

**WHY RESHUFFLING GOVERNMENT AGENCIES
WON'T SOLVE THE FEDERAL GOVERNMENT'S
OBESITY PROBLEM**

HEARING

BEFORE THE

**COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM**

HOUSE OF REPRESENTATIVES

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WHY RESHUFFLING GOVERNMENT AGENCIES WON'T SOLVE THE FEDERAL GOVERN- MENT'S OBESITY PROBLEM

WEDNESDAY, FEBRUARY 15, 2012

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The committee met, pursuant to call, at 9:34 a.m., in Room 2154, Rayburn House Office Building, Hon. Darrell E. Issa [chairman of the committee] presiding.

Present: Representatives Issa, Walberg, Lankford, Labrador, DesJarlais, Gowdy, Kelly, Cummings, Towns, Norton, Kucinich, Tierney, Connolly, Quigley, and Murphy.

Staff Present: Michael R. Bebeau, Assistant Clerk; Molly Boyl, Parliamentarian; Lawrence J. Brady, Staff Director; Adam P. Fromm, Director of Member Services and Committee Operations; Linda Good, Chief Clerk; Tyler Grimm, Professional Staff Member; Jennifer Hemingway, Senior Professional Staff Member; Frederick Hill, Director of Communications and Senior Policy Advisor; Ryan Little, Professional Staff Member; Justin LoFranco, Deputy Director of Digital Strategy; Mark D. Marin, Director of Oversight; Tegan Millspaw, Research Analyst; Jeffrey Post, Professional Staff Member; James Robertson, Professional Staff Member; Laura L. Rush, Deputy Chief Clerk; Rebecca Watkins, Press Secretary; Kevin Carter, Detailee; Krista Boyd, Minority Deputy Director of Legislation/Counsel; Beverly Britton Fraser, Minority Counsel; Kevin Corbin, Minority Deputy Clerk; Carla Hultberg, Minority Chief Clerk; and Paul Kincaid, Minority Press Secretary.

Chairman ISSA. Good morning. The committee will come to order.

We on the Oversight Committee exist to secure two fundamental principles. First, Americans have a right to know that the money Washington takes from them is well spent. And second, Americans deserve an efficient effective government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold government accountable to taxpayers because taxpayers have a right to know what they get from their government. We have a responsibility to work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy.

I will now recognize myself for an opening statement. Today we are at the core of our responsibility. President Obama recently unveiled or announced in the State of the Union a reorganization

plan. His request for authority comes without any specifics, simply the need for reorganization. Although we recognize that there may be a specific plan that the President can work with us on, I believe this committee has an obligation to go far beyond what the President has in mind.

In fact, under both this President and his predecessor OMB has told us that Congress won't, in fact, be necessary, that we can do it with limited authority. That is simply not true. The history has shown since the Hoover Commission that the only way to get genuine change in the Federal bureaucracy is to have buy-in in advance from the House, the Senate, the community at large and the Executive branch. Reorganizations, like the first major reorganization, require multi-term occurrences. Congresses change, the House and the Senate changes significantly and the White House is likely to change who is in it, not because this President may not win reelection but because reorganization takes more than 4 or 5 years. A good plan is in fact a plan for at least a decade and one that takes years to accomplish. Just bringing together disparate databases that in fact have grown up over a generation into a single cohesive interactive system would easily take two presidencies.

So as we begin today talking about waste in government anew, let's understand that since 2008 spending on Federal programs has increased by hundreds of billions of dollars. We simply cannot reshuffle the deck chairs on this Titanic. The truth is that uncollected debts total over \$290 billion, improper payments total at least \$115 billion in 2011, the Federal Government has grown its workforce by 200,000 employees. Last year the duplicative programs reported by the GAO identified numerous areas that overlap, and in fact none have changed during the interim.

It is very clear that the administration is on the right track by saying that we need a major reorganization, but this committee more than any other committee in the House has an obligation to look at the big picture. We have to look at last Sunday's announcement of the new budget which will add \$1.3 trillion to the deficit. Clearly we cannot tax our way out of it and we cannot cut our way out of it. Reorganization that brings efficiency; in other words, win-win situations in which you make changes in which all the essential services get delivered but they get delivered for less.

Additionally, every Congress we talk about how much is not collected and yet we haven't made the fundamental investments into making sure that next year and the year after collections are more and more honest because of the kind of transparency that real reform and database and in cooperation between Cabinet positions can bring. That is why I am excited to have not one but two Senators as our lead panel. And before we go to them I now recognize the ranking member, Mr. Cummings, for his opening statement.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. And I would like to welcome all of our distinguished witnesses here today. And let me thank you, Mr. Chairman, for agreeing to my request to invite Senator Warner who has been a champion of government reform efforts for many years, both as Governor of Virginia and now as the head of the Senate Budget Committee's Task Force on Government Performance. I would also like to thank the chairman for agreeing to my request to invite our witness on the

second panel Max Stier, the President and CEO of the Partnership for Public Service, which issued a very good report on government efficiency issues last year.

Now on the topic of today's hearing I confess I am a bit confused. The hearing title suggests that the Federal Government has an obesity problem that somehow caused the Nation's budget deficit. But according to economists and financial experts, the most significant causes of the Federal deficit are, one, the Bush era tax cuts for the wealthy; two, the wars in Iraq and Afghanistan; and, three, the fallout from the 2008 financial crisis. Unfortunately, we will not be addressing any of these issues today.

Mr. Chairman, I ask unanimous consent to enter into the record an excellent Washington Post column published yesterday titled Government Continues to Shrink Despite Obesity Problem Rhetoric.

Chairman ISSA. Since it is excellent, without objection so ordered.

Mr. CUMMINGS. It so happened to be by Joe Davidson who did a great job. The column addresses today's hearing and describes how the size of the Federal workforce has decreased and the government is doing more with less.

The hearing title also refers to a recent proposal by the President to reorganize and consolidate a number of our Nation's trade agencies into a single department that will be more effective and save billions of dollars in the process. Unfortunately, we will not be addressing the details of this proposal today either.

Instead, today's hearing appears to be a survey of proposals to reduce the size of government and cut the pay and benefits of Federal employees without focusing on the negative impacts of these proposals on core services that the American people depend upon.

I think it is safe to say that every member of the committee and this Congress agrees that the Federal Government can and should work better. We should always strive to ensure that agencies work more effectively and efficiently on behalf of the American taxpayers. Our differences come in figuring out how we get there. I do not believe that the way to reform government is to attack millions of hard working middle class workers who are already contributing \$60 billion towards deficit reduction as a result of the existing 2-year pay freeze. Yet the House is scheduled to vote this week on a bill approved by this committee that will take an additional \$44 billion out of their pockets by slashing existing pension benefits for new, current and retiring Federal workers.

This is a wrong approach. We should not try to solve our budget problems on the backs of middle class Federal workers while we refuse to ask the wealthiest Americans, refuse to ask them to contribute even one penny more towards these goals. Instead, we should reform government by cutting waste. For example, there are billions of dollars waiting to be saved through contracting reform. The mission on wartime contracting identified between \$31 billion and \$60 billion in waste and the United States continues contracting in Iraq and Afghanistan. And Congressman Tierney to his credit has introduced a bill to enact one of the Commission's recommendations by creating a special inspector general for Overseas Contingency Operations.

Congress should also promote greater competition in Federal contracts. Federal agencies awarded about \$170 billion in noncompetitive contracts in 2009 alone. The administration is also taking a number of actions, such as improving agency systems to reduce improper payments by the Federal Government by \$50 billion by the end of the year. One key tool that we already have in place is GPRA Modernization Act on the House side. This new law came out of this committee and it was signed by President Obama on January 4, 2011. It requires the administration to develop cross-cutting agency priority goals and to track progress toward meeting those goals.

Finally, I know that Senator Warner was one of the biggest proponents of this law on the Senate side, and I understand he has been pressing the administration to fulfill each and every provision of the new law. I look forward to hearing his testimony, as well as that of Senator Johnson and all of our witnesses today. And again, Mr. Chairman, thank you very much.

Chairman ISSA. Would you yield to the gentleman from Virginia for a moment?

Mr. CUMMINGS. Of course.

Mr. CONNOLLY. Thank you, Mr. Chairman. And I thank the ranking member. I just wanted to of course welcome both of our Senators, but I particularly wanted to welcome my home state Senator, soon to be the senior senator from the Commonwealth of Virginia, Mark Warner. Senator Warner and I worked together when he was the Governor and I was Chairman of Fairfax County. And now we have the privilege of both serving our constituents here in the Congress. And I want to thank him for his leadership, his willingness to try to find bipartisan solutions, his leadership on trying to find creative solutions to our fiscal problems, and of course his championship for the Federal workforce where the Commonwealth of Virginia hosts so many Federal employees.

So I just wanted to welcome him to the Oversight and Government Reform Committee. And I thank the chair.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Chairman ISSA. Thank you. We now go to our distinguished panel of witnesses. Whether junior or senior Senator you are still distinguished. Senator Mark Warner represents the Commonwealth of Virginia, and of course Senator Johnson representing the State of Wisconsin. If you were not members of our body you would be required to be sworn pursuant to committee rules. Since all of us on both sides of the dais at this time are sworn officials we would like to hear your testimony. Since you are Senators we have to tell you that we do have this clock. It runs for 5 minutes. And it means not that much but try to summarize as close as you can to 5 minutes.

Senator Warner.

STATEMENT OF THE HON. MARK R. WARNER, A UNITED STATES SENATOR FROM THE STATE OF VIRGINIA

Senator WARNER. Thank you, Chairman Issa and Ranking Member Cummings, for inviting me today, and members of the committee. I am proud to be here with my good friend Ron Johnson. I want to make sure the record shows that both Senator Johnson

and I were here at the committee on time. And as the chairman mentioned a little bit earlier, since we are both fairly junior in the Senate we will soon get over this affliction and start treating you House Members as House Members as opposed to just new Senators. But we really look forward to the opportunity to be here and discuss the way government works.

I also want to thank the chairman for the collaboration we have had on the data bill, something I think that is very important in terms of bringing across the board financial transparency to government operations, and I look forward to seeing if we can get that passed into law.

I want to echo what the ranking member said. I looked at the title for the hearing today and I had to think it was a colorful title. I am not sure that our government is obese, but I am sure it could use a bit of housekeeping.

Chairman ISSA. Senator, it is kind of like when you have a really good article but the headline is different. Different groups write them.

Senator WARNER. I get it, I get it. I think we would all agree though that for too long we have added programs, regulations and policies layer after layer without ever taking time to step back and review the structure of government to see if these existing programs and policies really make sense. And this is something that Senator Johnson and I have worked on on the Budget Committee together and I know it is the function of this committee. I have got a lot of ideas, and recognizing the time constraints I want to try to hit these very quickly and would love to have the opportunity to come back and share in more detail any of the subjects that I am going to briefly discuss. And I do think that, as Ranking Member Cummings said, that in a number of these areas President Obama has made progress.

Let's start with the overlap and duplication of Federal programs. I recall as a Governor how frustrating it was for me when we looked at things like workforce training, when we looked at teacher quality programs. Trying to rationalize them at the State level was virtually impossible because we had so many different Federal programs with different streams of funding. We should not have 82 teacher quality programs across 10 different agencies. We shouldn't have 56 financial literacy programs across 20 different agencies.

I do believe that reorganization and consolidation of similar and duplicative programs can provide more effective services and at the same time save taxpayer money. There is a couple of different ways we can go about this. Ranking Member Cummings mentioned the Woodlace bill that probably most folks have never heard of other than members of this committee, the GPRA bill, the Government Performance and Results Modernization Act of 2010, which I was proud to co-sponsor. One of the requirements of that bill was to try to limit the number of goals an actual agency has. Because anybody who has been in business knows that if you have 10, 20, 30 goals you really have no major goal. Unless we can limit this to a more limited number and start looking across the function of government, not just by program and by agency, we are not going to be effective.

On Monday, when the President outlined his budget, he outlined 14 cross-agency priority goals in the 2013 budget. As I mentioned previously, there was no requirement. This was one of the requirements of GPRA. The 14 goals I think that the President outlined were clear. One, for example, was the goal to double exports by the end of 2014. That is clearly in the Nation's interest and cuts across a series of agencies.

So I think we are seeing some of the results of GPRA already. I would argue as well one area that the administration I think needs to do better on, we asked in GPRA for agencies not only to identify their top programs, but to do something that has never been done before, which is identify the least performing programs. We too often in government want to highlight our successes, we are not as willing to expose those areas that need improvement. And we need to continue to focus the administration on performance of least performing programs.

But obviously we continue to do more. The President has also requested that we restore executive reorganization authority with expedited congressional review. And again, there would be a process for Congress to review any proposed reorganization. I urge the committee to consider this proposal favorably.

As the chair and the ranking member knows, I spent most of my career in business and every CEO has the authority to reorganize and structure their company to improve results. As Governor I had the authority to reorganize the State agencies, and I was also held accountable for results. In fact, every President from 1932 to 1984 had the authority to submit proposals to reorganize the Executive branch. I believe we should give the President as our Chief Executive the authority to do this job and modernize the way the government works to deliver better results, and again hold the President accountable.

I think one of the things that we can include in this type of proposal is to make sure that any reorganization would actually save money and eliminate overhead. And I would also point out again that what the President is proposing would still give Congress the ability to vote on an up or down basis on any specific reorganization.

I intend to be a sponsor of the President's Reforming and Consolidating Government Act in 2012 in the Senate, and I can assure you that there will be broad bipartisan support in the Senate, and I hope again that same kind of support can be garnered here in the House. And I would argue since this bill is coming so late in the President's term this would obviously be a tool whoever becomes the next President serving in January of 2013.

Another area I believe we need to do more housekeeping on is regulations, and I know the committee again has worked on this as well. I believe regulations are like programs. We have added layers and layers over the years. But we rarely go back and review what works. We need regulatory reform to put in place basic metrics and incentives to provide some regulatory housekeeping.

I am working on a proposal that will require all agencies, executive and independent, to conduct economic impact analysis for all those proposed regulations costing over \$100 million. I have also got a proposal that will build on this that will try to change some

of the incentives inside the agencies. Right now an agency is basically rewarded with more personnel and more funding if you add more regulations. We have got to try to change that framework. So my regulatory reform proposal will also include a PAYGO type mechanism that will require agencies to identify offsets that will force them to modify or eliminate rules from their existing stock of regulations whenever they seek to put new regulations in place. This kind of balancing out aspect will actually, I believe, change the incentives inside the agency so as they move forward on proposed appropriate new regulations you have to find that offset. It makes I think good commonsense. And before you say this would be impossible to do, the U.K. Has actually implemented a similar system called the one-in/one-out proposal. It has been up and operating for a couple of years right now. And again, we are modeling after some of the very effective things that have taken place in regulatory reform in the U.K.

In addition, as we have looked at regulatory reform I have seen that one of the things we don't do a very good job of is ever looking back and seeing did the regulation that was put in place actually achieve its goal. It is remarkable, we have never done this in any meaningful way. And what we have instead is we have sometimes agencies saying here are all these benefits, businesses saying here are all these costs. We don't have some level of independent analysis on this. I believe we need a legislative agency, like the CBO, to review the economic impact analysis every 5 years or so to determine if the regulations that we have put in place, that the agencies have put in place, are working and report this information to Congress. This independent analysis will provide helpful data for Congress and the agencies to modify and eliminate both outdated laws and regulations.

In closing, let me just say this. We do have a lot of work to do. I did see recently the President identified 9,000 reports that agencies submit to Congress. If there was one, again, low hanging fruit that we could relieve some burden on the agencies, but also start to streamline some of this duplicative reporting, systems also need to be reviewed. I do think it is the responsibility for Congress to think boldly in this area. We have also got a proposal. We are working on a civilian BRAC process in terms of real property, something that as we are looking at our enormous deficits we ought to put in the hopper as well.

So I would like to come back at some point, recognizing I have well exceeded my five minutes here, as any good Senator would. But I look forward to working with this committee. I appreciate the opportunity to appear before it. And I would want to again say, Senator Johnson, while he is a new Senator, has taken up this mantle as well and he is a good colleague and someone I know will be a firm ally of this committee in terms of making government more efficient for our people, our taxpayers and at the end of the day savings in dollars.

Thank you, Mr. Chairman.

[Prepared statement of Senator Warner follows:]

Written Testimony of U.S. Sen. Mark R. Warner (D-VA)
Submitted to the U.S. House Committee on Oversight and Government Reform
February 15, 2012

Thank you, Chairman Issa and Ranking Member Cummings, for inviting me today. I welcome the opportunity to share some of my ideas with this Committee and to discuss the opportunities we have in Congress to improve the way government works.

I've got to start by saying – I don't quite know what to make of the title for today's hearing: I don't think our government is obese, but I certainly agree it could use a bit of house cleaning.

For far too long, we have added programs, regulations and policies – layer-after-layer – without ever taking the time to step back and review the structure of government to see if the existing programs and policies make sense. And based on what I've seen in my three years here in Washington, we certainly could clean-out the layers of cobwebs to make room for new higher priorities that respond to 21st century challenges.

Today, I'd like to share with the Committee my ideas for cleaning-up our government programs, regulations and the operations of our government. And I'd like to highlight some of the good ideas that have been proposed by President Obama.

Program Duplication

So let me start with the overlap and duplication of federal programs. I'm sure this Committee reviews the GAO annual reports on duplication. The latest version is due out later this month. This report documents the accumulation of programs that occurs over time. We should not have 82 teacher quality programs across 10 different agencies. And we need to do something about 56 financial literacy programs across 20 agencies.

We've got to re-organize and consolidate similar and duplicative programs so they can be more effective and save taxpayer dollars. There are a couple ways to go about this.

On Monday, the President outlined 14 cross-agency priority goals in his 2013 Budget. These cross-agency goals are a requirement of the Government Performance and Results Act that I co-sponsored at the end of 2010. Previously, there were no cross-cutting government-wide goals and there were thousands of agency level goals – all the business guys like me in the room can agree – if you have too many goals you really have no goals.

The President identified 14 clear, concise goals that can be used to develop cross-agency collaborations for improved results. Let me give you an example. The first goal is to double U.S. exports by the end of 2014. Now, that's one we can all agree is critical for strengthening our economy in the long-run.

The President has assigned a goal leader and identified eight agencies that will work together to deliver results. In addition, there are nearly 50 programs or supporting functions already

identified to support the goal of doubling U.S. exports. The goal will be measured quarterly and those results will appear on a website so we can monitor our progress. This goal-setting and focused follow up is an example of how small management changes can help ensure progress and break down the layers of duplication and fragmentation across the government.

I think the President and the Office of Management and Budget have made a good first step toward improving the outcomes of our government, and breaking down the silos that too often hold us back.

But we need to do more.

The President has also requested that we restore executive re-organization authority with expedited Congressional review, and I urge the Committee to consider this proposal favorably. I've spent most of my career in business, and every CEO has the authority to re-organize and restructure their company to improve results. As Governor, I had the authority to re-organize the state agencies and as the chief executive and I was also held accountable for the results. In fact, every President from 1932 to 1984 had the authority to submit proposals to re-organize the executive branch. We should give the President as our chief executive the authority to do his job and modernize the way the government works to deliver better results and it will be our job to hold him accountable.

I intend to be a sponsor of the President's "Reforming and Consolidating Government Act of 2012" in the Senate. And I've been talking to Senators from both sides of the aisle so this plan will have bipartisan support. If the President is willing to do the hard work of developing a re-organization plan to make our government more efficient and effective, we should at least give him the courtesy of considering his plans in both houses of Congress. We've got to put the politics aside on this one and do what's best for the taxpayers and for our government in the long-run no matter which party controls the White House.

Regulations

Another area where I believe we need more house cleaning is on regulations. And I know this Committee has done a lot of work in this area. I held a hearing on this issue recently, trying to look at how we can make improvements to reduce the regulatory stock and compliance costs while still protecting the important health and safety standards the public expects.

I believe regulations are like programs – we've added layers and layers over the years – but we rarely go back and review what works. We can strike the right balance on regulations, but we need to start with the basics. 20 years ago before the first Government Performance and Results Act, we couldn't tell if our programs were producing results – and the same is true today for regulations. We need regulatory reform to put in place basic metrics and incentives to provide some regulatory house cleaning.

