishment and use of standard performance measures applicable to Inspector General operations.
- Developing policies and programs to assure a well-trained and highly skilled corps of auditors and investigators, through, for example, the creation and scheduling of special training courses for Inspector General employees in techniques for auditing and investigating white collar crime and fraud cases and in modern business management principles.
- Developing interagency audit and investigation programs and projects to deal with problems that exceed the capability or authority of individual agencies.

Rationale

The Council was created to coordinate and improve Government-wide anti-fraud and waste operations and is designed to develop and assure implementation of activities aimed at this objective. To this end, the Council is chaired by the Deputy Director of the Office of Management and Budget and meets regularly once a month. This is an effective strategy because it encourages the Inspectors General to consider Government-wide priorities that go beyond the concerns of individual agencies, assures the effective and timely exchange of ideas and techniques for fighting fraud and waste, and emphasizes the continuing priority that the Administration places on reducing fraud and waste.

Effects and Prospects

The Council operates through five standing committees:

- performance evaluation;
- investigations/law enforcement;

- administrative remedies and incentives;
- legislation; and
- training.

The Council also undertakes specific projects to reduce waste and fraud. Examples of currently active projects are:

- *Government Property.* This project involves examining the controls that agencies have set up to keep track of Government property being used by contractors and grant recipients and to prevent and detect wasteful or abusive activities involving such property.
- *Suspensions and Debarments in Housing Programs.* The objective of the Suspensions and Debarments in Housing Programs project is to provide better protection for the Government and the public from participants abusing Federal housing programs. Suspensions and debarments are actions to prevent individuals or groups from doing business with the Government or from receiving government program benefits for a limited period of time or indefinitely. These actions are to protect the Government from individuals or organizations guilty of abusive practices.
- *National Federal Employees Compensation Act.* The primary goal of the National Federal Employees Compensation Act (FECA) Project is to identify long-term disability cases that should be either terminated or have benefits reduced due to unreported income, fraud, or administrative deficiencies.
- *Computer Matching.* The Computer Matching Project will expand use of computer matching as a fraud and abuse prevention and detection mechanism in Federal and State program management and operations. The project will provide for exchange and dissemination of information on matching programs and on technical capabilities and developments. As an example, recent computer matches uncovered Social Security checks being sent to recipients who had already been reported as deceased under another Federal program. This will result in the recovery and saving of millions of dollars for the taxpayer.
- *Unliquidated Obligations.* The primary objective of this project is to see that outstanding commitments of Government funds are reviewed by program managers regularly and are cancelled if the supplies or services have not been received within a reasonable time.
- *Medical Provider Fraud.* This project is designed to uncover likely cases of fraud by providers of medical care and related services or products. Several Government agencies have sizable health programs, such as Medicaid and Medicare, which reimburse participating providers, such as pharmacists and physicians, on a fee-for-service basis. Since many of these programs appear to be vulnerable to substantial abuses, the Inspector General at Health and Human Services is leading a comprehensive review and assessment of medical provider fraud.

ADDITIONAL MANAGEMENT INITIATIVES

MANAGEMENT IMPROVEMENT

Program Description

In addition to Inspector General activities, the President's Council on Integrity and Efficiency, debt collection, and quality control efforts, the Administration is emphasizing several more management improvement actions. Some operating expenses of the Federal Government can be reduced significantly through the introduction of management improvements and increased emphasis on the application and maintenance of internal controls governing administrative activities. While there are many administrative activities which warrant special cost reduction efforts, areas that have received particular attention in this budget are aimed at:

- Eliminating wasteful spending for Government periodicals, pamphlets, and audiovisual products;
- Reducing the cost of official travel by Government employees; and
- Eliminating ineffective and wasteful use of consulting and related services.

Proposed Emphasis

- The imposition of strict internal control procedures for publishing and film-making projects, a moratorium on new productions during the latter half of calendar year 1981, and funding reductions in the Federal programs which generally give rise to new publications have combined to produce a downward trend in expenditures for the period 1981-83. During this period, government-wide funding of these activities since the beginning of this Administration through 1982 will drop by around 7% or over \$20 million despite steadily rising production costs due to inflation. Ongoing reviews of every periodical and pamphlet should produce additional savings in 1983.
- In 1983, concerted efforts will be made to hold down the total costs associated with official travel, estimated at about \$5 billion, by strengthened management controls including those aimed at elimination of abusive practices.
- Efforts by the President and the Congress to slow the growth in consulting and related services will be continued. Management controls will be strengthened to ensure the best use of available resources.

