

CHAPTER 8

REFORM '88 AND OTHER MANAGEMENT INITIATIVES

One of the highest Administration priorities is significant and lasting improvement in the management of the Federal Government. The Administration will maintain its efforts to reduce fraud, waste, and abuse. At the same time, it will initiate or expand several activities to modernize and restructure the management and administrative systems with which the Government operates.

RESTRUCTURING MANAGEMENT AND ADMINISTRATIVE SYSTEMS

A major effort was launched in 1982 to restructure management and administrative systems in the Federal Government. This effort is called "Reform '88", since it is anticipated it will take at least six years to complete. The program is being coordinated by the White House with oversight by the Cabinet Council on Management and Administration.

During the balance of 1983 and in 1984, Reform '88 will concentrate its efforts on:

- Reform of the Federal Government's financial management systems.
 - Government accounting principles and standards will be upgraded to reflect changing needs and the best private sector practices. Departments and agencies will adopt and implement the new principles and standards.
 - The Treasury Department's government-wide cash collection and payment systems will be modernized.
 - Financial operations in the departments and agencies will be analyzed and improved to correct recurring problems, particularly those related to fraud, waste, and abuse.
- Implementation of the management systems improvements recommended by the President's Private Sector Survey on Cost Control.
- Monitoring of efforts to achieve management savings and improvements through the use of an "on-line" communications system between the White House and the departments and agencies.

REDUCING FRAUD, WASTE, AND ABUSE

In recent years, numerous instances of fraud, waste, and abuse of government resources and mismanagement of government programs have been reported. To emphasize Administration leadership and support for a government-wide anti-fraud and waste effort, the President established in March 1981 the President's Council on Integrity and Efficiency. The Council is composed of statutorily established Inspectors General and other key audit and investigative officials. It seeks to enhance interagency efforts to reduce fraud and waste.

Past efforts of the Council and the individual Inspectors General have focused on the *detection* of fraud, waste, and abuse. Future Council efforts will add a new dimension on the *prevention* of fraud, waste, and abuse.

The Council efforts will complement the Administration's continued emphasis on internal controls as a fundamental prevention technique. The Administration strongly supports the objectives of the recently enacted Federal Managers' Financial Integrity Act, and will vigorously implement the Act by having each department and agency:

- Conduct evaluations to assess the vulnerability of their program and administrative operations to fraud, waste, and abuse.

- Take necessary corrective actions to improve internal controls and reduce the risk of fraud, waste, and abuse.
- Submit an annual report to the President and the Congress on how well the controls are working.

OTHER MANAGEMENT INITIATIVES

Other management initiatives undertaken by the Administration will include:

- Reform of the Federal procurement process. Federal procurement is a \$160 billion-a-year activity involving approximately one-fifth of the Federal budget, more than 130,000 Federal employees, and over 20 million contracting actions a year. Proposed reforms include:
 - Increased emphasis on the need for a skilled and knowledgeable work force of career professionals to operate and oversee the Government's procurement program.
 - New concepts of competition that will permit the Government to attract the innovation and skills of the marketplace.
 - Simplification of the procurement process by means of a single, government-wide procurement regulation.
- A government-wide program to place limits on Federal imposition of paperwork burdens on the public--an effort that has already produced significant results. This effort will reduce Federal costs in collecting marginally useful information. More importantly, it will relieve State and local governments, individuals, businesses, and other private institutions of the costs of millions of hours devoted to filling out Federal forms.
- Continuation of the Debt Collection Project to recover delinquent debts and improve the administration of Federal credit programs.
- Reduction in the size of the nondefense Federal civilian work force.
- Reduction of the office space occupied by Executive Branch agencies to the minimum necessary to carry out program operations.

REFORM OF FINANCIAL SYSTEMS

PROGRAM DESCRIPTION

Reform '88 will give top priority in 1983 and 1984 to reforming the Federal Government's accounting and financial management systems and their links to budget formulation and execution. The effort will have two basic thrusts; the first will focus on near-term cost reduction and systems upgrading projects. The second will be aimed at longer-term structural changes based on the introduction of proven techniques from the private sector and the use of more technologically advanced data processing and telecommunications equipment.

