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HUMAN CAPITAL PLANNING: EXPLORING THE NATIONAL COMMISSION ON THE PUBLIC SERVICE'S RECOMMENDATIONS FOR REORGANIZING THE FEDERAL GOVERNMENT

HEARING

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE
AND AGENCY ORGANIZATION

OF THE

COMMITTEE ON
GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

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CONTENTS

	Page
Hearing held on September 17, 2003	1
Statement of:	
Johnson, Clay, III, Deputy Director for Management, Office of Management and Budget	41
Volcker, Paul A., chairman, National Commission on the Public Service	47
Walker, David M., Comptroller General, U.S. General Accounting Office	9
Letters, statements, etc., submitted for the record by:	
Davis, Hon. Danny K., a Representative in Congress from the State of Illinois, prepared statement of	8
Davis, Hon. Jo Ann, a Representative in Congress from the State of Virginia, prepared statement of	4
Johnson, Clay, III, Deputy Director for Management, Office of Management and Budget, prepared statement of	43
Volcker, Paul A., chairman, National Commission on the Public Service, prepared statement of	49
Walker, David M., Comptroller General, U.S. General Accounting Office, prepared statement of	12

HUMAN CAPITAL PLANNING: EXPLORING THE NATIONAL COMMISSION ON THE PUBLIC SERVICE'S RECOMMENDATIONS FOR REORGANIZING THE FEDERAL GOVERNMENT

WEDNESDAY, SEPTEMBER 17, 2003

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:13 p.m., in room 2154, Rayburn House Office Building, Hon. Jo Ann Davis (chairman of the subcommittee) presiding.

Present: Representatives Davis of Virginia, Tim Murphy, Davis of Illinois, Van Hollen, and Delegate Norton.

Staff present: Ron Martinson, staff director; B. Chad Bungard, deputy staff director and senior counsel; Vaughn Murphy, legislative counsel; Chris Barkley, legislative assistant clerk; John Landers, OPM detailee; Michelle Ash, minority counsel; Tania Shand, minority professional staff member; and Teresa Coufal, minority assistant clerk.

Mrs. DAVIS OF VIRGINIA. A quorum being present, the Subcommittee on Civil Service and Agency Organization will come to order. We are going to go ahead and start the hearing even though our witnesses are not here yet. They are on their way. However, we are expected to have a series of votes starting here within the next 15 minutes, so for the sake of time, we are going to go ahead and begin with opening statements.

I want to thank you for being here for such an important hearing. Many of our hearings this year have touched on items presented in the Volcker Commission report. This one is going to look at an interesting point the Commission made that is easily overlooked, the connection between government reorganization and employee performance, and enhancing mission coherence and clarifying the roles of Federal agencies throughout the executive branch.

One of the reasons that I came to Congress was to eliminate unnecessary spending, redundant programs, and other problems that waste the taxpayers' money. I believe there is a great deal of money to be saved by improving the performance of our government. I am not anti-government. I do, after all, chair the Civil Service Subcommittee, and I believe that my record demonstrates my strong support for Federal employees, for military personnel,

and for retirees. But that does not mean that I am unable to see any flaws in our government.

Something is wrong with the way the Federal Government is organized when the Department of Agriculture is charged with inspecting pepperoni pizzas and the Food and Drug Administration is charged with inspecting cheese pizzas. There are at least 12 different agencies responsible for administering more than 35 food safety laws. Such nonsensical, fragmented responsibility leads to gaps, inconsistencies, ineffective Government oversight, and an unacceptable level of protection of the public. When I read the Volcker report and see many such examples of potentially overlapping and redundant programs, it makes me seriously question whether our limited resources are being used most effectively.

Such organizational chaos is the reason that I recently introduced H.R. 2743, the Government Accountability and Streamlining Act, which will help prevent the creation of redundant or duplicative Federal programs by requiring the General Accounting Office to review all legislation before a final vote in the House or Senate to determine if new government programs would be created by the legislation.

Today, we are going to hear from three outstanding witnesses—and I am sorry they are not here to hear me say that: Paul Volcker, chairman, National Commission on the Public Service; Clay Johnson, Deputy Director of the Office of Management and Budget; and Comptroller General David Walker. Mr. Walker has just concluded an appearance at the National Press Club in which he outlined many of the pressures that are bearing down on the Federal Government's limited resources. I see Mr. Walker's speech as a call to arms, a warning that unless we dramatically change the way that we do business, the Federal Government is going to be in dire straits very soon.

When we talk about reducing or eliminating redundancies, we must also look at reorganization. The heart of the Volcker report is its suggestion to realign the executive branch into a limited number of mission-based departments. Very obviously, this could result in elimination of redundant or overlapping functions; but just as importantly, it would serve to reinvigorate the Civil Service.

Federal human capital planning, getting the best employees to come to work for the Federal Government, keeping them in public service, and getting the most production out of them begins not with any small changes to personnel practices, but with a complete reorganization of the Government into a limited number of mission-based departments. According to the Volcker Commission report, reorganization is the first and most critical step in improving the performance of Federal civil servants.

The structure of the Federal Government is often the result of department-level decisionmaking without governmentwide coordination. Consequently, Federal civil servants have difficulty in fully comprehending an agency's mission and coordinating with other agencies. Reorganizing along mission-oriented goals will allow the Government to get the most productivity out of Federal civil servants and provide employees with a greater sense of purpose.