I'm working on a proposal that will require that all agencies – executive and independent – conduct economic impact analysis for all of their proposed rules costing over \$100 million

dollars. This economic impact analysis also will require agencies to set measurable goals for each regulation that can be measured over time to ensure they remain relevant and effective.

It will also include a PAYGO type mechanism that will require agencies to identify offsets that will force them to modify or eliminate rules from the existing stock of regulations whenever they seek to advance new regulatory priorities. I think this PAYGO process will help realign the incentives within the agencies to ensure that the retrospective reviews actually take place, and they clean-up the rules that need to go. The UK has implemented a similar system called "One-in, One-out" that we've been monitoring as we've worked on my proposal.

One of the biggest problems I've seen after reviewing the regulatory process over the past year is that we never look back at existing regulations to see if they work. And we don't know if the assumptions on costs and benefits made at the front-end actually pan-out. We need a legislative agency like CBO to review the economic impact analysis every five years or so to determine if the regulations are working and report this information to Congress. This independent analysis will provide helpful data for Congress and the Agencies to modify and eliminate outdated laws.

Operations

And the last thing I'd like to mention is that we've also got to do some house cleaning in the operations of government. For example, in the GPRA Modernization Act, we asked OMB and the agencies to identify all the existing reports that they provide to Congress and then tell us which ones may be duplicative or outdated.

The President provided a summary of their findings this week in the Budget. Agencies identified more than 9,000 reports that they submit to Congress: that's right -- 9,000!

OMB will be providing a list soon of about 500 reports that we should consider eliminating or consolidating. This will save 200,000 hours spent to prepare these reports and almost 30,000 pages of reports. I hope this Committee will help us eliminate those unneeded reports.

I also think we need some house cleaning of the real property the government owns. The President's proposal to dispose of excess or under-utilized federal property is a good idea. I know the House passed the Civilian Property Realignment Act recently, and this proposal presents a good opportunity to clear out unneeded properties and billions of dollars in savings for the taxpayers. I will be supporting this proposal in the Senate and hope it will be enacted soon.

Closing

It's our responsibility in Congress to clean out the duplication, fragmentation and waste in government. I urge this Committee to consider the suggestions I presented today and those from President Obama. I look forward to working with you all to build a modern government that will support the challenges in the 21st century.

Chairman ISSA. Thank you, Senator. And Senator Johnson, even though he has got you by a year and a half more or less you can have the same time. Please, you are recognized.

**STATEMENT OF THE HON. RON JOHNSON, A UNITED STATES
SENATOR FROM THE STATE OF WISCONSIN**

Senator JOHNSON. Thank you, Mr. Chairman. Good morning Chairman Issa, Ranking Member Cummings, members of the committee. Thank you for the opportunity to participate in today's hearing. We are entering the fourth year of an administration that promised to cut the deficit in half by the end of its first term. The U.S. incurred a deficit of \$459 billion in 2008, the year before President Obama entered office, yet the deficit grew to \$1.4 trillion in fiscal year 2009, followed by \$1.3 trillion in 2010, \$1.3 trillion in 2011, and OMB has just projected another deficit of \$1.3 trillion in 2012.

And as a quick aside, contrary to popular belief, the total cost of the 2001–2003 tax cuts plus the wars in Iraq and Afghanistan, approximately \$300 billion, when our annual deficit is \$1.3 trillion, or \$1,300 billion, so that is not the main driver of our deficit.

Any proposal to consolidate operations that would actually reduce spending would be welcome and should be enacted. And here is where I would like to commend Senator Warner as being a real leader in the Senate. And it is a real area I think where we can work on a bipartisan basis to obtain reform and enact reform in government. So I certainly look forward to working with you on that.

But when placed in proper perspective to the magnitude of our budget and regulatory crisis, President Obama's requested fast track reorganization authority looks more like an election year talking point than a serious cost cutting proposal. Why should the American people take this proposal seriously when President Obama's fiscal 2013 budget adds \$10.6 trillion to our current debt level and proposes spending another \$47 trillion over the next 10 years? By the way, this compares to his budget from last year that proposed spending \$46 trillion over 10 years. Where are the spending cuts? The Federal Government is obese. For 50 years, from 1960 to 2008, Federal spending averaged 20.2 percent of GDP. Last year it exceeded 24 percent. And without reform it will consume 35 percent of our economy by the year 2035.

As Federal Reserve Board Chairman Bernanke stated in testimony before the Senate Budget Committee last week, this dynamic is clearly unsustainable. Federal spending is the visible portion of government fat. Federal regulations are the less visible plaque clogging the arteries of our economy.

According to a study commissioned by the Small Business Administration, it cost \$1.75 trillion to comply with Federal regulations in 2008. That amount is larger than all but eight economies in the world, and is a burden imposed by Washington on job creators each and every year. Reshuffling agencies, akin to rearranging deck chairs on the Titanic, will do little to slow the out-of-control growth of the Federal Government.

Instead of saving costs, consolidation efforts could take on a life of their own. For example, while the mission of the Department of

Homeland Security is a worthy one, no one knows if the cost of consolidating 22 agencies has been worth the price tag. A 2011 study by Ohio State University estimates the total cost to the economy of homeland security measures tops \$1 trillion. With more than 230,000 employees, DHS is now the third largest Cabinet department. Yet an unqualified audit of its operations remains elusive and unfulfilled.

And let's face it, the Federal Government is replete with unfulfilled promises. Our \$16 trillion war on poverty is impoverishing America. In 1965, .3 percent of the population, 561,000 individuals, received food stamps. Today that number has increased to 46 million, or 14.8 percent of all Americans. During the same period the percentage of families living below the poverty line has only slightly declined from 13.9 percent to 11.1 percent, but the absolute number of individuals in poverty has almost doubled from 24 million to over 46 million. Partly as a result of government programs making out of wedlock births financially possible, those birth rates have skyrocketed from 7.7 percent in 1965 to 40.6 percent last year with obvious negative economic implications for those families and Federal, State and local budgets. These are not metrics of success, they are profoundly disappointing metrics of abject failure.

As someone new to this process, it is apparent that Washington's bias is geared for addition and rarely subtraction. Last year proved the current critical political makeup of Washington does not possess the courage or will to adequately limit the growth of government. Enforceable spending controls, like the CAP Act, and a constitutional amendment to limit the size of government must first be passed to force everyone to negotiate spending priorities and entitlement reform. Everyone should be at the table and everything should be put back on budget subject to annual appropriations and 75-year solvency standards.

To address the growing regulatory burden on job creators, a regulation moratorium should be put in place until measures like the United Kingdom's one-in/one-out rule and the REINS Act can be enacted to achieve regulatory balance.

And finally, a bicameral sunset committee should be established with the sole mandate of identifying Federal rules, regulations and laws that do more harm than good and then recommending their elimination. In a government where most activities are additive a permanent sunset committee would provide a formalized process for subtraction. That would be a welcome change.

Thank you for the opportunity to testify.

[Prepared statement of Senator Johnson follows:]

**Statement of Senator Ron Johnson
Ranking Member of the Senate Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia**

before the Committee on Oversight of Government Management
U.S. House of Representatives

February 15, 2012

Introduction

Good morning Chairman Issa, Ranking Member Cummings, Members of the Committee. Thank you for the opportunity to participate in today's hearing.

We are entering the fourth year of an administration that promised to cut the deficit in half by the end of its first term. The United States incurred a deficit of \$459 billion in 2008, the year before President Obama entered office. Yet the deficit grew to \$1.4 trillion in FY2009, followed by \$1.3 trillion in 2010, \$1.3 trillion in 2011, and OMB has just projected another deficit of \$1.3 trillion for 2012.

Any proposal to consolidate operations that would actually reduce spending would be welcome and should be enacted. But when placed in proper perspective to the magnitude of our budget and regulatory crisis, President Obama's requested fast-track reorganization authority looks more like an election year talking point than a serious cost cutting proposal.

Why should the American people take this proposal seriously when President Obama's FY 2013 budget adds \$10.6 to our current debt level, and proposes spending \$47 trillion over the next ten years? This compares to his budget from last year that proposed spending \$46 trillion over ten years. Where are the spending cuts?

Growth of Government

The Federal Government is obese. For fifty years, from 1960 through 2008, federal spending averaged 20.2% of Gross Domestic Product. Last year, it exceeded 24%, and without reform, will consume 35%

of our economy by the year 2035. As Federal Reserve Chairman Bernanke stated in his testimony before the Senate Budget Committee last week, "this dynamic is clearly unsustainable."

Federal spending is the visible portion of government fat. Federal regulations are the less visible plaque clogging the arteries of our economy. According to a study commissioned by the Small Business Administration, it cost \$1.75 trillion to comply with federal regulations in 2008. That amount is larger than all but eight economies in the world, and is a burden imposed by Washington on job creators each and every year.

Re-shuffling agencies, akin to rearranging deck chairs on the Titanic, will do little to slow the out of control growth of the Federal Government. Instead of saving costs, consolidation efforts could take on a life of their own. For example, while the mission of the Department of Homeland Security (DHS) is a worthy one, no one knows if the cost of consolidating 22 agencies is worth the price-tag. A 2011 study by Ohio State University estimates that the total cost to the economy of homeland security measures tops \$1 trillion. With more than 230,000 employees, DHS is now the third largest Cabinet department. Yet an unqualified audit of its operations remains elusive and unfulfilled.

And let's face it – the Federal Government is replete with unfulfilled promises. Our \$16 trillion war on poverty is impoverishing America. In 1965, 0.3% of the population (561,000 individuals) received food stamps. Today, that number has increased to 46 million, or 14.8% of all Americans. During the same time period, the percentage of families living below the poverty line has only slightly declined, from 13.9% to 11.1%, but the absolute number of individuals in poverty has almost doubled from 24 million to over 46 million. Partly as a result of government programs making out of wedlock births financially possible, those birthrates have skyrocketed from 7.7% in 1965 to 40.6% last year - with obvious negative economic implications for those families and federal, state and local budgets.

These are not metrics of success. They are profoundly disappointing metrics of abject failure.

Conclusion

As someone new to this process, it is apparent that Washington's bias is geared for addition and rarely subtraction. Last year proved that the current political makeup of Washington does not possess the

courage or will to adequately limit the growth of government. Enforceable spending controls, like the Commitment to American Prosperity, or CAP, Act and a Constitutional Amendment to limit the size of government, must first be passed to force everyone to negotiate spending priorities and entitlement reform. Everyone should be at the table, and everything should be put back on budget, subject to annual appropriations and 75-year solvency standards.

To address the growing regulatory burden on job creators, a regulation moratorium should be put in place until measures like the United Kingdom's "one-in-one-out" rule and the Regulations from the Executive in Need of Scrutiny, or REINS, Act can be enacted to achieve regulatory balance.

And finally, a bi-cameral Sunset Committee should be established with the sole mandate of identifying federal rules, regulations, and laws that do more harm than good and then recommending their elimination. In a government where most activities are additive, a permanent Sunset Committee would provide a formalized process for subtraction. That would be a welcome change.

Thank you for the opportunity to testify.

Chairman ISSA. Thank you. I will now recognize myself if you will take some questions. Senator Warner, that distinguished document, the very good document that was entered in the record by the ranking member, talks about the size of the Federal workforce, and it takes full advantage of a million men and women who were taken out of the military during the era of shrinking that they mention.

Do you think that the size of the Federal workforce and number of employees is the appropriate measure or do you believe that when we are looking at the size of government we should use Senator Johnson's metrics, which is the portion of the GDP that is consumed by government?

Senator WARNER. I would first of all point out that I have used those same numbers on the——

Chairman ISSA. Well, I knew you would go with this.

Senator WARNER. —amount of consumption of Federal Government at 24, 25 percent. Of course I also point out the fact that revenues now are at 15 percent of a 75-year low. And any time we have had, as somebody who has been more than slightly obsessed about the \$15 trillion debt and deficit, if you look back over those 75 years any time we have had relative balance it has been when spending and revenues have been between that 19-1/2 and 21 percent. So I want to get in the point that if we are going to get a deficit solution it is going to require both a shrinking and an increase on revenue size.

I think in terms of the size of the Federal workforce what is the exact right number for the workforce I think is what is the least number possible to provide efficient service. As we were talking in the anteroom, you know, the size of the Federal workforce right now is a bit of a mystery because are we counting full-time employers, are we counting contractors? And those numbers, the fact that we don't have frankly as good a data on the size, the fact that we don't know, for example, the exact number of contractors that DOD has at this point, this is one area where I would completely agree with Senator Johnson, we ought to have at least full and complete data so then we can have this kind of discussion.

Chairman ISSA. Well, and I think that is the leading question I asked. You know, Senator Johnson, we often debate how much we pay a Federal worker, whether we out-source or in-source. To a great extent those questions are to be a question of cost versus benefit. I think we would all agree to that. You said quite candidly that, well look, we have got this 24 percent that could and will likely grow to 35 percent if unchecked. We have a historic 19 percent. Senator Warner points out that we in fact have 15 percent coming out of revenue. Do you agree that we need to get—our goal should be to get to 19-19, so to speak, that we can't expect to get to 19 percent of GDP in spending and still have 15 percent in revenue and then say we have a balanced budget; would you agree to that?

Senator JOHNSON. First of all, I think you have to recognize reality, and over the last 50 years prior to 2008 the total amount the Federal Government was able to extract from the economy and revenue was about 18.1 percent. And that is regardless of whether the top personal tax rate during my lifetime has been 90, 70, 50, 28, 31, 35, 39.6 percent. So to a certain extent you have to recognize

reality. And I realize that when we had surpluses for 4 years at the end of the '90s or early 2000s revenue did bump up against above 20 percent one year, otherwise still below 20. But spending was only at 19.1 percent one of those years, otherwise it was in the 18 percent range.

So from my standpoint I think the size of government in relationship to GDP is a key metric. And when you currently add in State and local spending we are at about 40 percent nationally. So 40 cents of every dollar filters through some level of government. And to put that in perspective, Norway spends 40 percent on government of its GDP, Greece, anybody hear of Greece recently it is about 47 percent, Italy is 49.

Chairman ISSA. A little different than how much they get from oil, between Greece where they have olive oil and Norway where they have export oil that is much more profitable.

Senator JOHNSON. Precisely. But right now in the United States we are at the lower level of European style government. And we are seeing that economic model collapse. And it is just not a metric for success. And again, I think we should really be looking at metrics. Certainly everything the government does needs to be judged based on what it actually accomplishes and the metrics of success are not really there.

Chairman ISSA. Well, let me quickly, because my time is expiring, and I know you have very short time here, the President has talked about reorganization authority. And you may differ on this, but let me ask sort of the rhetorical question.

In the best case, because you both alluded to this, wouldn't we plan a reorg authority in the House and the Senate that envisions, if you will, continuous reform, envisions the idea that reform is not an up or down vote one time on a change that the President thinks works for one or more agencies, but in fact change the whole system to be more corporate? And I will preface this by saying, Senator Warner, you and I, we agree on almost everything. But I have been a CEO and I have been a board member. CEOs do not have straight reorg authority. What they ordinarily do is they bring their ideas to the board and they get sort of a pre-approval. Then they go out and they refine it. And then they come back for a final approval. And during this time they periodically come for major chunks of money. And, oh, by the way, the CFO tries to figure out how to explain it to Wall Street. So when we look at the process of government one of the challenges is, and this is where I want you both to comment as much as you feel you can, don't we inherently have a problem considering reorg authority up or down one time and shouldn't we fashion our bill so that there is ongoing commission, both House and Senate, but also independent thinkers working in concert with whoever is in the White House to try to get continuous improvement?

Senator WARNER. Well, I would agree, Mr. Chairman, that we need to have a process that has continuous improvement, number one.

Number two, I think on any reorg authority that a requirement that said you have to show that the reorganization would save costs and save overhead would be important.

Number three, what the President is requesting would be then subject to an up or down vote. And I would concur with you that most CEOs would have to then go to their board and get approval. The one difference that I would point out, and I didn't fully appreciate this until I got here, was that in the case of a business operation generally speaking the board of a company has the best interest almost always of the company at heart. One of the things that has been interesting as we come up here, and I could never understand why we didn't have a rational, for example, transportation policy at the Federal level, now having been here for 3 years I understand that it is because of congressional jurisdiction turf battles that mean that I am not sure, and I say this in an ecumenical fashion, that too often rationalization of the Federal Government is held up by the congressional oversight and congressional jurisdiction functions that has no equivalent in the private sector.

So giving this President, giving any President the reorg ability with a straight up or down with a requirement that you have got to show cost effectiveness and overhead savings I think is just a rational way to move forward on an entity as large as the Federal Government.

Chairman ISSA. Before we go to Senator Johnson I would ask unanimous consent that a small but meaningful list of the 108 committees and subcommittees that the Department of Homeland Security alone reports to in our turf battles be entered in the record as germane. Without objection, so ordered. Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman. I think we need to recognize that what motivates business and what motivates bureaucracies are two totally different things. Business actually has the discipline of making a profit so they have every incentive to keep their expenses and costs in line. Bureaucracies, on the other hand, their primary goal in many respects is growth, they continue to grow. And so if we are going to think about reorganizing bureaucracies any successful business of course does have a culture of continuous improvement. And the way they are able to maintain that culture of continuous improvement is they actually benchmark goals and they measure what goals they have established. And that is part of the problem of government, is we just simply never really go back and take a look what were the good intentions and measure what actually was achieved versus what the intention was. And that is what I was trying to point out in my testimony. That is where it starts. We have to establish the goals and the metrics for accountability.

Senator WARNER. Mr. Chairman, if I can add one comment. And I am not sure we are all that far apart, you know, your concept of continuing—

Chairman ISSA. This is what we like about having the two of you, is that for this committee I think there is no two Senators closer to the view where we need to be.

Senator WARNER. But I do think we have put in place some tools. I do think GPRA, which requires a consolidation of a few identifiable goals for each program or agency, is a critical first step. I think the notion of crosscutting agency goals so that as you have these 47 different financial literacy programs and 92 teacher training programs, not only do you need consolidation but you need

amongst those what are the top couple of goals around teacher quality and improvement.

I do think the notion of regulatory reform, a one-in/one-out regulatory PAYGO makes sense in terms of a housekeeping approach so that there is an incentive inside the agency to look at cleaning out. I also think the notion, particularly on the regulatory front, of creating someplace, and CBO may or may not be the best spot, an independent entity that can assess the claim oftentimes made by the agency that X thousands of lives are saved or the cost by the business that X hundreds of billions of dollars are charged, we have no independent analysis there. And we have no analysis that says 3 years, 5 years after the fact did the regulation that was put in place actually achieve the goal that was said to put in place. These kind of areas I think would help bring about some of the objective metrics I think all of us would like to see if we are going to hold government more accountable. And recognizing as we have to take on this \$15 trillion debt, clearly we have got to spend smarter than we are spending now.

Chairman ISSA. Thank you. With that we go to the gentleman from Virginia who was here at the start for his questions.

Mr. CONNOLLY. I thank the chair. And again welcome both of our colleagues from the United States Senate. Just a few questions to my friend and colleague Senator Warner. Senator Warner, if I understood what you were saying in terms of metrics, surely looking at spending, Federal spending as a percentage of GDP is absolutely a valid metric. But if I heard you correctly so too is revenue as a percentage of GDP. And right now that revenue figure is far below what it was last time we actually balanced the Federal budget without a constitutional amendment 4 years in a row, is that correct?

Senator WARNER. Yes, I think again I have, as my friend the congressman is aware of, been very active in the effort to try to bring about this balance cutting spending, reforming entitlement programs, a tax reform program that generates additional revenue, because I frankly believe that debt and deficit is our single greatest threat to this country and in effect has become a proxy for whether Congress is up to solving any problem. And it is going to require I think looking at both sides of the balance sheet.

Mr. CONNOLLY. And Senator, when you were the Governor of the Commonwealth of Virginia you had to balance the budget 4 years of your term. Did you only look at cutting spending to balance that budget?