PROGRAM EMPHASIS

- **Accounting Systems Reform.** The Office of Management and Budget and the Treasury Department will join with the General Accounting Office to define new accounting principles and standards that reflect the changing needs of Federal budgeting and financial operations and the best private sector practices. Major projects will be undertaken to revise the accounting systems of all departments and agencies to conform to these principles and standards. Agency financial management systems and controls will be revised so that they properly control and account for receipts and expenditures, and supply reliable, consistent financial information for budget and accounting reports.
- **Government-wide Cash Collection and Payment Systems Reform.** The Treasury Department maintains systems for the collection of Federal revenues, and for payments by the Government to individuals, State and local governments, and private companies. Each year, transactions are completed having a value in excess of \$1.7 trillion. The Treasury Department has instituted a major Reform '88 program to:
 - Improve its collections capabilities through the use of such techniques as direct bank deposits of receipts by agencies, electronic funds transfers, and "same-day" depositing.
 - Improve its payments system through increased use of electronic funds transfers, letters of credit, and other improved payment techniques.
 - Modernize its internal operations by upgrading obsolete computers and replacing check printing equipment with less expensive electronic funds transfer technology.
 - Automate financial reporting from agencies and thereby reduce costs and errors.
- **Financial Operations and Controls in Government Agencies.** The Federal Government carries out its business through hundreds of contracts, block and categorical grants, and loan and credit programs, as well as its own internal operations and administrative support activities. Each of these activities requires its own financial management system and controls. The President's Council on Integrity and Efficiency and the U.S. General Accounting Office have identified in numerous audits and reports the need to undertake financial systems reform to correct a wide range of recurring problems in agency operations. A number of specific agency directed projects are planned for 1984 to identify flaws in operating financial systems and develop controls and other improvements to reduce fraud, waste, and mismanagement.

RATIONALE

The backbone of most government activities are those systems that govern the formulation and execution of the budget, the accounting for all financial transactions, and the management planning and control of the myriad programs that generate those transactions. Each year, transactions valued at close to two trillion dollars must pass through these systems. Involved are

more than 200,000 Federal employees working in more than 100 departments and agencies of the Government. Reform of the Government's financial management systems can provide significant savings and improvements in service. It also will provide a better linkage to and support for the budget formulation and execution processes and improve the quality of financial data in the Federal Government.

EFFECTS AND PROSPECTS

Completion of the financial systems reform will result in the following significant benefits:

- Improved linkage of financial and budgeting systems.
- A uniform, consistent, compatible, and reliable financial data base.
- A fully automated system that incorporates the latest automatic data processing and telecommunications developments.
- Enhanced productivity, promptness, and cost-effectiveness in the various processing organizations.
- Tightened financial controls and an attendant reduction in fraud, waste, and mismanagement.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY/INSPECTORS GENERAL

PROGRAM DESCRIPTION

Seventeen Offices of Inspector General have been established by statute in major departments and agencies of the Executive Branch. The Inspectors General (IGs) are appointed by the President, and report directly to the head of their respective department. Their objectives are to prevent and detect fraud and abuse, and to promote economy, efficiency, and effectiveness in the programs of their agencies.

To emphasize the Administration's leadership and support for the government-wide anti-fraud and waste effort, President Reagan established the President's Council on Integrity and Efficiency in March 1981. The Council enhances interagency efforts to reduce fraud and waste, encourages coordination among the IGs, and gives the Inspectors General a direct link to the President. Through the Council, the Inspectors General seek to identify opportunities for improving program operations and administration across the Government by preventing waste and inefficiency.

The members of the Council include:

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

PROPOSED CHANGE

The Administration has proposed a ten percent overall increase in full-time equivalent employment from 1982 to 1984 for the Offices of Inspector General to assure the continued strength of the program. This employment increase would be financed by a budget authority increase of fifteen percent during the same period.

The focus of the Council activities in its third year will be to identify opportunities for expanding prevention techniques such as computer matching and pre-screening of grants and contracts and for developing new initiatives to prevent the wasteful drain of Federal resources. The opportunities identified by the Council for upgrading and improving administrative systems will help to define Reform '88 priorities.