Allow me to read a few excerpts from the Volcker Commission report, "the simple reality is that Federal public servants are con-

strained by their organizational environment. Changes in Federal personnel systems will have limited impact if they are not accompanied by significant change in the operating structure of the executive branch."

"The reorganization we recommend here will require significant improvements in the quality of top executives, in the management or operating units, and in the ability of agencies to meet their unique staffing needs. There is extensive evidence now of duplication, overlap, and gaps in many critical functions. This pattern consistently undermines effective government performance."

To facilitate reorganization, the Volcker Commission suggested reestablishing the President's fast-track authority to recommend structural reorganization of Federal agencies and departments. Reorganization authority would give the President, as it has for others dating back to 1932, the power to propose organizational changes to Federal agencies and require Congress to disapprove or approve the action without lengthy delays. Between 1953 and 1980, when Presidential reorganization authority was in effect, 65 reorganization plans were submitted to Congress; only 8 were rejected.

We are now in a far different place since 1980. There has been exponential growth in technology, globalization, and the Federal Government. The need to reestablish Presidential reorganization authority is more important now than ever.

As a nation, we simply cannot afford to continue the status quo. The Volcker Commission made an important finding, "the current organization of the Federal Government is not good enough. It is not good enough for the American people, not good enough to meet the extraordinary challenges of the century just beginning, and not good enough for the hundreds of thousands of talented Federal workers who hate the constraints that keep them from serving their country with the full measure of their talents and energy. We must do better, much better, and soon."

It is very clear that reorganizing the Government, revitalizing and improving the performance of the Civil Service, and reducing duplicative and overlapping programs are three pieces of the same large puzzle.

Mr. Walker earlier today made a strong case as to why the time for reorganization and improved operations is now. I look forward to hearing the views of our distinguished guests when they arrive today on this very important matter. I want to thank you all for being here.

And now I would like to recognize the ranking minority member of the subcommittee, Mr. Danny Davis, for his opening statement. And, Danny, we are proceeding on even though our witnesses are not here yet. They are on their way. But we are expected for votes here very shortly.

[The prepared statement of Hon. Jo Ann Davis follows:]

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Chairwoman Jo Ann Davis
Subcommittee on Civil Service and Agency Organization
"Human Capital Planning: Exploring the National Commission on the Public Service's Recommendations for Reorganizing the Federal Government"
Opening Statement
September 17, 2003

Thank you for being here for such an important hearing. Many of our hearings this year have touched on items presented in the Volcker Commission Report. This one is going to look at an interesting point the Commission made that is easily overlooked – the connection between government reorganization and employee performance and enhancing mission coherence and clarifying the roles of federal agencies throughout the executive branch.

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Such organizational chaos is the reason I recently introduced, H.R. 2743, the "Government Accountability and Streamlining Act," which will help prevent the creation of redundant or duplicative federal programs by requiring the General Accounting Office to review all legislation before a final vote in the House or Senate to determine if new government programs would be created by the legislation.

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dramatically change the way we do business, the federal government is going to be in dire straits very soon.

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Allow me to read a few excerpts from the Volcker Commission report:

- "The simple reality is that federal public servants are constrained by their organizational environment. Changes in federal personnel systems will have limited impact if they are not accompanied by significant change in the operating structure of the executive branch."

- "The reorganization we recommend here will require significant improvements in the quality of top executives, in the management or operating units, and in the ability of agencies to meet their unique staffing needs."

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To facilitate reorganization, the Volcker Commission suggested re-establishing the President's "fast-track" authority to recommend structural reorganization of federal agencies and departments. Reorganization authority would give the President, as it has for others dating back to 1932, the power to propose organizational changes to Federal agencies and require Congress to disapprove or approve the action without lengthy delays. Between 1953 and 1980, when Presidential reorganization authority was in effect, 65 reorganization plans were submitted to Congress; only 8 were rejected. We are now in a far different place since 1980. There has been exponential growth in technology, globalization, and the federal government. The need to re-establish Presidential reorganization authority is more important than ever.

As a Nation, we simply cannot afford to continue the status quo. The Volcker Commission made an important finding: "The current organization of the federal government . . . [is] not good enough. [It] is not good enough for the American people, not good enough to meet the extraordinary challenges of the century just beginning, and not good enough for the hundreds of thousands of talented federal workers who hate the constraints that keep them from serving their country with the full measure of their talents and energy. We must do better, much better, and soon."

It is very clear that reorganizing the government, revitalizing and improving the performance of the civil service and reducing duplicative and overlapping programs are three pieces of the same large puzzle. Mr. Walker earlier today made a strong case as to why the time for reorganization and improved operations is now. I look forward to hearing the views of our distinguished guests today on this very important matter. Thank you.

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Mr. DAVIS OF ILLINOIS. All right. Well, thank you very much, Madam Chairwoman. And let me first of all thank you for convening this hearing on the reorganization of the executive branch.

This hearing will be very helpful as we continue to examine how to make the Federal Government more effective and efficient. In April, the full committee held a hearing on reorganizing the government. At that hearing, the Comptroller General, David Walker, stressed that above all else "all segments of the public that must regularly deal with our government—individuals, private sector organizations, States, and local governments—must be confident that the changes that are put in place have been thoroughly considered, and that the decisions made today will make sense tomorrow."

Many experts, like those who will testify before us today, support granting the President's reorganization authority. But what is emerging from these hearings on reforming government is that the "devil is indeed in the details."

I believe that everyone would agree that overlapping and duplicative government programs are problematic. But how much authority should the President be given to reorganize the Federal Government and what role should Congress have in framing the reorganization?