Senator WARNER. Thank you, Congressman, for that very nice easy softball you have just thrown me. You may recall Virginia was dealing with a \$6 billion budget shortfall. We were put for the first time ever on credit watch. We substantially cut programs, shrank our State workforce. But we also put together a tax reform plan with a 2 to 1 Republican legislature that passed with significant numbers. And Virginia was reaffirmed not only its triple-A bond rating ranking for the best managed State in the country, and I would add ranked as the best State for business.

Mr. CONNOLLY. So balance worked out pretty well for the Commonwealth of Virginia?

Senator WARNER. Balance worked out pretty well. I would also add one of the challenges we have, and I think this again needs to be reflected as we look at what is the appropriate percent of Federal spending in the GDP, is that, and again it would be an area where actually I think Senator Johnson and I would agree, we might disagree about the specifics of the reform, but we do need to reform our entitlement programs. One of the challenges we have is we have 3 million people a year hit retirement age. Whatever that retirement age ends up being, there are going to be costs in those programs that are in effect unprecedented always keeping upward pressure on the amount to spend the Federal Government will have. So this is just demographics taking place and how we grapple with that is terribly important.

Mr. CONNOLLY. And Senator Warner, again, looking at metrics, certainly I remember, both in the Commonwealth of Virginia and in local government, one metric we used was the ratio of our staffing to population. We used that to see were we in fact efficiently using technology to create economies for our taxpayers. And I am just looking at data over the last 50 years. In 1962, when President Kennedy was President, the ratio was 13.3; that is to say 13.3 employees per thousand population. And it went up under Nixon from that to 14.4, which was the high watermark. And it is now the lowest it has been in 50 years, 8.4. And if you look at actual numbers, including Postal Service workers, actual numbers of Federal employees, it is 350,000 below its high watermark 20 years ago when President H.W. Bush was President. So in absolute terms and in ratio it looks like in the last 50 years we have actually cut out a lot of that fat we are so concerned about in the title of this hearing.

Do you think it is a fair metric to suggest that that kind of ratio might mean we are running a leaner and more efficient operation, not to suggest there couldn't be additional savings, but clearly we have achieved something here?

Senator WARNER. You know, I have to say that—

Chairman ISSA. Feel free to disagree with him.

Senator WARNER. No, no. I am just going to say that, you know, in the Senate when we make these quick testimonies we speak and then get out of Dodge before the questions come. You know, it is interesting sitting on this side of the ledger following a thoughtful provocative but very leading question, but I think those are good metrics you have put forward.

Mr. CONNOLLY. Thank you. And I yield back. Thank you very much.

Chairman ISSA. Senator Johnson, I think you had something left to say.

Senator JOHNSON. I would like to provide some balance to the question.

Senator WARNER. May I? I apologize to the chair. I didn't know that.

Chairman ISSA. And I apologize. We are going to let you go. I felt that—

Senator WARNER. No, absolutely.

Chairman ISSA. —that you are both sort of Fox, not MSNBC, but Senator Johnson felt left out here and he is junior and I don't want him to leave here feeling bad.

Senator JOHNSON. I just want to provide a little balance in answering the question. First of all, I think there is a great deal of agreement, certainly what I found, I would say consensus in Washington that we actually need to reform our Tax Code. And I think Republicans also want more revenue, but we want to grow revenue the old-fashioned way by increasing our economy. And so the question I would ask when you take a look at the metric of 24 percent of GDP in terms of government spending is why hasn't this President in his budget actually proposed pro growth tax reform? And also we all recognize that the real long-term looming crisis in terms of our budget is entitlements, Medicare and Social Security. And again, the President in his fourth budget, I mean he has basically had four cracks at the apple here, he still has yet to step up to the plate and propose any type of reform that would actually save Social Security and Medicare long-term.

So again, I am all for increasing revenue, but let's do it the old-fashioned way by actually getting economic growth. The reason we are at only 15 percent revenue this year and for the last couple of years is because our economy is in terrible shape. And that is also to a certain extent driven by the progressivity of our Tax Code. When you have a highly progressive Tax Code that is going to be revenue in terms of the government is going to be far more affected by shocks to the economy.

So again, I would look at pro growth tax reform. The broadness of the base eliminates the loopholes in special deductions. I think there is a great deal of consensus. And that is what we really need to be doing here. Let's look at what we agree on. We agree on reforming government, we agree on pro growth tax reform, so let's actually start doing it this year.

Chairman ISSA. I want to thank both of you. Please tell your friends on the other side of the dome it is a great place to come, a great audience, another opportunity for a C-SPAN moment. So we will take a short recess just to reset. And thank you again, Senators.

[Recess.]

Chairman ISSA. The committee will come to order. Our second panel of witnesses includes Mr. Paul Light is a Professor of Public Service at the Robert Wagner School of Public Service New York University. The Honorable Dan Blair serves as President and CEO of the National Academy of Public Administration. Mr. Robert Shea is a Principal at Grant Thornton, LLP. And Mr. Max Stier is President and CEO of a Partnership for Public Service.

You are not Senators. Pursuant to the rules of the committee all witnesses will be sworn. Please rise to take the oath and raise your right hands.

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth and nothing but the truth?

Let the record indicate that all witnesses answered in the affirmative.

Since there is a few more of you we would ask that you try to stay close to your 5 minutes. As previously noted your entire statement will be placed in the record along with supplemental data you may choose to add after the hearing. So let's begin with Dr. Light.

STATEMENT OF PAUL C. LIGHT, PH.D.

Mr. LIGHT. It is a pleasure to be here with you today. And thank you for your work and the committee's work to improve government performance.

I would like to start by just telling you a quick story about Senator John Glenn for whom I had the pleasure of serving back in the 100th Congress on government reform and presidential appointments.

I remember asking him once what he was thinking when he was sitting on top of the rocket that would send him into orbit, now almost 50 years ago. Were you thinking about whether the rocket was fueled and whether everybody was ready, whether there might be an accident?

And he said back to me, of course not, I was thinking about the lawn, my house, Annie, you know, the whole thing. And I said why? He said because I had faith that the Federal employees and the contractors working side by side with them were doing their job.

And I wonder sometimes whether he would have that same level of confidence given the ongoing problems actually delivering services now 50 years later. I still think he would have great confidence, but I think we have got to ask ourselves the question about whether government is currently working as well as it should.

Chairman ISSA. And this was even though every other launch, every second launch prior to that had blown up?

Mr. LIGHT. He was very——

Chairman ISSA. He was an optimist, wasn't he?

Mr. LIGHT. And he still is. He still is. We should all be in his shape, you know?

I just want to answer a couple of questions that came up earlier. You have my statement.

On the overhaul issue, you are quite right. There were two Hoover Commissions. One ran from 1947 to 1949, the other from 1953 to 1955. They produced 50 reorganization plans. It was not a single up or down. Now, they did have the reorganization authority, and, of course, the President is asking for consolidation authority. And we can talk a little bit about that. I don't think it is a bad idea, but I am not sure where the reorganization plans would come from, given the shrinking of OMB's ability to deliver reorganization plans. So, you know, it is worth asking about.

On the size of government, head-count issue, I think you have to include all the Federal Government's employees, including contractors. And, by my estimates, we have about 7.5 million contract employees, another 3 million grant employees, and then we have the 2.2 million Federal employees, plus postal, plus military. It is a big workforce to deliver the mission we have, you know. So I think the issue of head count is deceiving, to some extent. I think we could have the same head count but different distribution of workers and get the job done well.

On the agenda, I think GPRA modernization is very important. I would like to see a budget table that shows the amount of money that we spend on the priorities that are generated through the Modernization Act and see whether they add up to the total budget or what percentage of the budget cannot be classified as related to

the small handful of priorities identified through this important process.

On the thickening of government, really, what does a government agency look like? I think that you are on point here regarding the need for a more efficient government. I think we have too many layers of government, too many Presidential appointees. We could cut the number of Presidential appointees in half and do better. I think the baby-boom retirements, while troublesome to many of us, also offer an opportunity to take a good, hard look at the senior levels of government, where I think we could have some downsizing and redistribution of workers down to the bottom.

You have a bill before you that has been passed by the Senate on some modest streamlining, a small first step really, by my view. And Max Stier here will argue that it is an important first step. I think we can move forward with it, but I still think we have too many appointees and we ought to do something about it.

Let me conclude by saying that my father was an auto-parts man. And in his business was a machine shop, and he ground down pistons and engines and overhauled day-in and day-out. So when the President says we need an overhaul, I think of pulling the engine out, grinding it down and really working it over, not just changing the spark plugs. And I think, to date, we have had relatively timid proposals for an overhaul, and it is time to get big. I don't necessarily know exactly how to do it. I have some ideas and I have a list of proposals. But I think this committee, with its proud history, should be the place to begin this effort.

So good luck, and keep up the good work.

Chairman ISSA. Thank you, Doctor.

[Prepared statement of Mr. Light follows:]

HAS THE FEDERAL GOVERNMENT
BECOME AN “AWFUL SPECTACLE”?

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

FEBRUARY 15, 2012

PAUL C. LIGHT

ROBERT F. WAGNER SCHOOL OF PUBLIC SERVICE
NEW YORK UNIVERSITY

A nation, without a national government, is, in my view, an awful spectacle. The establishment of a Constitution, in time of profound peace, by the voluntary consent of a whole people, is a prodigy, to the completion of which I look forward with trembling anxiety. I can reconcile it to no rules of prudence to let go the hold we now have, in so arduous an enterprise, upon seven out of the thirteen States, and after having passed over so considerable a part of the ground, to recommence the course. I dread the more the consequences of new attempts, because I know that powerful individuals, in this and in other States, are enemies to a general national government in every possible shape. (Wright 1961, 547)

Evidence is all around us of dwindling confidence in government and its ability to respond effectively to evident challenges, national and international, economic and political. Some of these complaints are a clear reaction to a political agenda, and deepening polarization, but they have a core of reality. However, the United States desperately needs more accountable, efficient and productive government at every level. The financial challenge is evident, so are the international and domestic problems that threaten the nation's future.

THE CASE FOR REFORM

Many Americans have come to believe the worst about the federal government. Some of these doubts are rooted in partisan conflict and a drumbeat of anti-government rhetoric, but some are rooted in the escalation of government failures. Americans pay close attention to the news of the day—the sluggish jobless recovery, terrorist plots, poorly supported soldiers, poisoned food, vacancies in the top jobs of government, waste and improper payments to undeserving citizens and corporations—all which seemingly reinforce the federal government's persistent inability to assure the highest performance possible. As exaggerated as some of the criticism may be, there is more than enough evidence of lapses in performance to fuel the distrust.

Political polarization is both a reflection and a cause of the perceived administrative failures. But there is enough evidence imbedded in recent governmental breakdowns, ethical breaches and outright fraud to feed the distrust. While low rates of trust may temporarily favor a minority party, radical shifts in legislative majorities over the past few election cycles are further proof that the American people are desperate for change. In short, this is not a partisan issue—Republicans and Democrats alike have been and will be held accountable for government's poor performance.

There is no question that trust has reached a dismal low. Even as they demand deep budget cuts, Americans want more of virtually everything the federal government delivers. At the same time, they have come to believe that Washington is trying to do too much in these trying times, and are increasingly frustrated (52 percent) and even angry (25 percent) with the federal government. Only 21 percent of Americans interviewed last

year said they were basically content with government, while only 25 percent said they trusted the government in Washington just about always or most of the time. The problem is not so much *what* government does, but *how* it works.

Former Federal Reserve Board chairman Paul A. Volcker has made the case repeatedly over the past twenty-five years. His two National Commissions on the Public Service focused on what the first commission called a “profound erosion of public trust” and the “quiet crisis” in government performance. The 1989 Commission warned, “such distrust, if continued, may undermine the democratic process” because it “acts as a disincentive to potential recruits who too often associate public life with frustration or breaches of integrity.” Fifteen years later in 2003, the second National Commission on the Public Service concluded that this quiet crisis had become a deafening roar. We see the result in unsuccessful, redundant, wasteful, and counter-productive efforts in government.

THE THREE BARRIERS TO HIGH PERFORMANCE GOVERNMENT

Every president since Franklin Roosevelt has entered office promising government reform, but none has quite succeeded. Instead, today’s federal bureaucracy remains anchored in organizational strategies and structures invented in the 1930s and rarely updated since. “If major financial, health and education overhauls are indeed sorely needed to improve the quality of life of Americans,” Paul Volcker has argued, “so too is a federal service reform that will equip the federal government with the tools that I need to successfully implement reforms and carry out existing missions.”

This is not to argue that the federal government fails at every turn. Federal employees accomplish miracles every day, often struggling against the bureaucracy to create measureable impacts through their work. Moreover, most Americans agree with the federal government’s basic mission—no sensible person wants to weaken cancer research and the prevention of life-threatening pandemics, the effort to protect food, drugs, and water, leadership in science and technology, and least of all the assurance of a highly effective and affordable national defense. But in order for the federal government to performance at its highest-level comprehensive reform is needed to solve the three challenges that continue to erode the performance that Americans deserve:

The Accountability Challenge: With the government’s ever-expanding mission, it is often impossible to know where the “buck stops” or what agency is responsible for the execution of which task. Not only is the federal government’s program agenda riddled with duplication and overlap, it remains encumbered by administrative structures that diffuse accountability and confuse the chain of command.

The bureaucratic bloat is easiest to spot at the top of the federal organization chart in the proliferation of needless management layers. In a sentence, there have never been more layers in government or more leaders per layer. The total number of senior officers increased from 451 in 1960 to more than 2,600 in 2008. More than 500 of these senior

posts require Senate approval, but move through the White House and Senate at such a sluggish pace that it now takes more than a year on average for an administration to finally fill these top positions.

Accountability is not only lost up the vertical hierarchy within departments and agencies, but it is also lost along the horizontal chain of coordination between duplicative and overlapping programs. According to the Government Accountability Office, there are seven departments and agencies currently working on U.S.-Mexican border water quality, and 20 involved in managing federal cars, trucks, and airplanes; there are also two-dozen presidential appointees on top of programs to prevent bioterrorism; the FBI and Bureau of Alcohol, Tobacco, Firearms and Explosives are still working in separate silos on controlling explosives; there are now 15 agencies assigned to food safety and separate health programs for each of the armed services; and there are 18 programs for food assistance 44 programs for employment and training programs, 54 programs for financial literacy, 80 programs for economic development, 82 for teacher quality, 100 programs for surface transportation.

2. *The Effectiveness Challenge*: The public perception that government is both ineffective and inefficient fosters mistrust in government's willingness to do its job well, particularly at a time of huge deficits, rising expenditures while the private sector continues to seek excellence in efficiency and innovation.

American people are right to worry about fraud and waste and abuse. Much more of the government's work today is outsourced, without clear guidelines as to the net benefits or costs of such an approach. In 2008, the federal government spent \$188 billion on noncompetitive contracts, a figure that increased by 229 percent since 2002 (\$84 billion). Additionally, cost-reimbursement contracts, which are highly inefficient, grew from \$71 billion in 2000 to \$135 billion in 2008. A major part of the inefficiency problems likely come from the state of federal procurement professionals themselves. The Acquisitions Advisory Panel found that "since 1999 the size of the acquisition workforce has remained relatively stable, while the volume and complexity of federal contracting has mushroomed."

The acquisition workforce is only one part of the federal government's under-performing administrative infrastructure:

- Thirty years after Congress and the president created the Office of Inspector General to monitor government economy, efficiency, and effectiveness, the offices are understaffed and rarely focus on how to prevent mistakes early enough in the regulatory and legislative process.
- Twenty years after Congress and the president created Chief Financial Officers in every agency to produce audited financial statements, there continues to be a lack of financial discipline and systems for reducing wasteful expenditures.

- Fifteen years after Congress and the president enacted the Government Performance and Results Act, many agencies are unable to measure the impact of their programs as a tool for rewarding high performance and winnowing failure.
- Finally, more than a decade after Congress and the president created Chief Human Capital Officers and Chief Information Officers in every agency, the federal government's information systems remain antiquated and poorly designed, while the federal government's human capital system continues to fail at virtually every task it undertakes.

Rebuilding this infrastructure is essential for assuring the highest-possible performance across government. Statutes must be revitalized and enforced, while agencies must provide the leadership to assure a full embrace of the need for change.

3. *The Productivity Challenge*: Poor leadership, scarce or misaligned resources, and underperforming staff within the federal government have led to a federal workforce that is inconsistent at best. Yet a highly productive federal workforce is critical to high performance. The government's ability to prevent a crisis, respond to a disaster and to answer routine but important requests and needs of citizens depends on the strength of its leaders, well trained workforce and teams that have the resources necessary to complete its tasks. The greatest barriers to a productive and energetic workforce are a lack of performance incentives and disciplinary actions, unqualified leadership and insufficient training.

Leadership at the federal level has been inconsistent at best, negligent at worst. Leaders of agencies typically are often too focused on "policy" instead of management; and in the worse cases, they are unqualified and serve solely a political purpose. Only 44 percent of federal employees believe that the leaders of their organizations generate high levels of motivation and commitment in the workforce. Similarly, 45 percent said that they were satisfied with the policies and practices of their senior leaders. This leadership crisis is especially critical now as a large portion of the workforce faces retirement (the percentage of the workforce that was older than 55 rose by more than 60 percent between 1998 and 2008).

Compared with the private sector, the government has failed to create strong incentives for high performance. Automatic pay raises and inflated employee evaluations have done little to encourage productivity. In fact, 45 percent of the federal workforce believes that pay raises do not depend on how well employees perform their jobs; 41 percent do not believe that steps are taken to deal with a poor performer who cannot or will not improve. Although many agencies have created their own pay systems to improve productivity, efforts to implement pay-for-performance systems have generally been unsuccessful and poorly implemented.

REVERSING THE AWFUL SPECTACLE

There have been many reform proposals since the last major overhaul of the federal government in the early 1950s. Many of these reforms are now in place, including bipartisan efforts by Democrats and Republicans alike. However, many of these reforms need to be revitalized and more fully implemented, while many others are still pending.

It is time to consider a comprehensive reform package as a visible signal to the American public and the federal establishment that the time for piecemeal reform is over. Not only would a comprehensive package produce greater accountability, effectiveness, and productivity in government, it could reduce the federal debt by as much as \$1.5 trillion over the next decade. Driven forward by an action-forcing mechanism such as a variation in the military base-closing commissions, Congress and the president should be able to reach agreement on a list of common-sense, but high value reforms. Consider the following list of reforms and estimated savings as a possibility:

FEDERALIST NO. 85 APPENDED

There is no shortage of compelling ideas for improving government performance today. To the contrary, the problem is not a lack of ideas, but too many ideas that tackle relatively small issues and lack strategies for implements. Almost all of the ideas cannot be scored for savings using the current congressional budget scoring system developed by the Congressional Budget Office. The result is that Congress and the President are deluged with good ideas for action but with no implementation mechanism or compelling case for action during these times of intense budgetary stress. Simply put, if government reform is into a "scorable event" it is not considered a legislative priority.

If Publius was writing again today, I suspect he would embrace a top-to-bottom clean up of the federal government's administrative structure and rules. It is time to consider a comprehensive reform package as a visible signal to the American public and the federal establishment that the time for piecemeal reform is over. Not only would a comprehensive package produce greater accountability, effectiveness, and productivity in government, it could reduce the federal debt by as much as \$1.5 trillion over the next decade. Driven forward by an action-forcing mechanism such as a variation in the military base-closing commissions, Congress and the president should be able to reach agreement on a list of common-sense, but high value reforms. Consider the following commentary from Publius as a list of possible reforms toward creating an accountable, efficient, and productive administrative state:

As we survey the current condition of the national government, we see numerous opportunities for improvement. The appendixes already suggested in this special issue of the Public Administration Review have addressed many. However, we believe the administrative apparatus of government also needs special attention in the pursuit of the faithful execution of the laws:

ACCOUNTABILITY

1. Eliminate 1,500 Senate-confirmed presidential appointees and presidential at-will appointees in the non Career Executive Service and the Schedule C classification category.
2. Reduce the number of management layers in the federal hierarchy by half, while setting a goal of no more than six layers between the president of the United States and the service delivery layer of the hierarchy.
3. Rebalance the federal workforce to eliminate senior level positions that are not essential to an accountable, efficient and productive government:
 - a. Reduce the number of higher-cost GS 13 to 15 managers and professionals using a one-for-two ratio replacement ratio after they separate or retire. This ratio would be implemented after evaluating each vacancy before it is filled or eliminated.
 - b. Strengthen the service delivery levels of government by increasing the number of employees using a two-for-one replacement ration after they separate or retire.
 - c. Create a pay-go system for the creation of new presidential positions and management levels. The PAYGO system would prohibit the creation of any new appointed positions and layers without a one-in-one-out policy.
4. Strengthen oversight of government performance by increasing the number of acquisition, information technology, inspector general, and Government Accountability Office employees.
5. Use the Government Performance and Results Modernization Act not only to establish priorities to measure success and eliminate non-essential programs, but also to target mission overlap, but also to divide agencies and bureaus with conflicting missions.
6. Require Congress to prepare and review administrative impact statements for all pending legislation.
7. Transfer responsibility for “scoring” the fiscal impact of specific legislation from the Congressional Budget Office to the Government Accountability Office.