Rationale

The management improvements in these areas will result in greater control over expenditures for publishing, travel, and the use of consultants. They will permit the needed work to be done and, at the same time, save the taxpayers money by eliminating unnecessary, no longer important, or abusive expenditures.

Effects and Prospects

- Federal expenditures for Government periodical publications, pamphlets, film-making, and video-tape productions have declined steadily since the imposition of stricter management controls by OMB in the middle of 1981.
- In 1982-83, the Administration is implementing various recommendations of the OMB-led Interagency Travel Management Improvement Project to produce annual savings of \$200 million. These savings will be achieved through simplification of travel regulations and the tightening of authorization policies, expanded use of discounts and improved travel services, expanded use of teleconferencing in lieu of travel, better budgeting and cost controls, and other management improvements.

- In addition to reducing the growth in funding for consulting services and three related categories of services — management and professional services, special studies and analyses, and management and support services for research and development activities — the Administration has emphasized the importance and promoted the development of internal management controls. These controls will ensure that only necessary and essential consulting and related services are performed by requiring that proposals be carefully reviewed by agency management before approval, that contracts be closely monitored during performance, and that final products be evaluated for usefulness.

DEBT COLLECTION

AGENCY: Government-wide

Funding

	1982	(\$ in millions)				
		1983	1984	1985	1986	1987
EXPECTED SAVINGS:						
<i>Distributed in Agency Accounts</i>	1,310	1,350	1,375	800	775	750
<i>Undistributed (Allowances)</i>	—	1,000	1,000	2,000	2,000	2,000
<i>Tax Receipts*</i>	<u>230</u>	<u>1,660</u>	<u>2,040</u>	<u>2,040</u>	<u>1,093</u>	<u>565</u>
<i>Total Savings</i>	1,540	4,010	4,415	4,840	3,868	3,315

*These are savings that represent increased recoveries of delinquent taxes owed the Internal Revenue Service.

Program Description

The amount of overdue and uncollected debts owed the Government is enormous. An estimated \$33 billion of the \$218 billion owed to the Government on September 30, 1981 was either delinquent or in default. An additional \$8 billion in loans are in some form of rescheduled or stretched out status because of borrowers' inability to repay. Over \$1 billion in bad debts are being written off each year and it is estimated that an additional \$8 billion will be written off over the next several years.

This situation has resulted from years of inattention and neglect and from a pervasive attitude that the Government has a more legitimate role in the operation of debt than in its collection.

Proposed Emphasis

The President decided that an aggressive debt collection program must be pursued and has committed the Administration to recover as much as \$4 billion each year in delinquent debt, including delinquent taxes owed the Internal Revenue Service. The program is a two-pronged effort, consisting of administrative and legislative initiatives.

- On the administrative side, the twenty-four agencies that account for over 95% of the debts owed the Government have begun comprehensive programs to improve their credit management and debt collection practices. These programs are designed to reduce the current backlog of delinquent debt, prevent unnecessary new delinquencies from occurring, and quickly recover new delinquencies. The following will be undertaken:
 - Loan origination and servicing programs will be examined and made more effective.
 - Collections officials in agencies will be better trained and held directly accountable for improved debt collection efforts.
 - The litigation process will be improved to allow for speedier and more effective action against debtors who have the ability to repay but refuse to do so.
 - New tools and techniques will be utilized. For example, contracting out certain debt collection functions, such as recordkeeping and billing, to the private sector may make the most sense in instances where the private sector already has greater expertise.
- On the legislative side, the Administration has asked Congress for legislation needed to eliminate some of the disincentives that presently exist in the Government's debt collection process; to make available essential tools and techniques used effectively in the private sector; and to provide for increased efficiency and effectiveness in the way the government goes about granting and servicing credit and collecting debt. This legislation would allow agencies to:
 - require credit applicants to furnish their Social Security numbers to insure the identity of the person to whom the Government is granting credit or trying to collect debt;

- contract for use of private sector debt collection agencies;
- assess interest, penalties, and administrative charges on nontax debts due the Government; and
- refer credit information on delinquent debtors to credit bureaus.