There are numerous models for granting the President's reorganization authority. In 1932, when Congress first granted the President's reorganization authority, the President was permitted to issue an Executive order which went into effect unless Congress acted within 60 days.

In 1984, the last time Congress passed reorganization authority, a joint resolution had to be issued in the House and the Senate. If either body failed to vote on the reorganization plan, it was considered disapproved.

We can learn a lot from the creation of the Department of Homeland Security and the role Congress played in framing that agency. Hopefully, the witnesses before us today will have an opportunity to provide us with specifics on how and why reorganization language should be drafted, and I hope that they will do so.

Again, Madam Chairwoman, I thank you for convening this hearing, and I look forward to the testimony of our witnesses.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Davis.

[The prepared statement of Hon. Danny K. Davis follows:]

STATEMENT OF CONGRESSMAN DANNY K. DAVIS AT THE SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION HEARING ON "HUMAN CAPITAL PLANNING: EXPLORING THE NATIONAL COMMISSION ON THE PUBLIC SERVICE'S RECOMMENDATIONS FOR REORGANIZATING THE FEDERAL GOVERNMENT"

Wednesday, September 17, 2003

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The witnesses before us today have an opportunity to provide us with specifics on how and *why* reorganization language should be drafted, and I hope they will do so. Thank you for taking the time to testify at this hearing. I look forward to your testimony.

Mrs. DAVIS OF VIRGINIA. Our witnesses have now arrived. I will tell you, gentlemen, we started with our opening statements because they have just rung for us to go for a series of votes. So we will be out of here for probably 40 to 45 minutes, and I do apologize for that.

I would like to see if Mr. Cooper, if you have an opening statement you would like to make?

Mr. COOPER. I have no opening statement, Madam Chair.

Mrs. DAVIS OF VIRGINIA. Then I am afraid I am going to have to recess us here for about however long it takes. We have three votes, possibly one with a 10-minute debate. So we may be gone 40, 45 minutes or so. I do apologize.

The hurricane is also headed right through my district and over my house, so I am trying to get out of here as fast as I can to go make sure my horses and my husband and my family are all safe and sound. So if this goes too long—if it doesn't go too long, I will love you guys; if it goes too long, I will turn it over to someone else.

But thank you. We will be back shortly.

[Recess.]

Mrs. DAVIS OF VIRGINIA. I want to thank you all for being patient and waiting. It seems to happen every time we have a hearing.

I ask unanimous consent that all Members have 5 legislative days to submit written statements and questions for the hearing record and that any answers to written questions provided by the witnesses also be included in the record. Without objection, so ordered.

I ask unanimous consent that all exhibits, documents and other materials referred to by Members and the witnesses may be included in the hearing record and that all Members be permitted to revise and extend their remarks. Without objection, it is so ordered.

It is the practice of this committee to administer the oath to all witnesses. So if you all would please stand, I will administer the oath.

[Witnesses sworn.]

Mrs. DAVIS OF VIRGINIA. Let the record reflect that the witnesses have answered in the affirmative and please be seated. Our first witness on this distinguished panel is David Walker, the U.S. Comptroller General from the General Accounting Office. Mr. Walker just arrived from delivering a speech at the National Press Club dealing with the same issues we are considering here today.

The subcommittee is also very fortunate to have two other very distinguished guests, Clay Johnson of the Office of Management and Budget as well as Paul Volcker, chairman of the National Commission on the Public Service. We are very glad to have such expert witnesses here today to discuss these issues.

Mr. Walker, you are recognized first for 5 minutes and feel free to summarize your statement. Your complete statement will be submitted for the record.

STATEMENT OF DAVID M. WALKER, COMPTROLLER GENERAL, U.S. GENERAL ACCOUNTING OFFICE

Mr. WALKER. Thank you, Madam Chair. I will summarize it since you have got the whole statement. I am pleased to have the opportunity to be here. As you alluded to, I just came from the Na-

tional Press Club talking about an array of challenges that the Federal Government faces at the early stage of the 21st century. I think because of those challenges we have both an opportunity and an obligation for the government to fundamentally review and reassess what it's doing, how it's organized, how it does business and in some cases who does its business in the 21st century. I believe part of that has to include the subject of this hearing, which is how it's organized and how it goes about doing business, including important human capital strategies.

On the organization front, I think as we reexamine government's missions, functions and activities, there's an opportunity to reduce, to consolidate, to integrate a number of existing government functions, activities and even departments and agencies in order to improve the flexibility, accountability, economy, efficiency and effectiveness of the Federal Government. My general view is that the fewer number of entities that you have, the better. The less overhead you are going to have and the more flexibility you're going to have, etc.

If I can, I included in my statement a number of examples of where we have a number of redundancies in the Federal Government right now anywhere from meat and poultry inspection to a number of grant programs dealing with first responders to job training programs, etc. I won't go into that. I think that my written statement speaks for itself. I think it's important that as we move forward we recognize that what we're trying to do is to create high performing organizations in government that are focused more on results, positive outcomes for the citizens and that hopefully are working together in partnership to achieve those desired outcomes. Clearly part of this is going to involve a transformation, a cultural transformation of how agencies do business. The center of that will be how they treat their people, what type of people they have, how they end up measuring their performance, how they reward their performance, etc. I have included a number of examples in my testimony.