EFFICIENCY

1. Seek at least \$1 trillion in savings over the next ten years through an aggressive attack on wasteful government spending:
 - a. Eliminate at least half of the \$150 billion in federal improper payments within five years, and all improper papers thereafter;
 - b. Dispose of the federal government's unnecessary real property, including 14,000 properties that are underutilized or vacant.
 - c. Eliminate the \$300 billion backlog of delinquent tax through aggressive collection efforts, and prevent further delinquency through effective enforcement;
 - d. Consolidate and thereby sharply reduce, the number of separate data centers, while developing effective standards for sharing data across agencies and with the public;
 - e. Streamline the federal acquisitions process, while enhancing competition and planning;
 - f. Terminate failed weapons systems, information technology projects and new programs at the earliest sign of failure, thereby reducing the amount of sunk costs in unworkable programs;
 - g. Reduce the contract workforce (now estimated at 7.5 million jobs) by 500,000 positions.
2. Identify duplication and overlap across federal programs followed by immediate consolidation.
3. Improve and encourage innovation in the federal government:
 - a. Establish innovation investment funds within all federal agencies for improved government effectiveness;
 - b. Expand the current administration's SAVE award to include a one billion dollar-plus savings award with a \$100,000 prize to individual or team that presents it.

- c. Invest in programs for preventing long-term costs by early interventions in areas such as juvenile diabetes, early childhood education, literacy, health research, and technology development.

PRODUCTIVITY

1. Establish accurate and effective measures of government productivity, and set a goal of a three percent gain in productivity each year.
2. Streamline the presidential appointee process. Congress needs to enact legislation requiring: (1) the President to make nominations within 120 days of a vacancy; (2) the Senate limit the personal use of holds to no more than 30 days; and (3) the Senate to discharge its advise and consent within 120 days hence.
3. Create an effective results-based pay-for-performance system for all federal employees with waivers for work-group based pay for performance, while building effective training and monitoring systems for assuring fairness in the system.
4. Provide leadership, resources and training for high performance government:
 - a. Reform the Senior Executive Service (SES) to restore its original intent as highly mobile workforce;
 - b. Identify federal training budgets as a line item in the President's budget and set a goal of increasing training to match private sector investment;
 - c. Expand hiring opportunities for bringing outside talent into jobs at all levels of government, while limiting automatic promotions and step increases based on time on the job and seniority;
 - d. Accelerate and streamline the hiring process to reduce delays in replacing essential employees.
5. Establish precise definitions of pay comparability that measure job requirements as the basis for implementation of the Federal Employee Pay Comparability Act, while basing pay comparability on the expertise needed to perform specific jobs.

IMPLEMENTATION:

We have reviewed the many contemporary recommendations for achieving these audacious reforms, including the creation of a federal management (OFM) within the EOP, a new bipartisan commission modeled on the two national commissions led by former president Herbert Hoover more than sixty years past, a civilian fast track commission modeled on the military based closing commissions, and restoration of the president's reorganization authority.

All of these proposals share a concern for both identifying and fast-tracking legislative action, but do not provide the needed administrative capacity and agility for quick deficit relief. The challenge is to meld fast-track consideration with the deep analysis and judgment needed for making difficult decisions. Moreover, the kind of comprehensive action described above requires a clear mandate, adequate staffing, and full authority to act, including fast-track reorganization authority—in short, a new quasi-independent government agency tasked to act.

1. Establish a Government Reform Corporation to develop legislative proposals for immediate action through fast track, up-or-down votes.

The federal government already has modest experience with the use of special agencies to dispose of troubled assets, outmoded programs, obsolete agencies, and demobilization. The most notable recent success in using such entities for reorganization involved the Resolution Trust Corporation (RTC), which closed 750 thrift companies totaling \$400 billion during its five years in operation. Building on the RTC model, a Government Reform Corporation (GRC) could do the same for the federal government as a whole. Operating as a time-limited, highly- agile, quasi-independent agency, the GRC would have full authority to submit reorganization plans with fast-track consideration by Congress and the President.

CONCLUSION

It is not at all clear that Congress and the president will ever embrace this kind of package of very painful reform. What is clear is that the federal government is long overdue for comprehensive action. It has been almost sixty years since former President Herbert Hoover led the last streamlining effort. During that interregnum, the bureaucracy has steadily thickened with reporting chains to nowhere, wasted motion, ineffective accounting systems, and needless red tape.

However, even if comprehensive reform does not produce significant savings, the nation deserves a faster, more responsive government. The federal government needs the right employees in the right programs with the right resources to honor the promises its institutions make.

Chairman ISSA. Mr. Blair?

STATEMENT OF THE HON. DAN G. BLAIR

Mr. BLAIR. Thank you, Mr. Chairman, members of the committee. I appreciate the invitation——

Chairman ISSA. Could you pull the microphone just a little closer, please?

Mr. BLAIR. Certainly.

Chairman ISSA. Thank you.

Mr. BLAIR. Mr. Chairman and members of the committee, thank you for the invitation for me to testify today.

I am Dan Blair, president and CEO of the National Academy of Public Administration. The Academy is a congressionally chartered nonprofit organization comprised of more than 700 fellows who are selected by the membership.

I am honored to appear on this panel today with three of my distinguished Academy fellows: Dr. Light, Mr. Shea, and Mr. Stier. And I would also note that Mr. Shea is the vice chairman of the board. So I will be on good behavior today.

Mr. LIGHT. But are we all paying our dues?

Mr. BLAIR. Well, that is a better question, and we will talk about that after the hearing, Dr. Light.

As noted in my written testimony, the Academy's congressional charter precludes from taking an official position on legislation, and the views I am presenting today have not been formally endorsed by the Academy.

We now use a 20th-century government organization to respond to 21st-century problems. The President's proposal to merge the Commerce Department with other trade-related agencies might be a step in the right direction if done right. However, moving the boxes around without taking a hard look at how the actual work is being done is unlikely to lead to significant improvements. Organizational changes must be bolstered by additional approaches to improve public management.

First, consider using the principles of "Smart Lean Government" to examine the delivery of government programs and services through a holistic or a cross-government approach. An SLG examination of government programs would take an enterprise architecture approach of examining the interrelationships of information, people, technology, and processes. For example, the trade promotion activities would not focus solely on the International Trade Administration, but would examine trade promotion activities and expenditures across the spectrum of agencies supporting foreign trade. This approach can identify areas where coordination can be improved and government activities may be consolidated, and improve how programs are operated, measured, and managed.

Other approaches include improving productivity and expanding the use of technology and data. A term called "disruptive innovation," which is the introduction of new technology which replaces an earlier technology or product, can be utilized for the benefit of government and the taxpayer.

Across the government, Congress and the Executive should foster environments that encourage innovation and creativity. For example, Congress could require that agencies report on their use of

data accumulated from industry, other agencies, and the public in order to make it accessible and useful to its stakeholders. In the private sector, where disruptive innovation has become commonplace, consumers are used to steady price reductions and performance improvements over time. The challenge is creating management structures and environments which foster and encourage this type of behavior in government.

Further, what gets measured is what gets done. So one step forward may be for the Bureau of Labor Statistics to begin again to measure Federal productivity. The Federal Government last measured its productivity almost 20 years ago, and it may be time to revisit that concept to determine what the appropriate productivity metrics would be to measure.

Other tools include enhanced human capital flexibilities, increased interagency and intergovernmental collaboration and coordination, and linking budgets with program performance across agency and department lines. The GPRA Modernization Act gives OMB this type of authority to change the way budgets are developed and implemented.

Further, Congress could consider engaging in a rigorous review of agency missions, functions, and programs in an effort at a strategic realignment. This approach would examine what agencies do as required by statute, regulation, or practice, and evaluate whether underperforming activities or programs should be shed in order to protect budgets for core mission and high-performing activities and programs.

Mr. Chairman, by changing the way that government work gets done, we can dramatically improve the effectiveness and efficiency of government services and programs.

This concludes my oral testimony, and I am happy to answer any of your questions.

Chairman ISSA. Thank you.

[Prepared statement of Mr. Blair follows:]

Mr. Chairman and members of the Committee, I appreciate the opportunity to testify today. I have been a Fellow of the National Academy of Public Administration since 2008 and have served as its President and CEO since July 2011. Established in 1967 and chartered by Congress, the Academy is an independent, non-profit, and non-partisan organization dedicated to helping leaders meet today's most critical and complex challenges. The Academy has a strong organizational assessment capacity; a thorough grasp of cutting-edge needs and solutions across the federal government; and unmatched independence, credibility, and expertise. Our organization consists of over 700 Fellows—including former cabinet officers, Members of Congress, governors, mayors, and state legislators, as well as distinguished scholars, business executives, and public administrators. The Academy has a proven record of improving the quality, performance, and accountability of government at all levels.

Our Congressional charter precludes us from taking an official position on legislation. Accordingly, my testimony today represents my personal views and does not represent an official position of the Academy. I appreciate this opportunity to discuss ideas for reforming the federal bureaucracy to promote greater efficiency, create savings, and better serve the American public.

THE NATION'S LONG-TERM GOVERNANCE AND FISCAL CHALLENGES

The federal government performs critical duties for the American people each and every day. For example:

- The Departments of Defense and State meet our nation's national security and foreign policy commitments in far flung places throughout the world;
- The Department of Homeland Security has protected us from a repeat of September 11th;
- The National Park Service manages over 80 million acres of land throughout the country to preserve the nation's most precious natural, cultural, and historical resources for current and future generations; and
- The Social Security Administration provides benefits (retirement, survivors, disability, and supplemental security income) to over 55 million Americans.

Federal investments in medical research have saved countless lives and improved the quality of life for all of us. The federal government has worked in partnership with the states to build and maintain the nation's interstate highway system. And federal investment made the information revolution possible. These federal activities—and many others—are woven deeply into the fabric of American life.

At the same time, the federal government must work to improve its effectiveness and efficiency if it is going to be successful in meeting the 21st Century demands of the American public. Too often, the federal government attempts to respond to modern challenges with mid-20th Century organizational structures and practices. The current structure of government was formed by an ad-hoc accumulation of programs built-up over decades. Program operations are “one-off” silos comprising people, processes, data, and systems loosely bound together into a federal department or independent agencies.

A recent Academy book contended that government at all levels needs to be transformed to become more “responsive, agile, resilient, flexible, dynamic, flatter, more connected, less hierarchical, seamless, more personalized, and transparent.”¹ Similarly, Academy Fellow Donald Kettl has argued that the federal government needs to be transformed to do the following:²

- Focus on results;
- Seek results through interrelated partnerships;
- Use information to fuel communication;
- Rely on bureaucracies as holding companies for expertise;
- Create relationships of trust before the relationships are needed;
- Steer resources; and
- Lead by making the public interest drive complex partnerships.

¹ National Academy of Public Administration, *Transforming American Governance: Rebooting the Public Square*. (Washington, DC), p. xi.

² Kettl, Donald (2009). *The Next Government of the United States: Why Our Institutions Fail Us and How to Fix Them* (Washington, DC), pp. 210 – 213.

Given the nation's long-term fiscal challenges, this transformation must improve service delivery while reducing costs. In 2008, my organization and the National Academy of Sciences established the Commission on the Fiscal Future of the United States. This Commission—composed of experts representing a diversity of disciplines, a wealth of experience, and a wide range of political and policy views—worked for two years to analyze the long-term fiscal situation and to identify various scenarios for addressing the imbalance between federal revenues and expenditures.

The resulting report, *Choosing the Nation's Fiscal Future*, showed that there are a variety of feasible ways to address the long-term imbalance. But we need to start now, and we cannot avoid hard choices. “If we as a nation do not grapple promptly and wisely with the changes needed to put the federal budget on a sustainable course,” the report stated, “all of us will find that the public goals we most value are at risk.”³ Making the federal government more efficient can not only contribute important savings toward long-term deficit reduction, but also improve the delivery of services to the American people.

STRUCTURAL AND MANAGERIAL IMPROVEMENTS

To meet the needs of the 21st Century, the federal government should consider a variety of structural and managerial improvements—adopting those that, on balance, will produce the desired transformation. President Obama has requested that Congress grant him and future chief executives authority to propose agency mergers, subject to an up-or-down vote in the House and Senate. My understanding is that the President intends to consolidate the Small Business Administration and a number of other trade agencies currently spread across the federal government into one department.

As noted earlier, the National Academy of Public Administration does not take a position on legislation and is neither endorsing nor opposing this reorganization plan. My own view is that mergers large or small need to be carefully designed, planned, and implemented. Over time,

³ Committee on the Fiscal Future of the United States, *Choosing Our Fiscal Future* (Washington, DC), p. viii.

effective reorganizations should reduce redundancies, produce efficiencies, and increase program effectiveness. To be most successful, reorganizations should not focus solely on structure, but consider changing processes to expand interagency coordination mechanisms and increase incentives for employees to work across organizational boundaries. Unfortunately, such reorganizations can take years before the reorganization's intent is realized, as we have seen with the creation of the Department of Homeland Security (DHS). GAO put DHS on its high-risk list the year it was established, in 2003, because of the monumental task of transforming 22 agencies into one department. DHS remains on the high-risk list to this day.⁴

Organizational theorists, including James Q. Wilson, have noted that reorganizations can be beneficial if they alert resource flows, rewards, and core tasks.⁵ In evaluating reorganization proposals, the Executive Branch and Congress should ask whether they will fundamentally alter the work of programs, or whether they simply shift boxes around. The former is a good thing; the latter does not address the most fundamental issues.

As a compliment to whatever reorganization, if any, is ultimately adopted, Congress should consider a number of additional approaches to improve public management. These approaches are not mutually exclusive. If implemented, they would address some of the Committee's core concerns.

Smart Lean Government

First, Congress and the Executive Branch should consider applying the principles of "Smart Lean Government" to federal operations. Smart Lean Government (SLG) is a set of approaches aimed at optimizing the delivery of core public services, improving performance, and saving public funds. With many federal functions (agriculture, economic development, energy, homeland security, international affairs, and social services) distributed across multiple departments and agencies, savings could be found by looking horizontally across the federal government instead of focusing solely on the lead agency.

⁴ GAO's last update of the high-risk list was February 2011.

⁵ Wilson, James Q. (2000). *Bureaucracy: What Government Agencies Do and Why They Do It*. (USA: Basic Books), p. 265.

SLG can be used to provide a strategic roadmap for what government services should look like in the next 10 to 15 years based on the lessons learned both from application of enterprise architecture (EA) to business strategy, the availability of key data in the government's EA artifacts, and technology advances.⁶ By applying enterprise architecture principles, artifacts, and methods, SLG can peel away unnecessary layers that exist between government and those it serves, to achieve more cost effective and responsive services.

SLG can respond to some of the issues identified in the March 2011 GAO report that identified potential, unnecessary duplication in government programs.⁷ According to GAO, it may be possible to save billions of dollars by eliminating fragmented and unnecessarily duplicative services, resulting in shorter service-delivery cycle times and improved quality of services at reduced cost. GAO explicitly identified the development and use of the enterprise architecture discipline as one of the means for achieving these ends. An SLG examination of trade promotion activities, for example, would not focus solely on the International Trade Administration, but would take a holistic approach by examining trade promotion activities and expenditures across the spectrum of agencies and organizations supporting foreign trade—including federal, state, and foreign governments, as well as private and non-profit organizations. This approach can not only identify areas where coordination can be improved and government activities may be consolidated, but also improve the means by which programs are operated, measured, and managed.

Ultimately, SLG may provide a more rational approach to deficit reduction by using analysis and process transformation to drive reform in the way that government provides services. An extensive body of underutilized EA artifacts exists across federal agencies (OMB, agency, and bureau levels) that can be fairly drawn upon to begin identifying these duplicative and overlapping investments while enabling transformations of service delivery systems.

⁶ Enterprise architecture is a term used in a number of ways. Most broadly, it is an ongoing business function that helps an "enterprise" identify the best way to implement its strategies and continue to develop. The goal is to improve the effectiveness or efficiency of the business itself by, for example, revising the organizational structure, centralizing business practices, and improving the use of information technology.

⁷ U.S. Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Programs." GAO-11-318SP, Washington, D.C.: March 1, 2011.

SLG is gaining traction. A group of former senior government executives and private sector leaders has established the Smart Lean Government Advisory Council, chaired by Mike Dunham, a former senior official in the U.S. Department of the Treasury's Office of the Chief Information Officer. Several members of the SLG Council are Academy Fellows: Alan Balutis, Dan Chenok, and Mark Forman.

The Power of Technology

Second, the federal government should harness the power of technology in new and better ways. This can improve citizen engagement, reduce costs, and improve performance.

Academy Fellow Alan Shark noted that the modern demands for transparency, citizen empowerment, and citizen engagement “will enlarge the potential for government Web 2.0 and emerging social media applications.”⁸ Technology can also be used to transform the business models used by departments and agencies, as well as to more actively engage citizens. Local government has been at the forefront of increasing transparency and engagement. For example, citizens can use applications to “submit pictures of potholes in need of repair, garbage that needs to be picked up, or graffiti that needs to be erased.”⁹ The federal government has an opportunity to adopt effective practices currently being used by other levels of government.

The federal government should also explore the use of *disruptive innovation* to ensure that citizens are not asked to continually pay more for the same product or services. As a recent Deloitte GovLab study notes, disruptive innovation eliminates critical trade-offs. Its characteristics include being less expensive than traditional technology, maintaining its cost-competitiveness over time, and being effective for real-world use. Recent examples of disruptive technology in the public sector include electronic monitoring of non-violent offenders, unmanned aerial vehicles, online learning, and open-source data analytics. The public sector has many other opportunities to use disruptive technology in such diverse areas as healthcare,

⁸ National Academy of Public Administration, p. 156.

⁹ Ibid.

development aid, and emergency response.¹⁰ The federal government has an opportunity to foster a culture that welcomes disruptive innovation.

Federal Productivity

Third, the federal government's costs could be reduced and its performance improved if productivity increased. Although productivity in the public sector is difficult to measure given the difficulties of finding reliable sector output measures, the federal government had a productivity measurement system from 1967 to 1994 that showed output per employee year, output, employee years, compensation per employee year, and unit labor cost. This was shown for the federal government as a whole, as well as for selected functions. Some estimate that a 50 percent increase in public sector productivity could yield savings of \$100 billion to \$300 billion per year.¹¹

To increase productivity, the federal government will need to change how it operates by decentralizing decision making to the lowest possible level and simplifying processes, especially those used by citizens and other levels of government. In addition, it can begin to use so-called “big data”—large datasets that typical database software tools have difficulty capturing, storing, managing, and analyzing—to make data-driven decisions. Big data can enhance productivity and competitiveness in both the public and the private sectors. A recent study of 179 large companies showed that this approach resulted in additional productivity gains of five to six percent.¹² The United Nations Secretary-General has established “Global Pulse,” which is dedicated to “harnessing today's new world of digital data and real-time analytics to gain a better understanding of changes in human well-being.”¹³ And, in the healthcare arena, McKinsey estimates that healthcare costs could be reduced by as much as \$200 billion per year. Big data

¹⁰ Deloitte (2012), *Public Sector Disrupted: How Disruptive Innovation Can Help Government Achieve More for Less*.

¹¹ McKinsey Global Institute (February 2011), *Growth and Renewal in the United States: Retooling America's Economic Engine*, p. 11.