Specifically, the Council will be undertaking such projects as the following:

- **Computer Matching**, which will expand the use of computer matching as a fraud and abuse prevention mechanism in Federal and State programs. The project will provide for the exchange and dissemination of information on matching programs and on technical capabilities and developments.
- **Fraudulent Use of Federal Identity Documents**, which will develop standards for the security and use of Federally issued identity documents. This project will ensure that both issuing and benefit agencies are aware of and take action to reduce the improper use of documents such as the Social Security card.
- **Medical Provider Fraud**, which will identify cases of fraud by providers of medical care and related services and assure that information is shared among the Government agencies that operate health programs.

- ***Interdepartmental Committee to Combat Bid-rigging Fraud***, which brings together the Departments of Justice and Transportation to increase Federal and State coordination in bid-rigging investigations. This will be achieved by: devising and disseminating new investigative techniques; targeting States for future investigations; and maximizing State participation.

RATIONALE

The evidence of continued waste and mismanagement of Government programs and operations, as uncovered by the Inspectors General, the General Accounting Office and others, demonstrates the need for coordinated anti-fraud and waste activities through the President's Council on Integrity and Efficiency. While the magnitude of the problem is extremely difficult to pinpoint, the Inspectors General in the last eighteen months have identified, and management has agreed to, almost \$17 billion in savings and improved use of funds.

Much of this work, however, has concentrated on after-the-fact detection of problems based on traditional audits and investigations. The prevention of waste and mismanagement, through improved design of program operations and administration and the use of modern technology such as computer matching and pre-screening, offers promise of additional improvements in the management of the Federal Government.

EFFECTS OF THE PROPOSED CHANGE

The changing emphasis to prevention activities in the Inspector General program and the President's Council will provide support for the major administrative reforms undertaken in Reform '88. In addition, the focus on prevention will buttress the Administration's commitment to improving Government by stressing the importance of adequate controls in all program and administrative operations.

INTERNAL CONTROLS

PROGRAM DESCRIPTION

Internal controls are those mechanisms and managerial techniques built into management and administrative systems to safeguard resources, assure the reliability of financial and statistical information, and assure adherence to applicable laws, regulations, and policies.

The Administration has long been committed to the improvement of internal control systems as a fundamental means of reducing fraud, waste, and abuse in Government operations, and strengthening management and administrative systems.

PROPOSED CHANGE

The Administration strongly supports the objectives of the Federal Managers' Financial Integrity Act, which was signed into law by the President in September 1982. Vigorous implementation efforts have begun and will continue in order to improve internal management practices and reduce the risk of fraud, waste, and abuse.

Specifically, the Act requires that all department and agency heads:

- Ensure that their internal accounting and administrative controls are established in accordance with standards prescribed by the Comptroller General.
- Conduct evaluations to assess the vulnerability of their organizations and systems to fraud, waste, and abuse--and take corrective action.
- Submit an annual report to the President and the Congress on how well the controls are working.

The first agency reports to the President and the Congress on the results of internal control reviews are due December 31, 1983. Using guidelines for the evaluation of internal control systems which were issued by OMB in December 1982, each agency will review its systems of internal accounting and administrative control and determine whether they comply with the requirements of the Act, identify the material internal control weaknesses, if any, and provide plans for correcting the weaknesses. OMB will monitor the process in the agencies and provide technical assistance as needed.

Top managers will be rated on their effectiveness in maintaining internal control systems that minimize the prospect for fraud, waste, and abuse in operations.

RATIONALE

Despite long-standing legislation that has required the head of each department and agency to establish and maintain adequate systems of internal control, in recent years numerous instances of fraud, waste, and abuse of government resources and mismanagement of government programs have been reported. Upon analysis, those problems frequently were found to have resulted from weaknesses in the design of internal controls or breakdowns in compliance with the installed systems.

Through vigorous action by agency heads and managers to improve internal control systems, the Federal Government will attack the problem of fraud, waste, and abuse at its source, by prevention, rather than through the less cost-effective means of after-the-fact detection.

EFFECTS OF THE PROPOSED CHANGE

Implementation of the Federal Managers' Financial Integrity Act will:

- Enable the agencies to detect and correct weaknesses in their internal control systems and thereby safeguard funds, property, and other assets.
- Provide the basis for developing internal controls and systems that are consistent with the management and administrative improvements being developed under Reform '88.