What we are trying to do at GAO is to lead by example in both the organizational alignment area as well as in strategic planning, human capital and other areas. We, for example, developed a strategic plan in consultation with the Congress. Based on that plan we reorganized our agency. We reduced the layer of management. We reduced the number of organizational entities from 35 to 13. We reduced the number of our field offices from 16 to 11. We redeployed resources both horizontally and focused externally, and enhanced our partnerships within government and outside of government both domestically and internationally with positive outcomes. Much greater results with the same level of FTEs. And I think it can be done in other areas of government as well.

I would also point out in my statement that there are several things that I believe that should be considered as a way to move the ball forward. I think your proposal for a Government Accountability and Streamlining Act of 2003 has conceptual merit. I think we need to look at some modifications to target that. I have some suggestions in my testimony. We need to relook at reinstituting budget controls given our fiscal challenge. We need to consider additional executive reorganization authority, special commissions, as

Chairman Volcker will be talking about, based on the great work that he has done. In addition, enhanced congressional oversight is going to be key. Considering selective application of a chief operating officer or chief management official in selected departments and agencies as well as governmentwide human capital reforms will be important.

In the final analysis Congress has to be able to integrate whatever it has done here in its oversight, authorization and appropriation activities. If there are not consequences for agencies who are not performing, who are not demonstrating results for the resources they are given, if there aren't consequences, then behavior is not going to change. People who are doing the right thing need to be rewarded. People who are not doing the right thing need to be held accountable. With that Madam Chairwoman and Mr. Van Hollen, thank you for the opportunity to be here. I look forward to hearing from my colleagues and would be happy to answer any questions you may have thereafter.

[The prepared statement of Mr. Walker follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of Representatives

For Release on Delivery
Expected at 2:00 p.m. EDT
Wednesday, September 17, 2003

RESULTS-ORIENTED GOVERNMENT

Shaping the Government to Meet 21st Century Challenges

Statement of David M. Walker
Comptroller General of the United States

GAO-03-1168T

September 17, 2003

GAO
Accountability · Integrity · Reliability

Highlights

Highlights of GAO-03-1168T, a report to the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of Representatives

RESULTS-ORIENTED GOVERNMENT

Shaping the Government to Meet 21st Century Challenges

Why GAO Did This Study

GAO has sought to assist the Congress and the executive branch in considering the actions needed to support the transition to a more high-performing, results-oriented, and accountable federal government. At the Subcommittee's request, GAO provided perspectives on the federal government's overall structure and the need for reorganization to improve performance.

What GAO Recommends

We did not make recommendations in this testimony. However, we suggested a range of options that the Congress could use to eliminate redundancy and improve federal operations to meet the challenges the federal government faces at the beginning of the 21st century.

www.gao.gov/cgi-bin/getrpt?GAO-03-1168T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Patricia A. Dalton at (202) 512-6757 or daltonp@gao.gov.

What GAO Found

Through normal evolution and inertia over the years, the United States now has a government that is weighed down by organizations with significant performance and management problems as well as duplicative and overlapping missions and functions. This situation is exacerbated by ways of doing business that, in some cases, are better suited for the beginning of the 20th century than the 21st century. Given the changed circumstances and stark fiscal realities, the nation simply cannot afford unnecessary, redundant, or inefficient organizations, programs, or operations.

Periodic reexamination and reevaluation of federal agencies' activities have never been more important than they are today. The federal government must address and adapt to major trends in the nation and around the world. At the same time, our nation faces serious, long-term fiscal challenges. Fundamental reexamination of federal agencies' roles, functions, and structure is never easy. Reorganizing government can be an immensely complex and politically charged activity. Those who would reorganize government must make their rationale clear and build a consensus for change if proposed reorganizations are to succeed. All key players must be involved in the process—the Congress, the President, affected executive branch agencies, their employees and unions, and other interested parties, including the public.

Regardless of the number and nature of federal entities, the government's goal should be to create high-performing organizations. The federal government needs to look not only at what business it is in, but how it does business. Practices that were good 50 years ago may not make sense today. Old, outdated practices and systems result in inefficiency and waste of resources that the nation cannot afford. Management reform will be vitally important to agencies in transforming their cultures to address the changing role of the government in the 21st century.

Strategic human capital management should be a centerpiece of any serious change management initiative or any effort to transform the cultures of government agencies. It is a vital element to the success of any government restructuring efforts, whether within an existing agency or across current agency boundaries. People are an agency's most important organizational asset. An organization's people define its character, affect its capacity to perform, and represent the knowledge base of the organization.

Chairwoman Davis and Members of the Subcommittee:

I appreciate the opportunity to address this vital topic: how can the federal government meet the large and emerging challenges it faces and become more effective?

The federal government is in a period of profound transition and faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the future. A number of overarching trends, such as diffuse security threats and homeland security needs, increasing global interdependency, the shift to knowledge-based economies, and the looming fiscal challenges facing our nation drive the need to reconsider the role of the federal government in the 21st century, how the government should do business (including how it should be structured), and in some instances who should do the government's business. The proposed Government Accountability and Streamlining Act of 2003 (H.R. 2743), introduced by Chairwoman Davis, recognizes the need to address these critical issues.

The challenges we face are significant and require action by a variety of parties. Through normal evolution and inertia over the years, we now have a government that is weighed down by organizations with significant performance and management problems as well as duplicative and overlapping missions and functions. This situation is exacerbated by ways of doing business that, in some cases, are better suited for the beginning of the 20th century than the 21st century. Given the changed circumstances and stark fiscal realities, we simply cannot afford unnecessary, redundant, or inefficient organizations, programs, or operations.