¹² “The Age of Big Data,” *New York Times* (February 11, 2012).

¹³ For additional information, see the UN Global Pulse's website (<http://www.unglobalpulse.org/>), which contends that “today ‘new data’ is being generated as a by-product of people's activities at a rate that is unprecedented in human history.”

can create transparency, enable experimentation, promote customization for specific populations, automate decisions, and modernize business models.¹⁴

To begin emphasizing the importance of increasing federal productivity, a useful first step may be for the Bureau of Labor Statistics to once again start measuring it. This would be a useful source of information and an incentive for high performance.

Other Public Management Tools and Techniques

Managing in the public sector is extraordinarily challenging. Relative to their private-sector counterparts, public-sector managers have much less control over revenues, productive factors, and performance measures. This means that, at every turn, public managers face impediments on their ability to operate effectively and efficiently.

Public management can be strengthened in a number of ways:

- *Departments and agencies can do a better job of using their existing human capital flexibilities to recruit and retain the workforce it needs.* Academy studies have shown that human capital flexibilities can be useful to agencies seeking to respond to rapidly changing environments.¹⁵ Congress could provide additional human capital flexibilities as warranted.
- *Interagency and intergovernmental collaboration and coordination can be strengthened.* Increasingly, the federal government must solve problems beyond organizational boundaries. Collaboration is a cooperative effort by multiple organizations to work together to achieve a common objective.¹⁶ Numerous Academy studies have emphasized that most of our nation's biggest challenges cross organizational, governmental, and sectorial boundaries.

¹⁴ McKinsey Global Institute (May 2011), "Big Data: The Next Frontier for Innovation, Competition, and Productivity."

¹⁵ National Academy of Public Administration, *NASA: Human Capital Flexibilities for the 21st Century Workforce* (Washington, DC: 2005).

¹⁶ National Academy of Public Administration, *Transforming American Governance: Rebooting the Public Square* (Washington, DC: 2011), pp. 86 – 97.

- *OMB and Congress can link budgets with program performance in a much tighter way by making greater use of performance-based budgeting.* As described in the Academy's book, *Performance Management and Budgeting: How Governments Learn from Experience*, performance-based budgeting "consider[s], if only roughly, the future values of performance indicators—the amount of outcomes expected from proposed resources—and projected outputs." To do this, agencies need to (1) increase their focus on outcomes, (2) provide realistic and informative ranges, and (3) include out-year forecasts for outcomes.¹⁷ In implementing the GPRA Modernization Act, the federal government has an opportunity to change the way budgets are developed and implemented. This could lead to a new, *portfolio-focused* approach,¹⁸ implemented in the context of a plan to stabilize the debt by prudently using more limited budget resources to advance high priority objectives, including economic growth and security. Countries such as Australia and Canada have established portfolio-based budget review processes, yielding significant savings and performance improvements. Portfolio reviews could yield productivity gains while weeding out weak programs that use resources ineffectively and reduce citizens' confidence in government.

Each of these public management approaches could improve the federal government's performance.

TOWARD A 21st CENTURY GOVERNANCE

At a more fundamental level, now may be an appropriate time to consider more far-reaching changes to some parts of the federal government by taking a fresh look at the mission and functions of federal departments and agencies. A rigorous review of missions, functions, and programs would ensure that declining resources are being used to accomplish critical mission-supporting programs. This review should (1) define core agency missions, (2) assess

¹⁷ National Academy of Public Administration, *Performance Management and Budgeting: How Governments Can Learn from Experience* (Washington, DC: 2008), pp. 295 – 297.

¹⁸ A portfolio is a set of related programs and policy tools, including tax expenditures and regulatory authorities, addressing common outcomes and performance objectives. It encompasses all the activities of the federal government that focus on a specific mission—regardless of where the activity exists within the organization of government.

performance effectiveness, (3) identify workforce capabilities, and (4) evaluate existing organizational structures. Programs that are deemed non-essential should be closely scrutinized to determine whether they should continue, be streamlined, or be eliminated altogether. Done carefully, this review may result in a *strategic realignment* of programs and resource allocation.

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Mr. Chairman, these are challenging times for the United States. With great challenges, however, come great opportunities. Americans have the power to work through the political process to ensure a brighter future. Given the looming 2013 budget sequestration process and its formulaic approach to deficit reduction, it is time to work together to address the nation's most pressing public management challenges. I believe that the approaches outlined above can complement any reorganization effort by making a positive change in the way the federal government conducts its business. By changing the way the work gets done, it is possible to dramatically improve the effectiveness and efficiency of the delivery of government services and programs.

Mr. Chairman, that concludes my prepared statement, and I would be pleased to answer any questions you or the Committee members may have.

Chairman ISSA. Mr. Shea?

STATEMENT OF ROBERT SHEA

Mr. SHEA. Thank you, Mr. Chairman, members of the committee. I am proud to be with you today to talk about reorganization, especially at the committee that gave me my first job in Washington. I am also proud to be with such good friends. You will get, like on the last panel, a lot of violent agreement among us.

My name is Robert Shea. I am a fellow of the National Academy of Public Administration and a principal of Grant Thornton.

Reorganization and consolidation offer many opportunities to improve government's performance, but they take time. Faster results, in my view, will come from greater collaboration among government programs and a more focused assessment of their relative cost-effectiveness.

And the Federal Government, as has been discussed, has been grappling with reorganization almost since its inception. But I wonder what past Presidents would say about the volume of overlap and duplication that plagues our government today. There are hundreds of government programs, many aimed at the same problem, often from different organizations throughout the executive branch.

If Congress or the executive branch were to undertake a substantial reorganization, where would they start? How would we know which programs to keep, consolidate, or terminate? Past efforts have made a dent but really haven't provided you the information you need to make good decisions. After a decade of the Government Performance and Results Act implementation, many agencies began to make great strides understanding the performance of their programs. Unfortunately, that effort did not result in the kind of information you need to make decisions, like good cross-cutting goals or collaboration among cross-cutting programs.

In 2001, OMB developed the Program Assessment Rating Tool to inventory the government's programs and assess their relative performance. After 5 years of implementation, OMB and agencies assessed nearly 1,000 programs, nearly 100 percent of the Federal Government's budget. They assigned each program a rating of "effective," "moderately effective," "adequate," "ineffective," or "results not demonstrated."

A number of efforts to improve the performance of duplicative programs flowed from this effort. For instance, the administration used assessment results as one factor in its decision to propose consolidation of 17 community and economic development programs. We also used the PART process to arrive at a common set of outcome measures with which to measure the government's job training programs.

For a variety of reasons, the Obama administration is no longer using this tool to assess and improve programs. So what tools exist to do this today?

A lot has been said about the Government Performance and Results Act Modernization Act, a promising framework for improving the coordination among like programs. If Congress takes an active role holding the executive branch accountable for its implementation, the law's requirements can be powerful incentives to improve coordination among duplicative programs.

The budget released Monday does include 14 cross-cutting goals, as Senator Warner mentioned. And you can find those goals at www.goals.performance.gov. I think they are a mixed bag, but I think they could use your attention. Your feedback on those goals would be readily accepted by the administration.

Getting programs in different agencies to agree on common goals and a coordinated approach for achieving them is hard. Agencies or programs with common goals often have completely different congressional authorizing and appropriations committees, a situation that enables stovepipes. They also have separate constituencies who will fight to preserve the status quo.

While there are many barriers to interagency collaboration, technology provides enormous opportunity to overcome those barriers, especially social media and collaborative technology. The Federal Government is really only just beginning to capitalize on these tools to enhance collaboration.

A number of other initiatives show promise: program evaluation. The Obama administration is building on the Bush administration's effort to more rigorously evaluate programs across government, a very necessary step in order to discern what works in government.

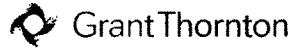
The Administrative Flexibility Initiative is also an important effort. Overlapping and duplicative programs tend to have exponentially more cumbersome and wasteful administrative requirements imposed on State and local governments. The administration has tasked agencies and OMB with inventorying those requirements and reducing them, which may seem like a minor effort but could, when you combine them, really free up money that State and local governments can use to focus on outcomes.

Improved coordination is easier said than done. Agency and program leadership are busy enough working within their own domain without having to be concerned with another's activities. Active congressional and Presidential leadership and oversight can produce results sooner than what an organization may never produce.

Thank you, Mr. Chairman.

Chairman ISSA. Thank you.

[Prepared statement of Mr. Shea follows:]



Statement of

Robert Shea
Principal, Grant Thornton LLP

before the

Committee on House Oversight and Government Reform
United States House of Representatives

February 15, 2012

Thank you, Mr. Chairman, Ranking Member Cummings, and Members of the Committee. I am honored to testify before you today on the subject of government reorganization.

My name is Robert Shea. I am a Fellow of the National Academy of Public Administration and a Principal of Grant Thornton LLP, which provides personalized attention and the highest quality service to public and private clients in more than 100 countries. Grant Thornton LLP is the U.S. member firm of Grant Thornton International Ltd, a global audit, tax and advisory organization. I work in Grant Thornton's Global Public Sector, based in Alexandria, Virginia. The Global Public Sector mission is to provide responsive and innovative financial, performance management, and systems solutions to international, federal, state, and local governments.

Reorganization and consolidation offer many opportunities to improve government's performance, but they take time. Faster results will come from greater collaboration among government programs and a more focused assessment of their relative cost effectiveness. The Federal Government has grappled with reorganization almost since its inception. For example, during the Truman Administration, former President Herbert Hoover led the Commission on Organization of the Executive Branch of the Government, referred to as the Hoover Commission. When he signed the Reorganization Act of 1949, President Truman wrote:

The approval of a reorganization plan or the enactment of a statute dealing with organizational and administrative arrangements does not automatically produce efficiency and economy or reduce expenditures. Only the curtailment or abolition of Government programs can be expected to result in substantial immediate savings. The significance of reorganization plans or legislation is that they make it possible to work out improvements in administration which will increase efficiency and reduce expenditures over a period of time. *Thus, they provide a necessary basis for increased economy and efficiency.*

I wonder what Presidents Hoover and Truman would say about the extent of duplication and overlap that plagues government today? There are hundreds of government programs, some aimed at the same problem but often from different organizations throughout the Executive Branch:

- 15 agencies involved in food safety

- 80 programs aimed at economic development
- 17 emergency management programs
- 18 programs aimed at domestic food assistance
- 20 programs fighting homelessness
- 44 employment and training programs
- 82 teacher quality programs
- 56 programs to improve financial literacy

These are but a handful of the 34 areas of potential overlap and duplication culled from the Government Accountability Office's (GAO) annual report, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*. As GAO reports, "Reducing or eliminating duplication, overlap, or fragmentation could potentially save billions of tax dollars annually and help agencies provide more efficient and effective services."

If Congress or the Executive Branch were to undertake a substantial reorganization to eliminate or reduce duplication and overlap, where would they start? How would we know which programs to keep, consolidate or terminate?

Past efforts have made a dent, but have not yet provided policymakers with sufficient information with which to make decisions.

The Government Performance and Results Act of 1993

In 1993, Congress enacted the Government Performance and Results Act (GPRA). This important law required agencies, for the first time, to set long term goals and identify the strategies they would employ to achieve important outcomes. More important, GPRA required agencies to report annually on their success in achieving annual goals. One of the law's purposes was to "...improve congressional decision-making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of Federal programs and spending."

As a result, agencies started to set goals and report annually on their progress. This set the expectation that they would report performance data regularly and transparently. While none were perfect in this regard, many agencies made great strides in understanding the performance of their programs.

Unfortunately, agencies, the administration and Congress gave insufficient attention to GPRA implementation, so the law was not successful in getting agencies to:

- Set clear, outcome-oriented goals,
- Collaborate with crosscutting programs,
- Link budgets to results, or
- Enhance the use of performance information in decision-making.

The President's Management Agenda

In 2001, OMB launched the President's Management Agenda (PMA) to address these and other weaknesses. OMB designed the PMA to address what GAO and Inspectors General agreed were government's greatest challenges:

- Financial management,
- Human capital management,
- Information technology management,
- Acquisition management, and
- Performance management.

OMB established clear criteria for each challenge and used them to assess agency improvement efforts. The Administration used the Executive Branch Management Scorecard to grade agency progress and posted the results on the Internet.

In the area of performance improvement, the scorecard measured whether:

- Agency leadership met regularly to analyze performance information and used the information to enhance decision-making,
- Plans included a limited number of outcome-oriented goals and objectives,
- Agencies appraised employees based on their contribution to agency goals,
- Reports included the cost of achieving targets or improving performance, and
- Programs could demonstrate that they achieved quantifiable results.

As part of this initiative, OMB developed the Program Assessment Rating Tool (PART) to inventory the government's programs and assess their relative performance. Career staff in agencies and OMB applied the tool to ask basic questions about program management and performance:

- Did the program have a clear purpose and was it well designed to achieve its objectives?
- Did the program set clear, long- and short-term outcome goals?
- Was the program well managed?
- Did the program achieve its goals?

After five years of implementation, OMB and agencies assessed nearly 1,000 programs, consisting of approximately 100% of the federal government spending. They assigned each program a rating of effective, moderately effective, adequate, ineffective, or results not demonstrated. Summary and detailed assessments were posted on www.ExpectMore.gov and are still there today. At the time, it was the first-ever inventory of federal programs and the most comprehensive source of program performance information.

On ExpectMore.gov, you can see programs listed by broad topic, type or Agency. For instance, the topic will list agriculture or foreign affairs programs and the type will list credit or grant programs.

Getting more comparable units of analysis proved more difficult. But a number of efforts to improve the performance of duplicative programs resulted from PART assessments. The Administration used assessment results as one factor in its decision to consolidate 17 community and economic development programs. It used the PART process to arrive at a common set of outcome measures with which to measure the government's job training

programs. The difficulty we had with these efforts underscores the challenge of bringing like programs together, either in one organization or just in common measurement. For a variety of reasons, the Obama Administration is no longer using this tool to assess and improve programs. So, what tools exist to enhance the government's performance and efficiency?

The Prospect for Improving Collaboration among Programs

Using today's authorities, we can do a lot more to ensure agencies are collaborating with their stakeholders and each other to reduce redundancies, increase efficient delivery of program outcomes, and improve their collective performance. New performance management legislation – the Government Performance and Results Act Modernization Act of 2010 – provides (GPRAMA) – is a promising framework for improving the coordination among like programs. The current law requires:

- The Performance Improvement Council, made up of agency Performance Improvement Officers (PIO), to resolve specific government-wide or crosscutting performance issues and work with other interagency councils,
- The Federal Government Performance Plan to include government priority goals and inventory the multiple agencies or programs that contribute to their achievement,
- The establishment of a government-wide performance website, *performance.gov*, to encourage agency accountability and transparency, and
- GAO to assess implementation of, among other things, the Federal Government Performance Plan and priority goals requirements.

If Congress takes an active role holding the Executive Branch accountable for GPRAMA implementation, these requirements can be powerful incentives to improve coordination among duplicative programs. That is a big "if". In a letter to OMB Director Jeffrey Zients, sent on Thursday, February 9th, 2012, sponsors of GPRAMA stressed that significant statutory requirements hadn't received adequate focus, specifically increased transparency concerning: 1) government priority goals at risk of not being achieved; 2) planned improvement strategies, and 3) publication of agency progress reports.

In the FY 2013 Budget, the President announced new crosscutting goals in 14 areas:

- Science, Technology, Engineering, and Math (STEM)
- Education
- Veterans Career Readiness
- Broadband
- Entrepreneurship and Small Businesses
- Energy Efficiency
- Exports
- Job Training
- Cybersecurity
- Sustainability
- Financial Management
- Human Capital Management
- Information Technology Management
- Procurement and Acquisition Management
- Real Property Management

Those goals can be found at www.Goals.Performance.gov.

Getting programs in different agencies to agree on common goals and a coordinated approach for achieving them is hard. Agencies or programs with common goals often have completely different Congressional authorizing and appropriations committees, a situation that enables stovepipes. Such programs also have separate constituencies who will fight to preserve the status quo. This means that if an agency's program does not go along with a coordinated approach, there are many ways to get around such initiatives.

There are areas where improved coordination, as opposed to outright reorganization, has yielded some positive results. The IBM Center for the Business of Government sites a number of examples where "presidents and Congress have created 'councils' to coordinate policy across agencies, including the CIO (Chief Information Officers) Council, the President's Management Council (Deputy Secretaries/Chief Operating Officers), the CFO (Chief Financial Officers) Council, Federal Acquisition Council (Chief Acquisition Officers), and most recently the Chief Human Capital Officers Council. Various offices within the Executive Office of the President, such as the Domestic Council, the National Security Council, and the Office of the National Drug [Control] Policy, perform coordinating roles."

What is common among these interagency councils is the coordination of activities toward a common purpose. Some are stronger than others. The Office of National Drug Control Policy, for example, coordinates the budget requests of the many programs aimed at reducing illegal drug use in America. But what makes them succeed where others may fail is an agreed-upon set of common goals and participating agencies or programs accountable for achieving them.

While there are many barriers to interagency collaboration, technology provides enormous opportunity to overcome those barriers. Technology, especially social media and collaborative technology, can enable quick exchange of ideas, sharing best practices, developing common approaches, and reporting and assessing performance data. The federal government is only beginning to capitalize on these tools to enhance collaboration.

The new performance management framework provides an excellent foundation for holding the many areas of duplication accountable for their performance. The Executive Branch must establish "...outcome-oriented goals covering a limited number of crosscutting policy areas." In establishing the requirement for a government-wide performance plan, the law also requires that, for each government-wide goal, the government appoint a lead official responsible for coordinating the activities of all agencies that contribute to the goal. The law also charges an interagency Performance Improvement Council with "...resolv[ing] specific Governmentwide or crosscutting performance issues."

Performance information alone is not enough – we also need information about cost. Federal agencies are required to report the costs of their activities and to accumulate such information for use in decision making. Such agency-reported cost information should be the basis for comparing the cost, if not the effectiveness, of programs. Too few agencies make the link between cost and effectiveness, so neither cost nor effectiveness measures achieve their full potential.

There are a number of other initiatives that show promise.

Program Evaluation

Building on policies of the Bush Administration, the Obama Administration is expanding the capacity of the federal government to do rigorous evaluation of the impact of programs. Until you subject a program to a rigorous evaluation, you do not really know whether the program works. The Department of Education and a few other agencies have mature evaluation programs in place, such as the Institute for Education Sciences). The Obama Administration is to be commended for expanding the call for more rigorous evaluation across the Executive Branch. As we build up the body of evidence of what does and does not work, policymakers will be better equipped to make decisions about program reorganization, consolidation, or elimination.

Administrative Flexibility

Another common sense approach the administration is taking is in the area of administrative flexibility. Overlapping and duplicative programs tend to have exponentially more cumbersome and wasteful administrative requirements imposed on state and local governments. The Obama Administration has tasked agencies and OMB with inventorying and eliminating unnecessarily burdensome or duplicative administrative requirements.

In his February 28th, 2011 memo announcing the effort, the President instructed agencies to work with state, local, and tribal governments; identify administrative, regulatory, and legislative barriers in federally funded programs; and find ways to maximize the use of tax dollars to achieve the best results for their constituents. A subsequent OMB memo required agencies to inventory and eliminate unnecessary burdens imposed on state and local governments and other recipients of federal investment. Agencies provided those plans to OMB and some initiatives are gaining traction. For example, in the Children's Cabinet Network, state "children's cabinets" working to improve the plight of children and youth identified federal barriers to better state coordination. The group inventoried barriers to interagency success and possible solutions in the following areas:

- Year-round afterschool child and Youth Development Services,
- Prevention efforts,
- Supporting multi-system and disconnected youth,
- Providing appropriate residential placements, and
- Early childhood development support.

What kinds of barriers are being identified? Children's cabinet participants identified different eligibility requirements among programs, even though they are sometimes aimed at the same population. Similar programs also often have different reporting requirements, meaning states must spend resources on special reports to the Federal Government that would otherwise go to helping children and youth. Alone, such requirements may not be such a big deal. But when you look at the total cost, eliminating such burden could mean real savings for states, localities, and tribes looking for ways to cut costs and improve outcomes.