Rationale

Allowing debts owed the Government to go uncollected increases the cost of Government and is inflationary. This situation contributes significantly to the burden on responsible, honest citizens who pay their taxes and honor their obligation to the government.

- The interest alone on the \$33 billion in delinquent debt is costing taxpayers about \$14 million a day.
- The Government incurs substantial operating costs every year in pursuing the collection of delinquent debt.
- During times of fiscal restraint, dollars of debt *not* repaid either must be replaced by additional tax dollars or program levels reduced.
- When delinquent debts are not collected, debtors receive benefits to which they are not entitled. Loan and other programs become unauthorized giveaway programs.
- A well-run and effective program provides incentives for debtors not to be delinquent in the future.

Effects and Prospects

- The President's program is the first concentrated effort to improve Federal debt collection. The budget impact alone will be significant. The 1983 Budget includes as much as \$4 billion in annual collections resulting from the measures being taken by the agencies. These collections will generally be achieved within existing agency resources.

Debt collection activities include the following:

- The Veterans Administration is developing an automated system for charging interest and administrative costs on over \$1 billion in delinquent receivables. The system, which is scheduled for completion by the end of 1983, will also provide for the referral of credit information on delinquent debtors to credit bureaus.
- By the end of 1983, the number of delinquent borrowers in Agriculture's Farmers Home Administration (FmHA) programs will be reduced by 70,000, a 20% reduction, through more aggressive collection action and faster resolution of delinquent accounts.
- HUD, with over \$1.5 billion in delinquent debt, is requesting the Congress to amend the Bankruptcy Act to exempt HUD projects from its provisions. If enacted, this will prevent defaulted debtors from delaying foreclosure by filing for bankruptcy.
- The Department of Defense will be making changes to military service pay systems to provide for identification and recovery of \$60 million in delinquent debts of service members by deducting them from separation payments.
- In 1983, efforts of the Internal Revenue Service staff devoted to collection of delinquent tax accounts will be increased. This staff increase is expected to produce additional revenues of over \$ 1.4 billion.
- The 1983 Budget provides the IRS with funding to automate certain office functions involved in the collection of delinquent taxes. The planned automation provides for the use of computer terminals by collections employees to aid in placing phone calls, issuing letters and forms, and initiating most follow-up actions. It is estimated that the resulting accelerated collection efforts will increase the recovery of delinquent taxes by as much as \$500 million annually.

- The Department of Justice will be automating the debt collection case tracking functions in the 94 U.S. Attorneys' offices. This will greatly accelerate the recovery of \$3 billion in delinquent Federal debt currently being litigated by the Justice Department.
- The Treasury Department is initiating a comprehensive reporting system which will provide information on the amount and age of delinquent debt, the amount of bad debts, and other data needed to evaluate agency debt collection performance.
- The legislative initiatives proposed by the administration will result in the recovery of a minimum of \$500 million in delinquent debt that otherwise would not be recoverable.
- In addition to the sizeable dollar savings, the President's debt collection program will produce other benefits important for good Government, although difficult to measure:
 - An increase in the efficiency of Government operations.
 - A significant reduction in the rate of new delinquencies since debtors will now know that the Government is serious about collecting its debts.
 - Restoration of faith in the Government's ability to use good business and management practices.

Federal Procurement Reform

The Administration is committed to far reaching and fundamental reforms in the Federal procurement process. Federal procurement is a \$130 billion-a-year business involving one-fifth of the Federal budget, more than 130,000 Federal employees and over 17 million contracting actions a year. Despite its magnitude, it is a process that has not received sufficient Government-wide attention. As a result, it is replete with unnecessary and complex regulations, outdated and inefficient procedures, crushing paperwork burdens, a lack of adequate competition in awarding contracts and too little professionalism in the contracting work force.

Proposed Emphasis

This Administration will propose specific remedies, including:

- New concepts of competition that will permit the Government to attract the innovation and skills of the market place, rely on proven commercial products and make business decisions based on total cost to the Government.
- Increased emphasis on the need for a skillful and knowledgeable work force of career professionals to operate and oversee the Government's procurement programs.
- Simplification of contracting procedures by means of a single, Government-wide procurement regulation — in lieu of the multiplicity of overlapping regulations in existence throughout the Executive Branch.
- Elimination of complexity by standardizing and streamlining the clauses used in Government solicitations and contracts, increased emphasis on using commercial practices for buying commercial products, and by simplifying small purchase procedures.
- Creation of performance standards for procurement systems and personnel so that responsiveness, efficiency, and management control and accountability become the fundamental characteristics of the process.
- Increased emphasis on the Government's long-standing policy of reliance on the private sector for needed products and services, including janitorial functions, guard services and audio-visual services — in lieu of performing such functions in house.