We need to begin by reexamining the base of government programs, policies, and operations to make government more effective and relevant to a changing society—a government that is as free as possible of outmoded commitments and operations. This is true for at least two reasons. First, as I will discuss briefly, known demographic and health care cost trends drive a fiscal future that is—absent significant changes—clearly unsustainable. Second—and this will be the main focus of this testimony—whatever role the American people choose for the federal government, its activities should be conducted in the most effective manner possible.

We now have both an opportunity and an obligation to take a look at what the government should be doing and how it should go about doing its work. Based on GAO's recent experiences with restructuring, such a fundamental

reexamination of government missions, functions, and activities could improve government effectiveness and efficiency and enhance accountability by reducing the number of entities managed, thereby broadening spans of control, reducing unnecessary overhead, increasing flexibility, and fully integrating—rather than merely coordinating—related government activities.

GAO has sought to assist the Congress and the executive branch in considering the actions needed to support the transition to a more high-performing, results-oriented, and accountable federal government. We believe that it is crucial for both the Congress and the executive branch to work together constructively and on a bipartisan basis in addressing a range of "good government" issues.

My statement today will focus on six points:

- the impact of current trends and increasing fiscal challenges,
- the need to reexamine how departments and agencies are managing their programs and organizations,
- the need to reassess how federal agencies do business,
- the importance of strategic human capital management,
- GAO as an example of positive change, and
- options for strengthening congressional oversight.

This testimony draws upon our wide-ranging, ongoing, and completed work on government transformation, organization, management, human capital, and budget issues. We conducted our work in accordance with generally accepted government auditing standards.

Impact of Emerging Trends and Fiscal Challenges

Periodic reexamination and reevaluation of federal agencies' activities has never been more important than it is today. The federal government must address and adapt to major trends in our country and around the world. At the same time, our nation faces a serious, long-term fiscal challenge. Increased pressure also comes from world events: both from the recognition that we cannot consider ourselves "safe" between two oceans—which has increased demands for spending on homeland

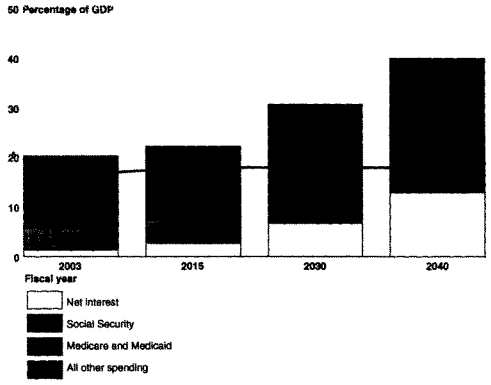
security—and from the U.S. role in combating terrorism and an increasingly interdependent world.

Our country's transition into the 21st century is characterized by a number of key trends, including:

- the national and global response to terrorism and other threats to our personal and national security;
- the increasing interdependence of enterprises, economies, markets, civil societies, and national governments, commonly referred to as globalization;
- the shift to market-oriented, knowledge-based economies;
- an aging and more diverse U.S. population;
- rapid advances in science and technology and the opportunities and challenges created by these changes;
- challenges and opportunities to maintain and improve the quality of life for the nation, communities, families, and individuals; and
- the changing and increasingly diverse nature of governance structures and tools.

As the nation and government policymakers grapple with the challenges presented by these evolving trends, they do so in the context of rapidly building fiscal pressures. GAO's long-range budget simulations show that this nation faces a large and growing structural deficit due primarily to known demographic trends and rising health care costs. The fiscal pressures created by the retirement of the baby boom generation and rising health costs threaten to overwhelm the nation's fiscal future. As figure 1 shows, by 2040, absent reform or other major tax or spending policy changes, projected federal revenues will likely be insufficient to pay more than interest on publicly held debt. Further, our recent shift from surpluses to deficits means the nation is moving into the future in a weaker fiscal position.

Figure 1: Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP after 2003 and All Expiring Tax Provisions Are Extended



Source: GAO.

Notes: Although all expiring tax cuts are extended, revenue as a share of gross domestic product (GDP) increases through 2013 due to (1) real bracket creep, (2) more taxpayers becoming subject to the Alternative Minimum Tax, and (3) increased revenue from tax-deferred retirement accounts. After 2013, revenue as a share of GDP is held constant. This simulation assumes that currently scheduled Social Security benefits are paid in full throughout the simulation period.

The United States has had a long-range budget deficit problem for a number of years, even during recent years in which we had significant annual budget surpluses. Unfortunately, the days of surpluses are gone, and our current and projected budget situation has worsened significantly. The bottom line is that our projected budget deficits are not manageable without significant changes in "status quo" programs, policies, processes, and operations.

Doing nothing is simply not an option nor will marginal efforts be enough. Tough, difficult choices will have to be made. Clearly, the federal government must start to exercise more fiscal discipline on both the spending side and the tax side. While many spending increases and tax cuts

may be popular, they may not all be prudent. However, there is not a single solution to the problems we face, but a number of solutions are needed. And, it will take the combined efforts of many parties over an extended period to address these fiscal challenges successfully.

One needed improvement is streamlining and simplifying the federal government's organizational structure to make it more economical, efficient, effective, flexible, responsive, and accountable. This includes addressing both fragmentation of effort and duplicative, overlapping, and conflicting government programs, policies, and operations. We need governmental organizations that embrace modern management practices of the 21st century, including a strategic human capital management approach. Streamlining the federal government to eliminate unnecessary redundancy and inefficient operations will help address our growing fiscal problems. It will not by itself solve the problem, but it certainly will help.