Congress has new tools with which to improve coordination among areas of duplication. Given the political landscape and the difficulty of enacting reorganization, this seems a much more sensible area in which to invest limited resources than on a reorganization plan that will be

difficult to define, virtually impossible to approve, and even harder to implement. It is also important to note that the threat of reorganization seriously affects the morale of hardworking government employees.

Improved coordination is easier said than done. Agency and program leadership are busy enough working within their own domain without having to be concerned with another's activities. However, with active congressional and presidential leadership and oversight, such collaboration may produce sooner what a reorganization may not: better results.

Robert Shea is a Principal in Grant Thornton LLP, Global Public Sector, and a Fellow of the National Academy of Public Administration.

Chairman ISSA. Mr. Stier?

STATEMENT OF MAX STIER

Mr. STIER. Thank you very much, Mr. Chairman, members of the committee. It is a pleasure to be here and, as my colleagues said, a pleasure to be testifying with them. I think we are all trying to do the same thing, and I would also say all friends. So it is really an honor to be here.

Chairman ISSA. By the way, since you all in the same academy, do you have a quorum here? Because, you know, each of you says you don't have this authority individually. Together do we?

Mr. SHEA. We could vote on the President's salary right now. We could make some savings right here.

Mr. STIER. Exactly. And I think that Dan appropriately speaks for the whole Academy.

But be that as it may, you know, we do have violent agreement here. And I think a real question to ask is, since there is so much agreement, why isn't more happening? And I think that the execution imperative is fundamental here, and we have to focus, you know, our primary attention on those execution questions.

One way to do that is look at what happened the last time that there was a major contraction in the government's budget, during the 1990s. We have a process in government of repeating the past mistakes because we don't pay attention to what has happened before. So we actually did a report with Booz Allen called "Smart Cuts," where we examined what occurred during the 1990s and drew a set of lessons that I believe have great application for today. And I am just going to mention five of them. Obviously, we go in greater depth in the testimony.

The first one is—and this is a conversation that, likewise, has been held with the prior witnesses, as well—and that is talent needs to be viewed as an asset, not a cost, in government. The bottom line is that good government begins with good people. It is real easy to cut costs in cutting, you know, money out of the workforce. But at the end of the day, we need to make sure that we are not really impacting mission in a way that we don't want.

IBM did a great study of companies during the last downturn, and what they saw is that the companies under pressure were actually investing more in their people because they needed more out of them. And I think we need to take that attitude when we examine the Federal workforce. It doesn't mean that there are not costs available, but we have to be real smart about how we do it.

Secondly, we need to make sure that we are making better choices about what we are doing and not simply looking at across-the-board cuts, which, again, is the norm and what we saw during the 1990s. That penalizes the efficient and effective organizations, when, in point of fact, if you want to save resources, you just have to do fewer things and do them well. But, again, the tendency and the easy thing to do is just say, we are going to cut across the board. And that doesn't end up actually giving us what we ultimately need.

Third, we need to—and this is building off the comments that you made, Mr. Chairman—we really need to look over the long term. This is a long-haul process. My belief is one of the root

causes of dysfunction in government is that we have a set of political leaders in the executive branch that are around, on average, for 18 months to 2 years. That means that they are incented to focus on policy development, crisis management, but not on the health of the organizations that they run, because, frankly, they are not going to be around long enough either to have that impact or to actually pay the piper for problems that they create or don't solve. And so I think it is fundamental for us to have that long-term view.

There are some great good examples. Patent and Trademark Office is one of the ones that I love, where they went out—they had to change their physical site. They chose a building with a much smaller footprint. They decided, we are going to change the culture, we are going to move to a telework environment. They wound up saving money on the physical plant that they had, they wound up producing, you know, better results in terms of their productivity, and they reduced their costs. We need to look for opportunities like that. Ask the question whenever an agency is actually moving buildings, why don't see that as a transformation opportunity? But, again, looking at the long term.

Fourth, we have to measure the impact of our choices that we are making today. And, again, you know, Robert, the work that he did on PART I think is a fabulous example of things that we need to see more of. I would present to the committee also the work that we have done at the partnership around the Best Places to Work rankings. Again, a challenge in the public sector is you don't have financial metrics for performance, frequently. And in the private sector, where you do, smart companies look at employee attitudes because there is a strong correlation between those attitudes and ultimate performance. We should be using those numbers to tell us what is going on inside the Federal Government today, and Best Places allow us to do that.

Fifth, coming to the question of reorganization, it is a reasonable strategy to use, but, frankly, we ought to start with the talent issues. The 9/11 Commission said it best; the quality of the people is more important than the quality of the wiring diagram. Important to see how those boxes play together, but if you don't solve the internal issues, frankly, moving the boxes, as we have heard from a number of other folks, won't make any difference.

In our written testimony, we offer 25 questions that we think are a good starting point in thinking about reorganization. And, Mr. Chairman, I salute you for also the chart you put in. You know, this is, again, a 9/11 Commission report recommendation. If we don't see this as a board of directors for the government, if we don't see the interrelationship, frankly, the executive branch won't work right.

So, pleasure to be here, and look forward to any questions that you might have. Thank you so much.

Chairman ISSA. Thank you.

[Prepared statement of Mr. Stier follows:]

Chairman Issa, Ranking Member Cummings, and Members of the Committee, thank you for the opportunity to appear before you today. I am Max Stier, President and CEO of the Partnership for Public Service, a nonpartisan, nonprofit organization dedicated to revitalizing the federal civil service and transforming the way government works. I appreciate your invitation to testify on the issue of government reorganization and other ideas to achieve budget savings.

I applaud the Committee for devoting much-needed oversight to the role that government reorganization and other strategies can play in addressing our nation's dire fiscal situation. There is no dispute that our current fiscal path is unsustainable, and the Committee is to be commended for looking at all opportunities to save money while improving the efficiency, effectiveness and performance of our government.

Fortunately, the Committee needs to look no further than the 1990s to find another time in our history when saving money was a key government management objective. The Partnership and Booz Allen Hamilton released a report last fall entitled "Making Smart Cuts: Lessons from the 1990s Budget Front" that details the eight budget reduction strategies that agencies employed most often in the 1990s. Our findings suggest that budget cuts can present a valuable opportunity for reform and, if planned and implemented properly, can lead to a stronger, better government. However, the report also suggests that a rush for savings, without focus on planning and implementation, can lead to a government that is less capable and less responsive to the American people.

Making Smart Cuts

Since the 1990s, the world has become increasingly complex. Our federal government faces the demanding task of serving the public with fewer funds while also transforming itself to meet domestic needs and international challenges. Although our world has changed, the 1990s provide examples on how agencies handled funding reductions and offer today's leaders valuable lessons for responding to budget cuts.

The Partnership for Public Service, in partnership with Booz Allen Hamilton, gathered those lessons by interviewing more than 30 current and former senior federal officials, academics and other public-policy experts for their insights into how agencies responded to the steep budget cuts of the 1990s. By documenting their experiences and offering direction for leaders facing similar challenges today, we shine a spotlight on the more effective strategies and conditions for success.

Our interviewees outlined eight strategies used during the previous budget-cutting era of the 1990s, and shared insights and disadvantages of each. A detailed discussion of each strategy is included in the “Making Smart Cuts” report;¹ in brief, they are as follows:

- **Across-the-board cuts**, which reduce budgets, programs or functions by an equal percentage, are easy for leaders to implement since they apply to all alike, but they ignore differences in priority, performance or efficiency.
- **Programmatic cuts**, which reduce programs or functions according to relative importance or efficiency, may allow agencies to protect those programs that are the highest priority or achieving the best results, but they require difficult decisions that may be opposed by affected stakeholders.
- **Decreasing administrative costs**, which can reduce overhead, but may over time weaken managerial capacity or critical support functions, such as human resources and financial management.
- **Personnel reductions**, which can contribute to major cost-savings through attrition, forced layoffs or both, but can also create severe skills imbalances, degrade morale and “hollow out” organizational units.
- **Consolidating or centralizing functions**, which can lead to greater efficiency, but may degrade responsiveness or citizen and customer service.
- **Reengineering**, which can improve service quality and speed but may require significant upfront resources, particularly if technology is employed, as is often recommended.
- **Investing in information technology (IT)**, which can significantly increase productivity and efficiency, but requires significant initial investment and may result in unanticipated implementation costs.
- **Outsourcing**, which assigns functions or tasks to external organizations, when allowed, ideally at a lower cost, but requires oversight by skilled government personnel and may not achieve expected savings.

Our interviewees also cautioned that none of these strategies would be successful in isolation, and they identified four key cross-cutting conditions that are integral to the success of any downsizing effort:

- **First, the President and Congress should set a clear vision for what the federal government should deliver, and how it can serve citizens well, operate efficiently and still reach deficit-reduction goals.** The President should designate one high-level official to lead the cost-saving effort, establish strategic priorities to guide

¹ *Making Smart Cuts: Lessons from the 1990s Budget Front* (September 2011) available at www.ourpublicservice.org/OPS/publications.

reductions and communicate those priorities to agency leaders and the public. The plan must include measurable goals with mechanisms for accountability and transparency.

- **Federal agencies should consider the long-term consequences of various cost-cutting scenarios and systematically reexamine missions and functions to achieve them in the most cost-effective way.** Leaders should consider the composition of the workforce and create an environment that rewards innovation and empowers employees to contribute new ideas to save money or improve business processes.
- **Congress should set cost-reduction targets and allow agencies flexibility in determining the best way to meet those targets.** Studies and experience show conclusively that better results are achieved when leaders cut strategically, rather than slicing a little from everywhere. Across-the-board cuts tend to penalize the most efficient agencies and can throw the composition of an agency's workforce out of balance.
- **Agency leaders should consider alternative ways of delivering services and performing functions, not just doing the same things the same way with fewer people.** They also need to plan and communicate with all stakeholders and develop a strategy for routinely exchanging important information with employees, central agencies, Congress and the public. Federal employees may need to learn how to perform different functions or carry out new responsibilities. They will need supportive leaders to carry them through these transitions, and the training, tools and technologies to do their work efficiently.

Reorganizing Government to Achieve Budget Savings

One deficit-reduction strategy likely to come before Congress in the near future involves the consolidation of trade and export functions into a newly constituted Commerce Department, while sending unrelated units to other parts of the government. As the committee with primary jurisdiction over government organization, it is certain that the Oversight and Government Reform Committee will have an important role to play in evaluating this and future reorganization proposals. The Committee has a long history in this area, and played a leading role in efforts to craft a Commerce Department restructuring proposal in 1995.

Government reorganizations are usually motivated by a desire to advance policy objectives and achieve operational efficiencies. They are often initiated or given momentum as a result of government failures; the creation of the Department of Homeland Security and the Office of the Director for National Intelligence following the 9/11 attacks are two notable examples.

When government fails, however, it typically has little to do with the way agencies are organized and almost everything to do with the performance of senior leadership at federal

agencies, their ability to effectively manage the people working under them and the culture of the agencies. The 9/11 Commission summed up this dynamic best when it said, “The quality of the people is more important than the quality of the wiring diagrams.”

It is easy to create new organizational flow charts. The hard work requires unifying managers, employees and different cultures into a common mission; integrating financial, human resources and technology systems; and reshaping relationships with important stakeholders that include Congress and private sector interests.

Successful reorganizations require a clear vision, sustained commitment over many years, an upfront expenditure of money even during tough budgetary times, and strong leadership. The mixed track record of prior reorganizations is evidence that, too often, those elements are lacking.

Study after study suggests that the failure rate of mergers and acquisitions in the private sector is somewhere between 70% and 90%.² Reorganizations in the federal government can be just as complex, and they bring a unique set of challenges. As the executive branch’s “board of directors,” Congress bears the burden of evaluating government reorganization proposals to determine whether they will achieve desired results, add value for the American people, and do so in a fiscally responsible way.

Recommendation

We recommend a series of questions that this Committee, and Congress as a whole, should consider when reviewing government reorganization proposals:

1. What is the mission(s) of the new entities that will result from this reorganization?
2. What problems are we trying to solve with this reorganization?
3. What other options have been considered to solve these problems?
4. What are the intended short-term and long-term outcome(s) we want to achieve?
5. How long will it take to implement the reorganization proposal?
6. How long will it take to achieve desired outcomes?
7. How will this reorganization affect the public, federal employees, private sector interests, and government policies, programs and management?
8. What are the potential problems and unintended consequences that may result from this reorganization?
9. What will be done to mitigate those problems and unintended consequences?

² “The Big Idea: The New M&A Playbook,” by Clayton Christensen, Richard Alton, Curtis Rising and Andrew Waldeck. *Harvard Business Review*, March 2011.

10. Who will be responsible for overseeing this reorganization, and what are their qualifications?
11. How will this reorganization be implemented? How has the reorganization plan been influenced by past merger, consolidation and reorganization experiences in the public and private sectors?
12. Do the affected agencies have highly qualified and well-resourced management personnel with the skills necessary to implement the reorganization efficiently and effectively?
13. How will Congress, federal employees, private sector interests and other stakeholders be engaged to participate in the process? Who is responsible for communicating with these stakeholders, and how will communication occur?
14. How much is this reorganization expected to save, over what time horizon, and what are the sources of those savings?
15. How much is this reorganization expected to cost, over what time horizon, and how will it be funded?
16. Who is responsible for establishing implementation milestones and measuring progress against those milestones?
17. Who is responsible for establishing performance goals for the new entities that will result from this reorganization, and how will performance information be collected, measured and reported?
18. How will this reorganization process ensure transparency?
19. What strategies will be employed to reduce spending in the new entities that will result from this reorganization (e.g., programmatic cuts, reengineering, personnel cuts, IT investments, etc.) and how will impact on efficiency, effectiveness and performance be measured?
20. What is the desired culture of the new entities that will result from this reorganization, and what steps will be taken over the long term to foster that culture? How will agency leaders create an environment that rewards innovation and empowers employees to contribute new ideas to save money, improve business processes and increase impact?
21. What skills and competencies will be needed in the individual selected to lead the new entity or entities that will result from this reorganization?
22. What skills and competencies will be needed in the senior executives of the new entities, and what steps are necessary to identify, recruit, develop and retain a senior executive corps with these skills?
23. What skills and competencies will be needed in the workforce of the new entities, and what steps are necessary to identify, recruit, develop and retain a workforce with these skills?
24. Which committees of Congress will oversee the new entities that will result from this reorganization, and what steps can be taken to ensure that these agencies do not receive inconsistent direction from multiple congressional overseers?

25. What steps will be taken to ensure continuity in the management and implementation of this reorganization from one presidential administration to the next?

Conclusion

We commend the Committee for your important work to understand and weigh all of the options available as our government seeks to improve efficiency, cut waste and serve the public. We believe that all stakeholders, including federal employees, the private sector, Congress and agency executives, can be a part of the solution and we all share a stake in government's success.

Thank you for inviting us to share the views of the Partnership for Public Service. We look forward to doing whatever we can to help.

Chairman ISSA. I will now recognize myself for a first round.

First question for all of you: In a reorganization, is a reorganization of the executive branch—we are talking about a significant change, not just one, if you will, Cabinet position—is there any way that that can be effective without Congress buying into it in a way in which, one, we support the change not just by a vote but by post-vote, particularly, reorganizing to match the executive branch? I think Senator Warner said it pretty well, and, as you have mentioned, Mr. Stier, the chart says it all.

If we vote for a reorganization, don't we have to, in the House and the Senate, realign so that our committees match the new government reality?

Mr. BLAIR. I will take a stab at that question, Mr. Chair.

Chairman ISSA. You don't have to say "yes" or "no," but "yes" would be good.

Mr. BLAIR. I think if you don't look at the organization of Congress in light of the changes that take place in executive branch organization, you risk running into the same problems of overlap and duplication which you are actually trying to address within the executive branch organization itself.

Can Congress, as a body, effectively conduct its oversight and authorizing and appropriating duties without changing? The answer is yes, but I think it is going to take a lot more effort. So I think that the Congress is going to have to take a look at itself in terms of trying to align itself better with the reorganized executive branch.

Chairman ISSA. So does that, by definition, beg the whole question of a reorg the way the President is talking about, "Give me authority and I will loosely tell you what I am going to do," or Hoover Commission, where you came up with 273 recommendations, most of which were accepted but accepted over a long period of time with multiple interim steps?

Mr. BLAIR. Well, you can do a one-off here or a one-off there in terms of executive branch organization, but you really need—

Chairman ISSA. Yeah, but Dr. Light said that is not an overhaul.

Mr. BLAIR. —to do it in terms of an overarching strategy and within an architecture that makes sense as to what your ultimate goal would be.

Chairman ISSA. Let me ask, sort of, the broadest question here. Senator Warner is a cosponsor, or he, actually, has a companion bill for the DATA Act. We are trying to make interoperative fundamentally how we communicate, so that data in one place and the other, it doesn't take a team of people to try to match up on a one-off basis, but rather you can look at it transparently back and forth if you have the rights. Nice thought, nice idea. Clearly, I am very dedicated to it.

But let me ask a more fundamental question. OMB, which has, I am told, six Senate-confirmed positions, is repeatedly clearly ignored when they want to make fundamental changes in how Cabinet positions spend their money and do their work.

Do we have a fundamental problem that, even though there are 23 Cabinet-level positions, including the OMB Director is considered a Cabinet level, do we have a fundamental problem in that back-office functions—sort of, OPM, OMB, all the data questions,

all the questions of how money is spent not on what the Cabinet position does but on the things that facilitate that—those, in fact, are hierarchies that belong to Cabinet positions, and unless there is consensus, they can ignore, if you will, the Office of the President by simply delaying?

Is that a long but fundamental truth that every OMB Director faces?

Mr. SHEA. I, as having led a lot of interagency collaborations from OMB, I can tell you without question, you know, there are going to be some who are really invested in the success of the enterprise and you have their buy-in, but there will be a pocket, almost invariably, who oppose what you are trying to accomplish and want to protect their turf. And when it has been successful is when OMB and a lead agency and Congress are all joined at the hip and invested in the success of the enterprise.

Examples include security clearance reform and the Federal Funding Accountability and Transparency Act implementation. In both cases, Congress had virtually a seat at the table throughout the nitty-gritty of the implementation of both those initiatives. And they have proven more or less successful.

Chairman ISSA. I am going to ask just one exit question, if you will.

Mr. Stier, you used the PTO. The PTO currently has a backlog greater than it did before reorg. They have hired a lot more people. They now consume their entire budget even without fee diversion.

If this were a private enterprise and basically because they charge the revenues that run them, wouldn't you give them less than an "A"?

Mr. STIER. I think that the PTO, again—and on the backlog side, first of all, I mean, clearly there is a 3-year backlog, I believe it is over 700,000 applications, on the patent side. That is a massive problem. I think what David Kappos is doing is actually the right movement. I think he has gotten the backlog—my understanding is he has gotten the backlog down. And he is, I think, aligning his resources in a very smart way against their needs. And a good example of that is even around understanding how to use performance incentives to increase productivity.

So they don't, clearly—and I think Dave Kappos would be the first person to say that—deserve an "A" in terms of what they are producing today. But to your point about the time it takes to turn something around, my sense is—and you may have greater expertise in this than I do, but from what I can see, he is on the right track but he has a long distance to go.

Chairman ISSA. And I am a big fan of his. That is the only reason that, besides having my own patents and serving on Judiciary, that—and I wanted to make sure we understood, he has a big job and a long way to go—

Mr. STIER. Yes.

Chairman ISSA. —and his is a predominantly Federal workforce that he is trying to get to be more productive, including the telecommuting and including, by the way—they are siting a West Coast facility so they can recruit and retain people that right now just do not want to come to that little-bitty building—

Mr. STIER. Right.

Chairman ISSA. —because it is in an area they don't want to live.
 Mr. STIER. Right. No, absolutely. And that is critical. And I think the longer he stays in that job, the better the agency is going to be.

Chairman ISSA. You heard it here.

With that, we go to the gentleman from Virginia, Mr. Connolly, for 5 minutes.

Mr. CONNOLLY. Thank you, Mr. Chairman.

And welcome to our panel.

Mr. Stier, I gave a town hall meeting at the PTO headquarters you referred to, and I can confirm what you said. I saw a lot of energy and synergy. I mean, I think that it created something in terms of a dynamic that improved productivity and morale. And those are things definitely I would hope at some point we care about with respect to the Federal workforce, not only at PTO but throughout the Federal Government.