FEDERAL PROCUREMENT REFORM

PROGRAM DESCRIPTION

Federal procurement is a \$160 billion-a-year business involving approximately one-fifth of the Federal budget, more than 130,000 employees, and over 20 million contracting actions annually. The Administration is committed to fundamental reforms to (1) simplify the procurement process and eliminate unnecessary regulations, (2) increase competition, (3) enhance the overall competence of the Federal procurement work force, and (4) improve agency management of the procurement function. Detailed proposals for making these and other improvements were included in the Administration's proposal for a Uniform Federal Procurement System, submitted to the Congress in February 1982. Those improvements of an administrative nature were encompassed in President Reagan's Executive Order 12352 ("Federal Procurement Reforms") which established the Administration's procurement reform agenda for 1983 and beyond.

PROPOSED CHANGE

The procurement reform program for 1984 will encompass both legislative and administrative changes. Specifically, legislation will be supported to enhance competition by curtailing the number of circumstances authorized for awarding contracts noncompetitively. Legislation also will be proposed to (1) increase the small purchase ceiling for civil agencies to \$25,000 and (2) reauthorize the Office of Federal Procurement Policy (OFPP) so it can continue its leadership role in procurement reform. Principal among the administrative reforms to be implemented are (1) adoption and implementation of the single, simplified Federal Acquisition Regulation by all executive agencies, (2) adoption by each agency of a detailed charter delineating the roles and responsibilities of its Procurement Executive, and (3) improvement of the recruitment, selection, training, education, appraisal, and classification of procurement personnel. Further guidance also will be furnished to the agencies on reducing administrative costs and paperwork, simplifying small purchases, establishing clear lines of contracting authority, creating effective career management programs, and establishing procurement system standards and certification processes.

RATIONALE

The procurement process is a key component in the management of Federal programs, but it 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 price. Competition is curtailed by regulatory complexity, funding constraints, restrictive specifications, lack of advance planning, and limited knowledge of the marketplace.

The problems of Federal procurement are further exacerbated by 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, unnecessarily inhibit the work force and erode the nation's industrial base by deterring potential suppliers from competing for Government business, and causing existing suppliers to leave the Government market. An integrated series of reforms -- in law, in regulation, in procedure and in standards -- is essential for correcting these deficiencies.

EFFECTS OF THE PROPOSED CHANGE

The 1984 changes outlined above will have many salutary effects. Implementation of the Federal Acquisition Regulation will eliminate 62% of existing primary procurement regulations (nearly 4,000 pages), with a consequent reduction in the administrative burdens which affect both Federal procurement activities and private contractors. The curtailment of noncompetitive awards will enable the Government to benefit from technical, management, and price competition available in

the marketplace, thereby saving millions of dollars. The proposed reforms will help to improve Government/contractor relationships and enhance the overall efficiency and effectiveness of the procurement process. Principal among these is the continuing effort to enhance the procurement work force through such initiatives as developing realistic classification and qualification standards, establishing model career programs in several agencies, establishing contracting officer qualification standards, and developing new sources of training as well as new methods for recruiting and selecting employees.

It is estimated that \$2-9 billion will be saved annually once the full program of reforms is implemented, a process expected to take 3 - 5 more years.

PAPERWORK REDUCTION

AGENCY: Government-Wide

	(Hours in millions)		
	1982	1983	1984
Hours of burden imposed on the public	1,274	1,167	1,129
Net Changes		-108	-38

PROGRAM DESCRIPTION

The Administration's paperwork control program is designed to minimize reporting, recordkeeping, and disclosure requirements imposed upon the public by the Federal Government.

In addition to an ongoing review of the individual paperwork requirements, each year the agencies and the Office of Management and Budget determine paperwork "budget allowances" designed to limit the "burden hours" required of the public for filling out Federal forms and keeping records. Paperwork budget allowance levels are established on a cycle one year later than that of the President's fiscal budget. The difference in timing results from the need to establish program priorities through the budget process and then follow up with paperwork -- information collection -- implementation strategies. Hence, the data in the tabulation shown above are the allowance levels for 1982 and 1983, and the planning level for 1984.