Rationale

As a key component in the management of Federal programs, the Federal procurement process has failed to reach its full potential for effectively and efficiently supporting agency requirements. Too often, agency users do not receive the products and services they require when they need them and at a reasonable cost. Less than half of Federal procurement dollars are spent competitively — as competition is curtailed by complexity, funding constraints, restrictive specifications, lack of advance planning, and limited knowledge of the market place.

The problems of Federal procurement are further exacerbated by the existence of an outdated, fragmented statutory base, over 800 sets of agency procurement regulations, a diffusion of responsibility, and too few standards of performance. These factors, in turn have led to adversarial relationships between Government and its suppliers, and unnecessarily inhibited work force and an erosion in the nation's industrial base. Implementation of an integrated series of reforms — in law, in regulation, in procedure and in standard — is essential for correcting these deficiencies.

Effects of the Proposed Change

- In 1982-83, the Administration — through OMB's Office of Federal Procurement Policy — will propose a thorough, comprehensive series of reforms to make procurement more

efficient and responsive. Where appropriate, implementation of these reforms will be achieved by administrative actions (e.g., issuance or revision of Executive Orders, OMB Circulars). In addition, the Administration will shortly propose to the Congress specific legislative remedies for those procurement management inefficiencies that have increasingly burdened the Federal Government's contracting processes. When implemented over the next five years, savings of over \$5 billion annually are expected to flow from these reforms.

- The Administration has emphasized, and will continue to devote strong management attention, to the fundamental policy of relying on competitive private enterprise to supply the products and services needed by the Government. We believe that once the policy is fully and properly implemented, the Federal Government will save more than \$1 billion annually — simply by utilizing the private sector to perform such functions as custodial services in Federal buildings, audio-visual services, building maintenance and repair, and data processing.

Federal Housing Administration Mortgage Insurance Premiums

AGENCY: Department of Housing
and Urban Development

FUNCTIONAL CODE: 371

Funding

	(\$ in millions)						
	1981	1982	1983	1984	1985	1986	1987
PROGRAM LEVEL:							
<i>Outlays</i>	182	-245	-1,179	-1,155	-1,142	-1,228	-1,309
OFFSETTING RECEIPTS:	—	—	745	714	674	625	563
<i>Current Law</i>	—	—	61	183	305	427	549
<i>Policy Increase</i>	—	—	684	531	369	198	14

Program Description

The Federal Housing Administration (FHA) operates about 20 programs that provide insurance for home mortgages. Since its inception in 1934, FHA has insured nearly 14 million home mortgages with a value of over \$211 billion. FHA currently insures 4.9 million home mortgages with a value of \$115 billion.

Proposed Change

This proposal will change the way FHA-insured homebuyers pay insurance premiums. Instead of paying a premium equal to 1/24th of one percent of the outstanding mortgage balance every month, each FHA-insured homebuyer will make a one-time payment at the time of settlement equal to the discounted present value of the monthly premium payments they would have otherwise paid.

Rationale

- This method of charging for insurance premiums is more consistent with private insurance premium payment methods.
- This change is consistent with maintaining the actuarial soundness of FHA home insurance programs.

Effects of Proposed Change

- The net amount of receipts that FHA receives from insured homebuyers will increase by \$745 million in 1983 because homebuyers will make all of their premium payments at settlement instead of paying premiums equal to 1/24th of one percent of the outstanding mortgage balance every month for the life of the mortgage.
- The average amount of the premium payment will be about \$1500. However, FHA will not require that this premium payment be added to the downpayment. Instead, FHA will allow the premium payment to be built into the mortgage: total monthly payments will be about the same as they were before this change.
- This change will not affect the basis for determining the insurance premium payment. To maintain actuarial soundness, the up-front premium charge will be determined using the same annual premium payment as is currently charged — 1/2 of one percent of the outstanding mortgage balance over the life of the mortgage. The up-front premium charge will, however, assume an expected life for each mortgage to discount the expected stream of future monthly premium payments back to one single payment.
- The accounting and collection functions of both FHA and private lenders will be simplified.