Need to Reexamine How Departments and Agencies Are Managing Their Programs and Organizations

It is important to reexamine periodically whether current programs and activities remain relevant, appropriate, and effective in delivering the government that Americans want, need, and can afford. This includes assessing the sustainability of the programs over time as well as the effectiveness of a range of tools—such as grants, loan guarantees, tax incentives, regulation, and enforcement—that are used to achieve results. Many federal programs—their goals, organizations, processes, and infrastructures—were designed years ago to meet the demands as determined at that time and within the technological capabilities of earlier eras. We currently have 15 departments and numerous independent agencies. The recent report of the Volcker Commission found that "fifty years have passed since the last comprehensive reorganization of the government" and that "the relationship of the federal government to the citizens it services became vastly broader and deeper with each passing decade." The commission recommended a fundamental reorganization of the federal government into a limited number of mission-related executive departments to improve its capacity to design and implement public policy. I believe that GAO's past and present work supports the validity of this finding. As a result, we should begin to take the steps necessary to make this recommendation a reality. This hearing is one step toward doing so.

I believe that a number of events over the last few years, combined with a greater understanding of broad trends, have fostered growing recognition that fundamental change is necessary. This presents the Congress and the executive branch with an opportunity to create highly effective,

performance-based organizations that can strengthen the nation's ability to meet the challenges of the 21st century and reach beyond our current level of achievement. Many departments and agencies were created in a different time and in response to problems and priorities very different from today's challenges. Some have achieved their one-time missions, yet they are still in operation. Many have accumulated responsibilities beyond their original purposes. Others have not been able to demonstrate how they are making a difference in real and concrete terms. Still others have overlapping or conflicting roles and responsibilities. Redundant, unfocused, and uncoordinated programs waste scarce resources, confuse and frustrate program customers, and limit overall program effectiveness.

Fundamental reexamination of federal agencies' roles, functions, and structure is never easy. Reorganizing government can be an immensely complex and politically charged activity. Those who would reorganize government must make their rationale clear and build a consensus for change if proposed reorganizations are to succeed. All key players must be involved in the process—the Congress, the President, affected executive branch agencies, their employees and unions, and other interested parties, including the public.

In recent years, events have driven us to reassess several major components of government. In response to the events of September 11, 2001, the Department of Homeland Security was established. Seeing a pressing need, the government moved expeditiously to form this new agency and thus consolidate many disparate homeland security functions under a single agency. However, the formation of the Department of Homeland Security is still a work in progress. In January of this year, we designated the implementation and transformation of the Department of Homeland Security as high risk.[1] The size and complexity of the effort and the challenges the department inherited will require sustained attention over time for the department to reach its full potential.

Driven in part by the events of September 11, 2001, the Federal Bureau of Investigation (FBI) is also undergoing a major transformation, including a multiphase reorganization, first announced in December 2001. The first phase is designed to strengthen the FBI's management structure, enhance accountability, reduce executive span of control, and establish two new

[1]U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Homeland Security*, GAO-03-102 (Washington, D.C.: January 2003).

divisions for Records Management and Security. The second phase is designed to build, among other things, a national terrorism response capability that is larger and more mobile, agile, and flexible by shifting resources from other areas within the FBI. In June of this year, 18 months into the effort, we reported progress in several areas but noted that major challenges remain. These challenges included the continued need for a comprehensive transformation plan, an updated strategic plan, and a human capital strategic plan.[2]

The tragedy of Columbia has turned a spotlight on the weaknesses in the National Aeronautics and Space Administration's (NASA) organization and culture. The recent report of the Columbia Accident Investigation Board made a number of very specific recommendations related to the NASA's organization. NASA now must take a hard look at its organizational structure and culture. While NASA has undertaken numerous programs that have greatly advanced scientific and technological knowledge, the agency is at a critical juncture, and major management improvements are needed. Earlier this year, we outlined several major management challenges at NASA in human capital, contract, and financial management, some of which have existed for years.[3]

Improved performance has been a primary goal of several other restructuring efforts under way. For example, the Internal Revenue Service (IRS) is in the midst of a long-term modernization.[4] In addition, the Department of Defense (DOD) is in the process of transforming its business operations, and the U.S. Postal Service faces the challenge of transforming its business model for the 21st century.[5]

[2]U.S. General Accounting Office, *FBI Reorganization: Progress Made in Efforts to Transform but Major Challenges Continue*, GAO-03-759T (Washington, D.C.: June 18, 2003).

[3]U.S. General Accounting Office, *NASA: Major Management Challenges and Program Risks*, GAO-03-849T (Washington, D.C.: June 12, 2003).

[4]U.S. General Accounting Office, *IRS Modernization: Continued Progress Necessary for Improving Service to Taxpayers and Ensuring Compliance*, GAO-03-796T (Washington, D.C.: May 20, 2003).

[5]U.S. General Accounting Office, *U.S. Postal Service: Key Postal Transformation Issues*, GAO-03-812T (Washington, D.C.: May 29, 2003) and U.S. General Accounting Office, *Opportunities for Oversight and Improved Use of Taxpayer Funds: Examples from Selected GAO Work*, GAO-03-1006 (Washington, D.C.: Aug. 1, 2003).