PROPOSED CHANGE

During 1983, Federal agencies will take actions to reduce the paperwork burdens imposed on the public by 127 million hours--a 10 percent reduction from the approximately 1.3 billion hours imposed during 1982. This reduction will be partially offset by increased private use, beyond government control, of some forms such as passport and other application forms, for a projected net reduction of 108 million hours by the end of the fiscal year. The 1983 reductions, combined with those achieved earlier, will result in a 29 percent reduction in the Federal paperwork requirements known to exist in 1980, thus surpassing the 25 percent reduction goal established by the Paperwork Reduction Act of 1980 (PL. 96-511). Total paperwork reductions since the Reagan Administration took office in January 1981 will exceed 300 million hours.

RATIONALE

The paperwork control program, which is a key element of the President's regulatory relief program, is aimed at relieving individuals, businesses, and State and local governments from unnecessary Federal paperwork requirements. With the resulting savings, time previously spent on unnecessary paperwork will now be free for more productive purposes. For example, the over 100 million hour burden reduction in 1983 represents a savings of over 50,000 work-years. Added to these savings in the private and non-Federal sectors are the Federal budget savings associated with the collection of fewer forms that require processing, analysis, and storage.

EFFECTS OF THE PROPOSED CHANGE

Almost all agencies will be reducing their paperwork burdens during 1983. The largest single reduction will be made by the Department of Transportation's elimination of recordkeeping requirements associated with the Highway Safety Program (-68 million hours).

Although the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) will result in significant increases in tax reporting to increase collection of certain taxes that have been widely evaded in the past, the Internal Revenue Service has undertaken an aggressive program to identify and eliminate unnecessary current reporting requirements. As a result of this effort, total IRS reporting requirements will actually decrease in 1983, in spite of the additional reporting under TEFRA.

1981 AND 1982 CHANGES

Major paperwork reductions that have already taken place include:

- Reduction in recordkeeping requirements imposed by the National Credit Union Administration (NCUA) (-67 million hours).
- Reduction in requirements for the Federal Communications Commission's (FCC) Radio Station Log (-40 million hours).
- Reduction in the Internal Revenue Service's Personal Income Tax Reporting (-31 million hours).
- Adoption of a common claim form for use by Medicare, Medicaid, and third-party payors (-10 million hours).
- Reducing the Internal Revenue Service's (IRS) Wage and Tax Statement (-7 million hours).
- Elimination of many of the Department of Health and Human Services's (HHS) categorical grant reporting requirements (-5 million hours).

DEBT COLLECTION

AGENCY: Government-Wide

	(\$ in millions)					
	1983	1984	1985	1986	1987	1988
EXPECTED SAVINGS						
Distributed in Agency Accounts						
Agriculture	250	140	140	140	140	140
Commerce	25	61	61	61	61	61
Defense	85	100	100	100	100	100
Education	225	225	225	225	225	225
Energy	63	57	57	57	57	57
HHS	80	200	200	200	200	200
HUD	125	150	150	150	150	150
Labor	20	10	10	10	10	10
DOT	17	9	9	9	9	9
VA	150	77	77	77	77	77
AID	35	39	39	39	39	39
SBA	120	175	175	175	175	175
Tax Receipts*	1,660	2,040	2,315	2,315	2,315	2,315
Total Savings	2,855	3,283	3,558	3,558	3,558	3,558

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

PROGRAM DESCRIPTION

An estimated \$250 billion was owed to the Government on September 30, 1982. Of that amount, approximately \$180 billion was owed to 82 programs and activities in 16 agencies monitored by the Administration's Debt Collection Project. Over \$38 billion of the \$180 billion was delinquent or in default, and almost half of the delinquencies were more than six months past due. Almost \$2 billion in bad debts was written off in 1982, and it is estimated that an additional \$2.5 billion will be written off over the next 18 months.

The situation has resulted from the failure of agencies to pursue collection aggressively and a general attitude among debtors that they do not have to repay their debts to the Government.

PROPOSED CHANGE

The President has committed the Administration to increase collections of delinquent debts, including delinquent taxes owed the Internal Revenue Service, by \$3.3 billion in 1984.