The President has proposed consolidating a number of international economic entities to try to achieve similar synergy and productivity. And I note a GAO report from last year that said, "These practices," meaning desirable practices, "include leveraging physical and administrative resources, establishing compatible policies and procedures, monitoring collaboration, and reinforcing agency accountability for collaborative efforts through strategic or annual performance plans."

From your point of view, does the President's proposal make sense in terms of similar synergy and productivity potential gains?

Mr. STIER. Look, I think there is no question but that we have a government that needs to be changed in many dramatic ways. I think the challenge here is that the idea, almost, is less important than the execution issues. And so that is why in my testimony I identify 25 questions that I think we really want to look for answers for before we start down this road.

And, again, thinking about historical example, if you look at the Department of Homeland Security, if you look at any major reorganization in the modern era, it is after many, many years at best still a work in progress.

So I think the answer to your question is that I think it is important for the President to be putting his marker down to say that we need to examine the form and shape of government, but what I would ask for and what I would suggest would make for a more successful ultimate resolution is that we look at a more comprehensive set of issues that include primarily some of the talent and culture issues that I think are fundamental, ultimately, to success in getting better productivity out of the government.

I think you have to look at that holistically, and you have to build a time frame into it. So, again, I think that, whatever reorganization is imagined, we need to make sure there is continuity of attention and a leadership group that is around long enough to see that execution through.

Mr. CONNOLLY. Mr. Blair, one of the concerns I always have when I look at any government structure is the stovepipe structure and mentality. And, again, sort of keying off the suggestions or the recommendations made by the President, when you go to some of our embassies overseas, there are lots of stovepipes, seemingly un-

coordinated, and yet sharing a common mission in terms of trying to promote U.S. economic interests, investment, trade, and exports.

And I just wonder if you might comment on that. How do we—if not this proposal, what, to try to overcome the stovepipe mentality to achieve efficiencies and productivity gains that we desperately need?

Mr. BLAIR. Thank you, Congressman. I appreciate the question.

There are different approaches you could take to attack that stovepiping that you identified. And one of them that is outlined in my testimony is an approach called Smart Lean Government. This approach was brought to the Academy by some of its fellows, and we have been working with an outside group at refining this. But, fundamentally, what it does is takes a holistic approach, looking at government across the spectrum, not at a department or an agency, but by looking at the actual program that is being delivered.

And so, one of the things that I talked about was—take, for instance, international trade. It is just not one agency; we have a series of agencies. And look at the ultimate service or product or program that is being delivered, and how is the most effective way of getting that to the customer? Is there overlap and duplication? Are multiple departments involved? If so, why?

GAO came out with a report last year that highlighted potential overlap and duplication in a whole host of programs. Sometimes that duplication is necessary and intentional. Sometimes you want those belts and suspenders in order to prevent a program failure. But this approach would take a look at it across the government spectrum and say, what is the most effective way of delivery to the customer? Usually the customer doesn't care who delivers it so much as it is done well and that it meets his or her or their industry's needs.

So that is one approach that could be taken.

Mr. CONNOLLY. And, Mr. Shea, if I had a little more time, I might ask you to elaborate a little bit. You made a very interesting point in terms of expanding evaluations as a tool. I wonder if you might just elaborate on that, as my last question.

Mr. SHEA. Yes, sir. Thank you very much.

In order to find out whether our programs are working, it is necessary to conduct a scientific experiment, basically, isolating what we are doing from other factors so you can say without a shadow of a doubt what we are doing is working. Simple performance measurement is a very good indicator, but it often disguises other factors that are impacting the performance outside of what we are doing.

The Department of Education has a large investment, through the Institute of Education Sciences, to really figure out what is impacting student outcomes throughout the country. And they are building a body of evidence that helps them invest in better and more effective practices.

This is being expanded throughout government on a relatively small scale, but a kernel of information about an effective practice is gold if you can really use it to scale up and impact outcomes that, frankly, we have been working on for centuries and haven't made a dent.

Mr. CONNOLLY. Thank you.

Thank you, Mr. Chairman.

Mr. DESJARLAIS. [Presiding.] The gentleman's time has expired.

The chair now recognizes the gentleman from Michigan, Mr. Walberg, for 5 minutes.

Mr. WALBERG. Thank you, Mr. Chairman.

And thanks to the panel for being here.

Listening to the Senators earlier, I was interested to hear a lot of violent agreement, as you have mentioned, from two Senators in a body that has extremely violent disagreements on actually doing something.

And I am reminded that we are coming up on the third anniversary of the stimulus that expanded government, that really did not produce an economy that would grow. I look at a little card here that I have that lists a number of things to deal with regulatory barriers that come from government and a significant number of bills that we have passed, including the REINS Act and other regulatory accountability reforms, that still sit in the Senate, not acted upon.

So while I am not asking you as a panel of Senators on how we should accomplish this, I have appreciated some of the statements that you have made in your opening remarks.

Dr. Light, I was raised in the home of a machinist who was also an extreme conservative and always thought that he could build his cars and engines much better and more efficiently than taking it to a mechanic. And so, in the grease pit that he built in our family garage, I watched him do that and then became a gearhead myself and have had engines—both light tune-ups as well as rebuilds, taking the whole engine out of the car, as well, when I had to. I know also that in the process of grinding valves, that is a fine process taken carefully, as opposed to wrenching out the bottom end of an engine and taking out the crankshaft and replacing it.

I was interested in your background on that as you discussed what needs to be done with the bureaucracy. And so I would like to ask you if you would discuss a bit further and in detail your proposals to overhaul the bureaucracy, including removing engine parts as necessary.

Mr. LIGHT. Well, I know how to tune and set the timing on a '57 Chevy, but that is not how we do it now, is it?

Mr. WALBERG. That is right. We don't have the points anymore.

Mr. LIGHT. You know, I think, to continue this metaphor, the first thing you do is drain the oil and clean out the sludge. And that is something we got to do.

I agree with my colleagues that it is difficult. And there is a lot of conversation about rearranging the chairs on the deck of the Titanic, but we have a real opportunity here. We have about 50 percent of the Federal workforce moving toward retirement. And that can be seen as a problem or that can be seen as an opportunity. We have a lot of opportunity here to take a look at what we have, and instead of downsizing through attrition at the bottom or reductions in force, we can take a look at jobs and not fill them as they have been exited.

We can take a look at the structure of government and reorganize, but we are going to have to go big. We are going to have to

take a look at the whole structure. And this opportunity is going to slip through our fingers, and 10 years from now we are going to have the same government that we have right now. I am all in favor of patience, but when an opportunity like this comes along, you take advantage of it.

Now, how do we do that? I am not wild about another Hoover Commission. I am not sure we could do it with the current structure of Congress, and I am not sure that the President could relay the reorganization plans. I do like the idea of creating some sort of government reform trust, modeled on the Resolution Trust Corporation, to which we would give responsibility for collecting the delinquent taxes, collecting the bad loans, collecting and dealing—liquidating the useless property that we have, and collecting the money from doing so. I mean, we have some cherry-picking that we can do that can yield big dollar returns if we just invest in it and give somebody the authority to do it.

And then we have to actually delay the government. We have to take some things off and streamline the block, if you will.

Mr. WALBERG. Well, let me follow up on that and ask maybe across the panel, if you would care to comment. Does the Constitution and, as one witness in a hearing last week said, the “constitutional niceties”—I disagree with that; I think there is still authority in the Constitution—does that come into play in dealing with the size of government, in your minds?

Mr. LIGHT. Well, I will just quickly say that the Constitution is quite clear that the executive is to faithfully execute the laws. And Hamilton, a particular proponent of a well-functioning government, argued that the jarrings of parties that we see on Capitol Hill, the intense conflict, is important for protecting the public from tyranny, but once the laws are passed, the President is to execute—period, end of story.

And the President has authorities, properly checked by this institution. And we can figure out ways to get this done and get it done in a timely fashion without wasting this opportunity that we have. We can figure this out. You are capable of doing it, and you have done it already. So, I mean, I think it is possible.

Mr. DESJARLAIS. The gentleman’s time has expired.

Mr. BLAIR. One comment I would have on that is that we don’t—it would be interesting to see what our Founders would think about our Federal Government today. And to that end, and maybe in some shameless self-promotion—

Mr. WALBERG. As long as we had an EMT close to them.

Mr. BLAIR. What I was going to mention is that—and this may be shameless self-promotion on the part of the Academy, but we are going to be looking at hosting a seminar on this in a couple months. And we are looking at what The Federalist Papers and others said at the time of the Founders and looking and comparing and contrasting that today. So I think that will be a good debate, and I think that I will be able to more fully answer your question after hearing from our panelists on that.

But we have a very fundamental problem today, that we can’t deliver—or we have a hard time delivering on the products and services that government is supposed to be delivering on. And we are not doing it as efficiently and effectively as we have to. We have

a pending sequestration that is hanging over everyone's heads, and something needs to be done.

And it is going to take leadership. It is going to take executive leadership, congressional leadership, working together and working across the aisle. But if it is done by one side or the other side, or it is done to the other side, you are not going to build together that critical mass that is necessary to shepherd those reforms through.

We can look back through history, like, over the last 10 to 15 years and seeing reforms, if it has not been in personnel, in health care, et cetera, that didn't have that strong bipartisan, bicameral support. And if you don't have that, when the sides switch, where are the promoters and where are the people who are the stakeholders in that?

And so, what I would urge this committee—this committee is poised and primed to serve that function, to come up with a plan to—maybe not the plan itself, but to direct an organization or to come up with the parameters for what a reorganized Federal Government should look like. Your counterpart in the Senate is equipped to do the same thing, and you are at a point in history when this can be done.

And the American people are depending on you. They are depending on the Congress; they are depending on the executive branch. They want to see everyone join together at least to do what is good and in the best interests of the American people. And so, to that effect, I think that this committee has a rare opportunity to make that happen.

Mr. WALBERG. Thank you.

And thank you, Mr. Chairman.

Mr. DESJARLAIS. I thank the gentleman.

The chair now recognizes the gentlelady from the District of Columbia, Ms. Norton, for 5 minutes.

Ms. NORTON. Thank you very much, Mr. Chairman.

I would like to take a stab at building on the violent agreement among you to see if we can model it for this committee. Often, there is needless division in this committee, and I wonder if this might not be the time, when I listen to your testimony, to draw out something of what the committee has done with what the President proposes to do.

And, by the way, watch out for your looking at the Framers. The Framers were so wise. The Framers knew what they didn't know and what they did know. And one thing the Framers could not have envisioned is a global economy, the Industrial Revolution, and the technical revolution that we are trying to go through. So the last thing they did was to try to reorganize the government. That is up to us.

The committee has voted to reduce the size of government—I am not sure where this has gone in the House floor—by 2015 by 10 percent, some across-the-board figure. Now the President now wants to reorganize the government.

My only experience with this kind of massive reorganization comes from having served on the board of three Fortune 500 companies. And I must tell you that it is only out of that experience that I can counter my inherent hostility to fast-track. Because I can tell you that no CEO in a Fortune 500 company would have

done anything but put the plan before the board of directors and that is it. And what the President faces, it is 400 CEOs, or 400 and some CEOs, that want to get into the act of reorganizing the government. So I guess that drives him to fast-track, and we always hate it.

But let me tell you what has already happened. For decades now, we have had a base closure commission. And look, I have lost—I have lost a base. They have another one coming up. We hate it. They survive. This very committee has just approved a BRAC-type bill to allow for the consolidation and disposal of property. A bill from another committee, a similar bill, went to the floor last week, BRAC-type, civilian BRAC-type bill for agencies so you can dispose of or consolidate some of this excess property held by a number of agencies, passed in the House. Okay.

So what we have before us now is—the committee uses the word “obesity,” meaning some are concerned with the number of employees, despite figures showing a quite remarkable and steady decline in the number of employees. When you listen to Senator Warner’s testimony, it suggests that our problem has not been so much people as duplication of programs. Indeed, Senator Warner himself, in listing his examples, didn’t point to agencies, he pointed to programs: This one does, you know, this for the poor children, and so does that one, and there are 10 agencies that do it.

So my question is, with Members of Congress wanting to reduce the Federal workforce further right now and with the President wanting to reorganize the workforce, isn’t this a time to bring the two together, rationally, so that, for example, instead of a 10 percent cut across the board, you may with reorganization eliminate whole programs altogether and therefore accomplish what you want perhaps with the same amount of funding in a more rational way?

I think you, Dr. Light, talked about streamlining and layering. Well, you don’t do either with a 10 percent across-the-board cut. You do what happened when I was at the Equal Employment Opportunity Commission, when I was chair. You know, we did the attrition and so forth, but if there were too few lawyers, we would have to fill those positions anyway because they were vital to what the agency did.

So I would like to know whether you—I would like to hear from all four of you—whether you think the President’s desire to reorganize and the committee’s desire to cut employees in fact could come together if the President were given this authority, which I hate? I am trying to fight against my own bias to find what is the right way to go.

Mr. LIGHT. First of all, it is a delight to be back testifying before you. It is nice to see you again.

But let me say that I am violently opposed to the attrition-based downsizing. I don’t think it is going to work. And, in fact, oftentimes you hear people who advocate the downsizing—which hits the bottom layer of government with a tsunami force while insulating the higher levels of government from much turnover at all. So we hear people saying, “We ought to cut the workforce,” but, incidentally, PTO has that backlog. And SSA has a backlog. And the Veterans Administration has a backlog. And the backloads grow

and grow and grow because these downsizings—and the Clinton administration did this, too—these downsizings whack off the bottom of government because the quit rates, the separation rates are much higher. And Max Stier has documented the separation rates in the first 5 years of service.

Now, if we start looking at the jobs that the baby boomers are vacating at the middle and higher levels, we can get some reductions in force there. But we should take the dollars, I believe, that we save from those reductions in force and hire more people on the front line. You might end up with—

Ms. NORTON. Well, can you do that without reorganization?

Mr. LIGHT. You can do it without reorganization, but it is a multiplier effect on reorganization. You might end up with the same number of Federal employees, but they would be at a different level and there would be a different cost. You would have more inspectors, you would have more disability review, you would have more people looking at those patent and trademark applications. You would have a better-working government. And you wouldn't have do it through an attrition-based downsizing that would reduce the number of people who are actually delivering the goods and services.

I understand the point of the effort, but I don't think it works the way people think it will.

Mr. DESJARLAIS. The gentlelady's time has expired.

The chair will now recognize himself for 5 minutes.

Mr. Light, you proposed a \$1 trillion cut in Federal spending last July, and there are a lot of areas that you cut from. Can you focus for a minute on why the Federal management has 18 layers of, I guess, management and you would like to reduce that number to 6? Why does the government currently have so many management layers? And how does that impact its efficiency?

Mr. LIGHT. The management layers exist for a simple reason: The Federal Government pays exactly no price for creating new layers. Every business in America pays a price—in lost productivity, lost clarity of communication—when it creates a new layer of management. So does Congress, which has created more and more layers, and the Office of Management and Budget and so forth, and universities. You want to see a paragon of layering? You ought to take a look at university hierarchies.

It is when you pay a price for creating a layer that you reduce the creation of layers. That is it. And we have allowed them to be established, and we allowed them to spread. I counted 64 layers between the top of the departments, on average, and the bottom of just the administrator compartment. I mean, it is because we don't pay a price for it.

And we have used it during pay freezes, and we have used it during hiring freezes; we have used the creation of layers to get our people moved up. It is often by accident, and we just don't do much about it.

Mr. DESJARLAIS. Do you know what the total number of Federal employees are—the private contractors, Federal employees like ourselves, postal, veterans? Do you know what the total number is?

Mr. LIGHT. The estimated number I would use is 14 million.

Mr. DESJARLAIS. Fourteen million?

Mr. LIGHT. And that includes some number—I mean, that includes the contractors, the military, the Postal Service, the quasi-government—you know, the full-time-equivalent Feds, the full-time-equivalent contractors.

Mr. DESJARLAIS. I think Chairman Issa asked Senator Warner, what would be the ideal workforce, and he gave an answer that, you know, seems acceptable: Whatever is appropriate to do a good job. And I think he went on to say we don't really even know how many people work for us. And that is a problem.

I ran a medical practice for 20 years, and I have had from four to five employees, and I can say down to probably 15 minutes a day I know what each one of those employees does. And the Federal Government, when we don't even know what these people are doing, that seems like a big problem.

And a good example, this year on our MRA accounts for all of the Members, we were tasked with reducing that number by 5 percent in 2011, and in 2012 we are tasked with reducing that by 6 percent. So we have seen a 10 percent cut in 2 years. And the reason we are successful at getting that done is because I was told when I came to Congress that I had this budget to manage my staff and if I went over budget that money came out of my pocket. So guess what? We are meeting those levels.

How can we transform that into a bigger approach with government and get better accountability?

Mr. LIGHT. Well, I mean, we know everything possible about Federal employees once they are on the payroll, almost to their shoe size. We know nothing about the number of contract employees.

Every time I roll out these estimates, which are pretty solid, but, you know, they are estimates, the service contractor association says, you know, these are terrible estimates, they are just estimates, they are overblown. And I will always say back to them—I get phone calls from my colleague over there, and I will always say back, you know, Stan, that is a good point, but what is your number? And he will say, we don't have one, and we don't want to get one, and we don't have to get one; we don't have to tell you how many people we employ.

So we do not extract from the contract community or the grant community any data on what gets paid. The Project on Government Oversight just released a report comparing contract costs by job classification code in the contractor community, the private sector, and the Federal community. And Feds are overpaid somewhat in many categories to private employees and——

Mr. DESJARLAIS. Is it like 70,000 to 50,000, on average? Is that the gap between Federal and private——

Mr. LIGHT. But when you go to the contractor community, the contractors are vastly overpaid compared to the Federal employees.

Mr. DESJARLAIS. Okay.

One other point. I think I have heard from Ed and Workforce—we had a hearing, and 98.5 percent of government employees are retained once they join the government workforce. Have you ever heard of that type of retention rate of employees in any other private-sector industry?

Mr. LIGHT. You know, the turnover rate has to be somewhere between 0 and 5 percent to get that fresh blood. I mean, I would rely on Max here, my colleague Max, to give you something on that.

Mr. DESJARLAIS. Okay. Actually, I did want to get to some of your thoughts on the unpaid tax liability that the IRS has identified, about \$300 billion per year, but my time has expired.

And so I will yield to the ranking member, the gentleman from Maryland, Mr. Cummings, for 5 minutes.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Dr. Light, you just said something that was very interesting. You said the contractors are paid more than the Federal employees. Is that right?

Mr. LIGHT. Absolutely correct, according to the Project on Government Oversight. In 33 of the 34 job classifications they studied—I think it was 34—contractors were overpaid—not overpaid—were paid more. You know, I shouldn't have let that word slip.

Mr. CUMMINGS. And the Federal Government is spending over \$500 billion on Federal contracts. We keep hearing about proposals to cut Federal employees. However, you recommended in your testimony that the acquisition workforce should be increased to strengthen oversight.

Now, why is it so important to increase the number of employees focused on acquisition oversight?

Mr. LIGHT. We need to know what is happening out there in that 40 percent of contracts that are sole-sourced, noncompeted. We have a vast increase in the number of bundled contracts, which are nests of contractors, sub and sub and sub. We don't know what is going on in there. And the acquisition workforce has remained pretty steady, a little bit lower now, at sort of low-60,000s since 1990.

We just got to take a look inside those nests, those sole-source contracts. That is what the Shays Commission has done on Iraq wartime contracting. I mean, you start looking inside these nests and you see these conflicts of interest and problems monitoring what is going on.

We have to have more people with the skills—and this goes to Max Stier's point. We have to have a stronger acquisitions workforce. And we cannot rely on contractors to write our RFPs, which happens in many agencies.

Mr. CUMMINGS. Well, you know, we had an experience with that with the Coast Guard. The Coast Guard in the Deepwater project, they had the private contractors pretty much write the contract.

Mr. LIGHT. Right.