These are some recent examples of building consensus and undertaking restructuring to meet new or changed missions and goals. To a great extent, these changes were driven by catastrophic events. Even with dramatic events demonstrating the need for change, these reorganizations and transformations will not be easy. It is likely to be even more difficult to build consensus for reorganization and change when there is not such an event driving it. However, current trends, poor performance, and growing fiscal pressures demand that we make the effort. We simply cannot afford unnecessary redundancy and inefficiency in the government, especially in light of impending fiscal challenges and taxpayers deserve better.

GAO's work has documented the widespread fragmentation and overlap in both federal missions and individual federal programs. As new needs are identified, the common response has been to add new responsibilities and roles within federal departments and agencies, perhaps targeted to a newly identified clientele or involving a new program delivery approach. In the worst-case scenario, new programs are layered onto existing programs that have failed or performed poorly. Though our work also suggests that some issues, such as security, may warrant the involvement of multiple agencies or more than one approach, fragmentation and overlap often adversely affect the economy, efficiency, and effectiveness of the federal government.

Last month, we issued a report, *Opportunities for Oversight and Improved Use of Taxpayer Funds: Examples from Selected GAO Work.*[6] In this report, we highlight opportunities for and specific examples of legislative and administrative change that might yield budgetary savings. Several examples clearly illustrate the need to take a hard look at our organizational structures.

- The responsibilities of the four major land management agencies—the National Park Service, the Bureau of Land Management (BLM), the Fish and Wildlife Service within the Department of the Interior, and the Forest Service within the Department of Agriculture (USDA)—have grown more similar over time. Most notably, the Forest Service and BLM now provide more noncommodity uses, including recreation and protection for fish and wildlife, on their lands. In addition, managing federal lands has become more complex. Managers have to reconcile differences among a number of laws and regulations, and the authority for these laws is dispersed among several federal agencies as well as

[6]GAO-03-1006.

state and local agencies. These changes have coincided with two other developments—the federal government's increased focus on downsizing and budget constraints and scientists' increased understanding of the importance and functioning of natural systems, the boundaries of which may not be consistent with existing jurisdictional and administrative boundaries. Together, these changes and developments suggest a basis for reexamining the processes and structures under which the federal land management agencies operate.

Two basic strategies have been proposed to improve federal land management: (1) streamlining the existing structure by coordinating and integrating functions, systems, activities, programs, and field locations and (2) reorganizing the structure by combining agencies. The two strategies are not mutually exclusive. Some small steps have been taken. For example, the Forest Service and BLM have colocated some offices or shared space with other federal agencies. However, more needs to be done.

- In 1987, the Congress passed the Stewart B. McKinney Act (Pub. L. No. 100-77) to address the multiple needs of homeless people. The act encompasses both existing and new programs. Over the years, some of the original McKinney programs have been consolidated or eliminated, and some new programs have been added. Today, homeless people receive assistance through these programs as well as other federal programs that are not authorized under the McKinney Act but are nevertheless specifically targeted to serve the homeless population. In February 1999, we reported that seven federal agencies administer 16 programs that serve the homeless population, with the Department of Housing and Urban Development (HUD) responsible for most of the funds.[7] Consolidating all of the homeless assistance programs under HUD could increase administrative and operational efficiencies at the federal level as well as reduce administrative and coordination burdens for state and local governments, which also face fiscal challenges.

- Each of the three military departments (Army, Navy, and Air Force) operates its own health care system, providing medical care to active duty personnel, their dependents, retirees, and survivors of military personnel. To a large extent, these separate, costly systems perform many of the same administrative, management, and operational

[7]U.S. General Accounting Office, *Homeless: Coordination and Evaluation of Programs Are Essential*, GAO/RCED-99-49 (Washington, D.C.: Feb. 26, 1999).

functions. Since 1949, numerous studies, the most recent completed in 2001, have reviewed whether a central entity should be created within DOD to manage and administer the three health care systems. Most of these studies encouraged some form of organizational consolidation. A DOD health agency would consolidate the three military medical systems into one centrally managed system, eliminating duplicative administrative, management, and operational functions.

Similarly, there are potential benefits to be achieved by greater coordination with the veterans health care system. In an effort to save federal health care dollars, the Department of Veterans Affairs (VA) and DOD have sought ways to work together to gain efficiencies. For example, some local VA and DOD facilities have entered into joint venture agreements, pooling resources to build a joint facility or capitalizing on an existing facility. To ensure maximize use of federal health care dollars, this area needs continued attention.

- A multitude of agencies oversee food safety, with two agencies accounting for most federal spending on, and regulatory responsibilities for, food safety. The Food Safety and Inspection Service, under USDA, is responsible for the safety of meat, poultry, eggs, and some egg products, while the Food and Drug Administration, under the Department of Health and Human Services, is responsible for the safety of most other foods.

  The current food safety system emerged from a patchwork of often archaic laws and grew into a structure that actually hampers efforts to address existing and emerging food safety risks. Moreover, the current regulatory framework concentrates on only a segment—primarily food processing—of the continuum of activities that bring food from farm to table. The threat of deliberate contamination of the food supply and scientific and technical advances in the production of food, such as the development of genetically modified foods, have further complicated the responsibilities of the existing federal food safety structure. The food safety system suffers from overlapping and duplicative inspections, poor coordination, and inefficient allocation of resources. Consolidation of the federal food safety agencies under a single, independent agency or under a single department could improve both the efficiency and effectiveness of the system.