The program to reach this goal will focus on attacking the existing delinquency problems and improving credit management and debt collection practices across the Government. Specifically, the following initiatives will be undertaken:

- Debt portfolio data bases will be automated to improve the reliability and timeliness of receivables information.

- Uniform aging requirements will be applied to ensure the proper management of debt portfolios.
- Uniform standards for writing off uncollectable debts will be established and enforced.
- Agencies will prepare detailed plans that outline the specific steps to be taken to implement the Debt Collection Act of 1982.
- Debt servicing and collection functions will be automated, using the latest computer and telecommunications technology.
- Up-front risk analysis and credit scoring procedures will be used to ensure the integrity of the credit extension process.
- Examples of specific initiatives include the following:
 - The Internal Revenue Service, (IRS) is installing an automated collections system that will select, sequence, schedule and control collections work for about \$8 billion in delinquent tax accounts. When implemented nationwide in 1984, the system will increase the productivity of IRS collectors and reduce and prevent future delinquencies. At a minimum, an additional \$500 million in delinquent taxes will be collected annually.
 - Under new regulations for the Education Department's National Direct Student Loan (NDSL) program, schools with default rates in excess of 25 percent will not be eligible to receive new NDSL funds. Schools with default rates between 10 and 25 percent will have their new loan funds reduced in proportion to their default rate. The regulations will be a strong incentive for institutions to be more responsible in collecting delinquent loans.

In addition, targets for increasing collections by \$2.9 billion in 1983 and \$3.3 billion in 1984 have been assigned to 13 agencies. Under a Government-wide reporting system implemented in 1982, the agencies will submit quarterly financial reports which will include information on:

- total debt owed to the programs and activities;
- the age and amount of delinquent debt;
- the amount of interest assessed and collected on delinquent debts; and
- the number and value of debt cases referred to GAO and Justice for collection.

The quarterly data will also be used to monitor the progress toward the collection targets which have been assigned to the agencies.

RATIONALE

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

- The interest alone on the \$38 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 the program levels reduced accordingly.
- When delinquent debts are not collected, debtors receive benefits to which they are not entitled. Loan and benefit programs in effect become unauthorized giveaway programs.

- A well-run and effective program provides incentives for debtors not to be delinquent in the future and strengthens the taxpayers' confidence in their Government.

EFFECTS OF THE PROPOSED CHANGE

The President's program is the first concentrated effort to improve Federal credit management and debt collection. The budget impact alone will be significant. The 1984 Budget includes \$3.3 billion in increased collections resulting from the measures being taken by the agencies. These collections will generally be achieved using existing agency resources.

REDUCING FEDERAL EMPLOYMENT*
Executive Branch
Total Full-Time Equivalent Employment
(Excluding the Postal Service)
(In Thousands)

	1982 Revised Budget ^{1/}	1982 Actual	1983 Estimate	1984 Estimate	1985 Estimate
TOTAL	2,100.8	2,075.8	2,070.4	2,077.9	2,075.8
Defense	937.7	978.1	968.8	989.9	992.0
Non-Defense	1,163.1	1,097.7	1,101.6	1,088.0	1,083.8

^{1/} As contained in the 1982 Revised Budget, transmitted to the Congress in March 1981.

PROGRAM DESCRIPTION

The Administration's goal since inauguration has been to reduce the size of the nondefense Federal civilian workforce.

The 1984 Budget establishes full-time equivalent employment ceilings for each agency for fiscal years 1983-85. These ceilings were determined during the budget review process and take into account each agency's programmatic needs as well as opportunities for management efficiencies.

PROPOSED CHANGE

From 1983 to 1984, a net decrease of 13,600 full-time equivalent workyears is planned for the nondefense agencies.