Mr. CUMMINGS. And we now have sitting in Baltimore eight ships that they bought, pretty much, that don't float, because they did not have a decent acquisitions department. So they left it up to the private contractors. And they were buying radar systems that were supposed to cover 360 degrees that covered 180 degrees. That is what the private—and we lost millions upon millions of dollars in that Deepwater project.

Mr. LIGHT. Well, we have primes on some of these bundled contractors that are subs to other primes on other contracts, who are subs on their contracts. You see what I mean?

Mr. CUMMINGS. Yeah.

Mr. LIGHT. I mean, we have, like, this nest of potential conflict of interest across the contract community, but we can't see it. It is not transparent at all.

Mr. CUMMINGS. So it is so big that we are—it is like a monster that we can't control. But yet and still, we are letting go a lot of Federal employees.

And it seems like a lot of people why this impression that these Federal employees are making a whole, whole lot of money. And a lot of them work right here on the Hill, and they are not making but so much money. But yet and still, we are chopping and freezing their pay. It is very interesting.

Mr. LIGHT. Well, I don't want to help you set your oversight agenda, but we ought to take a look at the implementation of the Service Contractor Act of 1965 in terms of what the bottom level of the contractor industry is paying its workers. They are supposed to be paying a small premium for health insurance and other benefits if they are not providing those directly. And there is absolutely no evidence that that goes on.

I mean, we just need to understand more about what we are spending. Could we use fewer contract employees? We can't answer the question until we know how many there are.

Mr. CUMMINGS. So let me make sure I understand what you just alluded to. And I know you didn't come to a conclusion; you sort of put it out there as a question. But are you thinking that one of the questions that needs to be asked is, when these contracts are then awarded to the private contractors, work that would have normally been done by Federal workers, and they are supposedly for a lower amount, I guess, but in the end a lot of times the benefits that would flow to the employees of those contractors are not at all comparable to what they would get as a Federal employee. Is that—

Mr. LIGHT. Right. Right. What happens is that we save money on the frontline delivery in the short term, but we have an intergenerational cost transfer 30, 40 years down the line. If you take in a worker at 22 and do not provide a compensation package, you do not provide any kind of pension support, 40, 50 years later they are going to come back to us for Supplemental Security Income. The cost of not providing compensation at the bottom of the contract workforce eventually catches up to us. And, of course, the spread between the top and the bottom is also something worth looking at.

We increased the—this committee led the effort to increase the President's salary to \$400,000 starting in 2001. And we thought that might lift the top of the Federal salary structure to eliminate compensation for the SES. It did a little. But we still have work to do on that to see what the spreads are across the sectors.

Mr. CUMMINGS. I see my time is up. Thank you.

Chairman ISSA. Thank you.

I am just going to do a very quick follow-up. And, Dr. Light, I am not sure I understand the whole idea that if you pay less now, you are automatically going to have this tail. That would beg the idea that Greece had the right idea lock, stock, and barrel, that, you know, a job for life and guaranteed retirement at 50 and so on is the right answer.

Mr. LIGHT. That is a good point.

Chairman ISSA. But I won't go there.

I will go to one area, because this committee—Mr. Cummings is on both—but this committee looked deeply into Deepwater, and what we found was that the Navy had all the assets necessary to deliver those eight ships properly. And a classic example—and I would like your comment on it—was the Coast Guard didn't know how to build major ships at sea, the Navy does it for a living, the Coast Guard decided to do it itself without the resources.

So my question to you is, rather than say you have to develop the Coast Guard to have the ability to build what is essentially identical ships to what the Navy builds every day, how do we change government so that, quite frankly, the Coast Guard gets told, "Sorry, you are just not the best to buy your own ship in this case; we will give you a seat at the table, but the Navy is going to procure it"? How do we make that change to where that same dumb contract doesn't happen again that gives us ships that break in half in less than 20 years?

Mr. Stier, you look like you are anxious to answer.

Mr. STIER. Yeah, I think that it is a great question, and I am quite interested in what Dr. Light is going to respond.

I will throw in one thought, and that is that my view is that if we increase mobility amongst the leadership in government, that would actually help address—not fully address, but it would help address—the issue you are describing.

Chairman ISSA. Goldwater-Nichols for the nondefense area.

Mr. STIER. Absolutely. And, frankly, with DOD, there is a lot of expertise in DOD. Goldwater-Nichols has worked quite substantially to increase integration across the services, but you don't see a lot of integrations with DOD and the civilian agencies. And, frankly—

Chairman ISSA. Or even DOD civilians.

Mr. STIER. That is correct, absolutely. And, you know, it is 92 percent of the SES come from within government, four out of five from within the same agency. Once they are actually in the SES, only 8 percent move agencies. We are putting out a report on this at the end of the month.

I think if you move people around, you create relationships, you have people understand that there is knowledge in other places and they know who to call. And that is the kind of thing that I think would have dramatic impact.

Chairman ISSA. So I see general consensus on that.

Let me follow up with one more thing. This committee is very partisan sometimes on the Federal workforce. I came out of San Diego, California, where we had a formal commission process for outsourcing versus in-sourcing. We had a system in which you could in-source if you could prove you could do it cheaper. You could keep a contract if you could prove that you were nearly competitive to an outsource, et cetera, et cetera.

Do we need to have a refinement in that type of analysis so that, in fact, the Federal workforce broadly would essentially get the right to—if they could beat the full-time equivalent of a contractor and provide the same flexibility, they could, in a sense, bid for it, so that we wouldn't have this big question of, are we paying for an

outsource greater—and I appreciate, Dr. Light, your concept on the paying less, but in some cases we pay more. The best example that I see every day is what we are paying—or know of every day—right now in Iraq, the people who replaced our men and women in uniform are costing us three and four times as much as the uniformed people they replaced. And I mean not just—I mean, you know, it is a quarter of a million dollars per security person. And no matter how you load our active-duty military, you don't get to that number.

Is there a responsibility and a possibility that we could create the kind of flexibility so the question of what we used to call “bill or buy” in the private sector, but “bill or buy” in the sense of refining the Federal workforce? And if we do so, do we need to have a level of flexibility of the Federal workforce that goes with that?

And I would go right down the line.

Mr. LIGHT. San Diego was also a pioneer in public nonprofit and private competition on the welfare front. You know, very celebrated experiment out there.

What we really have to do, I think, is take a good, hard look at Budget Circular A-76, which defines the basic terms for contracting out. It was revised—when?

Mr. SHEA. In 2003 it was revised.

Mr. LIGHT. I think we really need to take a good, hard look at how it has been implemented and how we define this term and—

Chairman ISSA. So after we determined that it failed, because we saw outsourcing for greater cost under President Bush at times, clearly—

Mr. LIGHT. Right.

Chairman ISSA. —and now we see in-sourcing in which they tap the contractor employee on the shoulder and say, we are going to be in-sourcing, would you like a pay raise?

I mean, we have clearly had an ignoring of these kinds of considerations under both—at least the two Presidents I have served under.

Mr. LIGHT. Correct.

Chairman ISSA. Mr. Blair?

Mr. BLAIR. What I was going to interject—

Chairman ISSA. So much for briefly, by the way, but, please. That was my last question.

Mr. BLAIR. It is really the question of what is inherently governmental. And if the job is inherently governmental, it should not be contracted out. And if the job is not inherently governmental, then there is a fair question of why would you have a Federal employee performing that function when it is not inherently governmental. So maybe the more fundamental issue—

Chairman ISSA. Isn't the answer the lowest-cost delivery of what the government has determined shall be delivered on behalf of the government? And I say that because the question of “inherently governmental”—I can come up with reasons, for example, that a patent examiner is inherently governmental. On the other hand, I look and say, well, look, if the quality of the patent is properly reviewed and the final decision is a government decision, well, then the government made its inherently governmental decision, which was only the very last step, which was the awarding.

So I can go through and have that argument time and time again, but “inherently governmental” is hard to decide, and we can each have our own. Once you decide the government shall deliver—and San Diego is, Dr. Light, one of my favorite examples. We made a decision that maybe the YMCA was better, maybe Beth Israel was better. We went through whole processes of secular and religious groups. And it was always a question of we, the government, are paying for it, we take responsibility, and we want the highest quality delivered at the best value, if you will, not just price. And that concept allowed us to flow in and out and, by the way, take away contracts even from the most sympathetic groups if they weren’t delivering the best value.

How do we get to defining that, not with a circular, but with something that we can then check and recheck and recheck? Because otherwise, how do we reduce the total cost of delivery and, in fact, guarantee that quality, fully-paid-for service is delivered?

Mr. Shea?

And I thank the ranking member. I know this has gone longer than I planned.

Mr. SHEA. Yes, sir. During the Bush administration, we had a program called competitive sourcing, with which you are familiar.

Chairman ISSA. Right.

Mr. SHEA. It was governed by A-76. A-76 sets as a target the completion of a competition within 2 to 4 years. So in a bureaucracy, that is a goal. You want to shoot for that 4 years. So they were all more complicated and time-consuming than you wanted them to be.

But the vast majority of these competitions resulted in a victory by the in-house employees. But a majority of cases, you perform the same function more professionally and with a smaller workforce. Now—

Chairman ISSA. Right. In other words, it caused the Federal workforce to reconcile their own shortcomings and get better.

Mr. SHEA. Absolutely. I will never forget the looks on the faces of employees when we concluded a competition at OMB. We were going to get more professional staff while this function we were studying was going to get more professional but smaller. And folks who generally opposed this were delighted at the outcome.

That suggests that we could have done a much better job communicating it on the front end, because it does impact morale when you are going into this. We learned a lot from that process that I think would benefit future similar efforts.

Chairman ISSA. Mr. Stier, you have the last word.

Mr. STIER. I was just going to say thank you.

Chairman ISSA. You are most welcome.

The ranking member is recognized.

Mr. CUMMINGS. Just to follow up on the chairman’s questions, Mr. Shea, when you were talking about the comparisons between the government and private contractors, where does the piece that I was talking to Dr. Light about—let’s say, for example, we have a private contractor that is offering X benefits and those benefits don’t, say, even compare to what the government is offering, how does that play into that? Do you follow me?

Mr. SHEA. Yes—

Mr. CUMMINGS. It is certainly going to be cheaper. I mean, you would figure it would be cheaper if—because I get complaints from people in my district who say that they are sitting next to people who may be under a contract doing basically the same work but in some instances not getting the benefits that they are getting.

Do you follow me?

Mr. SHEA. Let me just say that I am very proud of the benefits we offer our employees at Grant Thornton.

And I think—I am not sure—

Mr. CUMMINGS. I mean, in other words, how do you—

Mr. SHEA. How do you do an apples-to-apples comparison?

Mr. CUMMINGS. That is right. That is exactly right.

Mr. SHEA. And I am not sure exactly the parameters of A-76 in that regard. But I think, within some limitations, what you are saying is, the full cost of the government and the bill the government pays a contractor. And I think there are some requirements that Dr. Light mentioned about minimum benefits you pay, but I think generally that is taken into account when you are looking at the bottom-line cost that the government is paying the contractor versus the fully loaded cost that you are paying an employee.

And that is what takes the time, frankly, in the competitions. You are trying to make sure that the cost estimates of each, the in-house team and the contractor, are fairly compared.

Mr. CUMMINGS. Uh-huh.

Mr. Stier, did you have a comment on that?

Mr. STIER. I would just add that it is also, I think, important to look at the cost also of the acquisition process. And one of the—and I say this with some hesitation only because I haven't been able to verify the data. But I was told just yesterday by somebody in the IT world that the average cost of the acquisition in the government was somewhere in the neighborhood of 50 percent of the total cost of the package, including implementation, in the government space, in the public-sector space; whereas a reasonable average in the private sector was around 12 percent or 12 1/2 percent.

And I think that, again, if we are looking at cost savings, it is not simply—we have to look at the process itself and the direct costs that are associated there. But, frankly, we also do a very poor job of engaging the contractor community in helping identify the right design according to clear requirements.

So there is a complex set of issues that, if you are trying to really take this on, I think are worth examining, in which I do believe that there are enormous efficiencies that are available to us.

And the last piece I would say, we are missing inside government not just the acquisition workforce folks that we need, but—Mr. Chairman, to your point, at the end of the day, what we look for in our government is the ultimate oversight to say that the public good is being looked after in the appropriate fashion. We don't have the right talent today internally to make those decisions, and that is a real problem.

Mr. CUMMINGS. And how do you suggest we have it?

Mr. STIER. And I am cognizant of the fact that I am using up your time.

I think the starting point really is understanding what our priorities are, because, again, I think there isn't clarity associated with

that, and then examining what critical skills that we actually need to achieve those priorities. And this is something that I think needs to take place not just within agencies but holistically as well. But it is a real challenge.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Chairman ISSA. Thank you.

And I want to thank all of our witnesses. And as I said in the beginning, as your thoughts go on for the next several days, we will hold the record open for 5 days so that you can, as we like to say, revise and extend.

Chairman ISSA. And, with that, we stand adjourned.

[Whereupon, at 11:45 a.m., the committee was adjourned.]

Article that Ranking Member Cummings will ask to have introduced into the record:

Washington Post Federal Diary: Government continues to shrink, despite 'obesity problem' rhetoric

By Joe Davidson, Published: February 14

On Wednesday morning the House Committee on Oversight and Government Reform will hold a hearing that's designed to examine what the majority Republicans call "the federal government's obesity problem."

If Republicans want a petite government, they should applaud the direction the federal workforce is heading.

The government "needs to recognize that in today's technological world, it can do more with fewer people," Rep. Dennis A. Ross (R-Fla.), chairman of the House federal workforce subcommittee, said after the Obama administration released its budget on Monday. Ross's clear implication: President Obama is doing the opposite.

Yet, Uncle Sam already is serving more with less and has been slimming his workforce, compared to the country's population, at a rate that would make Jenny Craig jealous.

"The size of the Federal civilian workforce relative to the country's population has declined dramatically over the last several decades, notwithstanding occasional upticks due, for example, to military conflicts and the enumeration of the Census," says "Improving the Federal Workforce," a chapter in the administration's fiscal year 2013 budget documents.

Consider these budget statistics:

- "In the 1950s and 1960s, there were on average 92 residents for every Federal worker.
- "In the 1980s and 1990s, there were on average 106 residents for every Federal worker.
- "By 2011, the ratio had increased to 145 residents for every Federal worker.
- "Since the 1950s and 1960s, the U.S. population increased by 76 percent, the private sector workforce surged 133 percent, while the size of the Federal workforce rose just 11 percent."

This means each worker today serves far more people than at any period since the 1950s. To put it in perspective, the budget says: "Relative to the private sector, the Federal workforce is less than half the size it was back in the 1950s and 1960s. The picture that emerges is one of a Federal civilian workforce whose size has significantly shrunk compared to the size of the overall U.S. population, the private sector workforce and the size of Federal expenditures."

And data in the budget indicate in absolute numbers that the workforce is almost flat, if not shrinking. The executive branch civilian employment figure hit 2,127,900 in 2010 and is projected to fall to 2,110,000 in 2013. That, however, would be a tiny increase over 2011 and

2012. These figures are in the same neighborhood as those for the workforce under President Reagan, whom Republicans repeatedly cite as the hero of small government. At its peak, the Reagan workforce reached 2,252,000, which remains the highest since the Vietnam War, according to White House data. Obama can't match those numbers. (None of the figures include the Postal Service.)

It's also worth noting that the growth in recent years came largely in security-related agencies following the Sept. 11, 2001, terrorist attacks.

"Between 2001 and 2011, security agency employment grew, while non-security employment declined," the budget document says. "For example, civilians working for the Department of the Army grew by more than 60,000, with a similar level of increase in people working for the Veterans Health Administration. Customs and Border Protection also grew more than 30,000 to keep our citizens safe at home."

Among those scheduled to testify at Wednesday's hearing is Sen. Ronald H. Johnson (R-Wis.), the top Republican on the Senate's federal workforce subcommittee. In September, he introduced legislation that would cut the federal workforce by 10 percent by 2015. Johnson wants the government to hire one worker for every three that leave. In November, the House committee approved a bill, sponsored by Rep. Mick Mulvaney (R-S.C.), that would do the same thing.

"If we're ever to have any hope of reining in the size, scope and cost of government, we need to look at the size of the federal workforce," Johnson said when he introduced his bill.

Republicans may sneer at the suggestion, but the Obama administration says it has been doing just that.

The budget cites "aggressive actions" to reduce staff: "Some agencies have imposed hiring freezes, others are using replacement ratios to allow fewer hires than separations, and many are offering early retirement and separation incentives. Across the Government, agencies are embracing a variety of workforce reduction tools to bring their personnel levels down."

While this push to cut the workforce in the face of real budget problems is understandable, no one ever talks about the impact working with fewer people could have on government services. Every proposal to cut the workforce should have a service impact statement. Maybe the public would decide they don't need so many services.

Maybe they would decide good, effective government is worth the cost.

Previous columns by Joe Davidson are available at wapo.st/JoeDavidson. Follow the Federal Diary on Twitter: [@JoeDavidsonWP](https://twitter.com/JoeDavidsonWP)

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Opening Statement

Rep. Elijah E. Cummings, Ranking Member

Hearing on "Why Reshuffling Government Agencies Won't Solve the Federal Government's Obesity Problem"

February 15, 2012

I would like to welcome all of our distinguished witnesses here today. Let me thank the Chairman for agreeing to my request to invite Senator Warner, who has been a champion of government reform efforts for many years, both as Governor of Virginia and now as head of the Senate Budget Committee's Task Force on Government Performance.

I would also like to thank the Chairman for agreeing to my request to invite our witness on the second panel, Max Stier, the President and CEO of the Partnership for Public Service, which issued a very good report on government efficiency issues last year.

Now, on the topic of today's hearing, I confess I am a little confused. The hearing title suggests that the federal government has an "obesity problem" that somehow caused the nation's budget deficit. But according to economists and financial experts, the most significant causes of the federal deficit are (1) the Bush-era tax cuts for the wealthy, (2) the wars in Iraq and Afghanistan, and (3) the fallout from the 2008 financial crisis. Unfortunately, we will not be addressing any of these issues today.

The hearing title also refers to a recent proposal by the President to reorganize and consolidate a number of our nation's trade agencies into a single department that will be more effective and save billions of dollars in the process. Unfortunately, we will not be addressing the details of this proposal today either.

Instead, today's hearing appears to be a survey of proposals to reduce the size of government and cut the pay and benefits of federal employees, without focusing on the negative impacts of these proposals on core services that the American people depend on.

I think it is safe to say that every Member of this Committee, and this Congress, agrees that the federal government can and should work better. We should always strive to ensure that agencies work more effectively and efficiently on behalf of the American taxpayers. Our differences come in figuring out how we get there.

I do not believe the way to reform government is to attack millions of middle-class workers who are already contributing \$60 billion toward deficit reduction as a result of the existing two-year pay freeze. Yet, the House is scheduled to vote this week on a bill approved by this Committee that would take an additional \$44 billion out of their pockets by slashing existing pension benefits for new, current, and retiring federal workers.

This is the wrong approach. We should not try to solve our budget problems on the backs of middle-class federal workers while we refuse to ask the wealthiest Americans to contribute even a penny toward these goals.

Instead, we should reform government by cutting waste. For example, there are billions of dollars waiting to be saved through contracting reform. The Commission on Wartime Contracting identified between \$31 billion and \$60 billion in waste in U.S. contingency contracting in Iraq and Afghanistan. And Congressman Tierney has introduced a bill to enact one of the Commission's recommendations by creating a Special Inspector General for Overseas Contingency Operations.

Congress should also promote greater competition in federal contracts. Federal agencies awarded about \$170 billion in noncompetitive contracts in 2009 alone.

The Administration is also taking a number of actions, such as improving agency systems to reduce improper payments by the federal government by \$50 billion by the end of this year.

One key tool that we already have in place is the GPRA Modernization Act. On the House side, this new law came out of this Committee, and it was signed by the President on January 4, 2011. It requires the Administration to develop cross-cutting agency priority goals and to track progress toward meeting those goals.

I know Senator Warner was one of the biggest proponents of this law on the Senate side, and I understand he has been pressing the Administration to fulfill each and every provision of the new law. I look forward to hearing his testimony, as well as the testimony of Senator Johnson and all of our witnesses who are here today.

Thank you, Mr. Chairman.