RATIONALE AND EFFECTS

The following is a list of specific major proposed reductions from 1983 to 1984:

- Department of Health and Human Services (-4,100) -- Employment will be reduced by eliminating excessive overhead staff; continuing the community services closeout; decreasing regulatory requirements for health and social services programs; and deregulating categorical grants and consolidating selected grant programs.
- Department of Commerce (-2,280) -- Decreases will result from completion of the Economic and Agricultural Censuses, the termination of the Economic Development Administration, and the phasedown or elimination of the National Oceanic and Atmospheric Administration marine and atmospheric-related services and research activities. A planned increase of about 100 workyears is intended to reduce backlogs in the Patent and Trademark Office.
- Department of Agriculture (-2,050) -- Decreases amounting to nearly 1,900 workyears are planned for the Forest Service for program reductions and expected increases in management productivity. Most of the balance of the decrease occurs in the Soil Conservation Service and Food and Nutrition Service with a partial offset by a small increase for the Farmers Home Administration to meet debt management requirements.
- Department of Defense -- Civil Functions (-1,629) -- Reductions are due to declining program levels resulting in cutbacks in real estate and construction management personnel and the completion of 20-25 projects per year. Private sector dredging capability is increasing, with correspondingly less need for dredges operated by Federal employees.

* For additional details, see Special Analysis I, "Special Analyses, Budget of the United States Government, Fiscal Year 1984."

- Department of the Interior (-1,338) -- Decreases will occur due to Bureau of Indian Affairs school closures and transfers, streamlined research and regulatory processes, improved operational efficiencies, and less labor intensive methods of natural resource management. These reductions are partially offset by increased staffing to operate and maintain the national park system.
- The Department of Housing and Urban Development (-1,247) -- This decrease results from both programmatic and administrative changes. In the housing area, modernization and operating subsidies have been combined with a simplified formula mechanism. Both Section 8 and public housing construction have been largely eliminated. In the community development area, programs have been combined and simplified, with greater devolution of program administration and decisionmaking to States and localities. Federal Housing Administration employment will decrease due to privatization of loan processing. Finally, a greater reliance on ADP operations and contractual services and a streamlining of administrative functions both at headquarters and in the field will reduce administrative employment.
- Tennessee Valley Authority (-1,052) -- A slowdown in the growth of electricity demand has forced TVA to cancel and/or defer construction on some nuclear generating units. This will lead to reductions of on-site construction workers and associated personnel such as engineers and administrative staff.
- Energy Activities (-884) -- Employment will continue to decline for energy overhead, regulatory activities, and near-term research and development activities. This decline is consistent with changes made in recent years to carry out the Administration's emphasis on the importance of private sector initiatives to provide for our energy needs.
- The Department of the Treasury (-737) -- Decreases will occur as a result of streamlining various departmental functions. These will be partially offset by increases in the Internal Revenue Service to administer provisions of the Tax Equity and Fiscal Responsibility Act.
- General Services Administration (-564) -- Decreases will occur agency-wide due to continuing management efficiencies.
- Environmental Protection Agency (-477) -- Reductions reflect increased operating efficiencies, accelerated delegation of environmental programs to States and completed regulatory activities. High priority enforcement and regulatory programs are fully supported.

A portion of the decreases noted is offset by necessary increases in the Justice Department, State Department, Veterans Administration, and the United States Information Agency.

REDUCTIONS ACHIEVED

Between January of 1981 and the end of fiscal year 1982, the actual number of nondefense employees has declined by 91,278.

SPACE MANAGEMENT

PROGRAM DESCRIPTION

The Administration is committed to fundamental management reforms to ensure more efficient use of Federally owned and leased office and work space. These reforms, which will emphasize planning rather than case-by-case management, will reduce costs and allow the redirection of resources to essential Federal activities.

PROPOSED CHANGE

The Administration will propose specific management reforms, including:

- Requiring agencies to develop an annual plan for the utilization of office and other work space. A key element of the plan will be the description of the relationship between office space and personnel levels.
- Improving space inventory systems to ensure that excess or underutilized space is identified and made available for other Federal uses or for disposal, either by non-renewal of leases or by sale of Government-owned property through established excess property programs.

RATIONALE

The Federal Government currently maintains 3.2 billion square feet of work space, of which about 550 million square feet is office space. When valued at \$ 10 a square foot/per year, this office space is worth \$5.5 billion annually. A substantial amount of Federal work space is underutilized or unnecessary when viewed within the context of individual agency requirements or stringent space planning standards. More efficient use of this space could provide significant savings.

EFFECTS OF THE PROPOSED CHANGE

- Reduction of office and other work space requirements to that essential for known mission requirements.
- Reduced operating expenses.
- Improved space inventory systems.