These examples illustrate a few of the opportunities that exist to improve effectiveness and efficiency by reexamining the government's

organizational structure. As part of this reexamination, it is important to ask the fundamental question of whether an existing program, policy, or activity "fits" the work we face today and will face in the future. It is important not to accept all existing activities as givens by subjecting new proposals to greater scrutiny than existing ones undergo. However, such a fundamental reexamination is not easy. Success will depend on establishing clear goals, having all the key players actively involved, and using a process that can help build consensus.

Throughout the 20th century, efforts to structure the federal government to address the economic and political concerns of the time met with varying degrees of success. The first Hoover Commission,[8] which lasted from 1947 through 1949, is considered by many to have been the most successful of government restructuring efforts. The membership of the commission was bipartisan, including members from the administration and both houses of the Congress. Half of the members were from outside government. The commission had a clear vision, making reorganization proposals that promoted what it referred to as "greater rationality" in the organization and operation of government agencies, and enhanced the President's role as the manager of the government—principles that were understood and accepted by both the White House and the Congress.[9] Former President Hoover himself guided the creation of a citizens' committee to build public support for the commission's work. More than 70 percent of the first Hoover Commission's recommendations were implemented, including 26 reorganization plans. According to the Congressional Research Service, "the ease with which most of the reorganization plans became effective reflected two factors: the existence of a consensus that the President ought to be given deference and assistance by Congress in meeting his managerial responsibilities, and the fact that most of the reorganization plans were pretty straightforward proposals of an organizational character."[10]

[8]The commission's formal name was the Commission on Organization of the Executive Branch. Its membership was as follows: Former President Herbert Hoover, Dean Acheson, Senator George Aiken, Representative Clarence Brown, Arthur Flemming, James A. Forrestal, Joseph P. Kennedy, Representative Carter Manasco, Senator John L. McClellan, George Mead, James K. Pollock, and James Rowe.

[9]Ronald C. Moe, *The Hoover Commissions Revisited* (Boulder, Colo.: Westview Press, 1982), 2.

[10]Congressional Research Service, *The President's Reorganization Authority: Review and Analysis* (Washington, D.C.: Mar. 8, 2001).

History teaches lessons that are applicable today. Those who would reorganize government must make their rationale clear and must build a consensus for change before submitting specific proposals to the Congress if these efforts are to succeed. To achieve substantive changes, it is important that all players, particularly the Congress and the President, agree on restructuring goals and establish processes to achieve their objectives that provides needed transparency. The processes used may vary depending on the significance of the changes sought. However, the risk of failure is high if key players are not involved and no processes for reaching consensus on specific reorganization proposals submitted to the Congress for consideration are in place. Both having the right processes and the right players are critical to success.

Restructuring existing programs is part of the solution to meeting the challenges faced by our government. However, those decisions are not the end of the story. Restructuring is not easy and takes time to fully implement, even once consensus exists on specific proposals. This is why we have designated the implementation and transformation of the Department of Homeland Security as high risk.[11] In addition to the implementation actions taken within the executive branch, congressional oversight throughout the implementation will be crucial to ultimate success.

Need to Reassess How Federal Agencies Do Business

Regardless of the number and nature of federal entities, the government's goal should be to create high-performing organizations. We need to look at not only at what business we are in, but how we do business. Practices that were good 50 years ago may not make sense today. Old, outdated practices and systems result in inefficiency and waste of resources that we cannot afford.

Our work has identified opportunities to change how the government does business.[12] The following three examples illustrate opportunities to improve business practices and to make them more efficient and effective.

- USDA's meat and poultry inspection system is hampered by inflexible legal requirements and relies on outdated inspection methods. Current

[11] GAO-03-102.

[12] GAO-03-1006.

law requires mandatory inspections that do not factor in risk. Inspectors continue to largely rely on their sense of sight, smell, and touch in making judgments about disease conditions, contamination, and sanitation. Microbial testing for such things as salmonella, listeria, and generic E. coli has increased but is still not sufficient. Legislative revisions could allow USDA to emphasize risk-based inspections. Much of the funding used to fulfill current, mandatory meat and poultry inspection activities could be redirected to support more effective food safety initiatives, such as increasing the frequency of inspections at high-risk food plants.

- Recently, GAO identified at least 21 different grant programs that can be used by the nation's first responders to address homeland security needs.[13] Multiple, fragmented grant programs can create a confusing and administratively burdensome process for state and local officials seeking to use federal resources to meet pressing homeland security needs. In addressing the fragmentation prompted by the current homeland security grant system, the Congress has taken the initial step of bringing many of these programs under the Department of Homeland Security. Additional administrative and legislative steps, such as block grants, waivers, performance partnerships, and grant waivers, might be considered. These approaches could provide state and local governments with increased flexibility while potentially improving intergovernmental efficiency and homeland security program outcomes. Better integration, including consolidation, of programs could yield administrative efficiencies that result in savings or improved performance. In taking any additional steps, it will be important to ensure accountability for both performance and funding.

- The U.S. overseas presence at more than 260 overseas posts consists of more than 90,000 people (including dependents of federal workers). The workforce has been estimated at as many as 60,000 employees, representing over 30 agencies. The Department of State employs about a third of the U.S. workforce overseas, and its embassies and consulates have become bases for the operations of agencies involved in hundreds of activities. The costs of overseas operations and related security requirements are directly linked to the size of the overseas workforce. By reducing the number of employees at posts where U.S. interests are a

[13]U.S. General Accounting Office, *Homeland Security: Reforming Federal Grants to Better Meet Outstanding Needs*, GAO-03-1146T (Washington, D.C.: Sept. 3, 2003).

lower priority, consolidating functions, establishing regional centers, or relocating personnel to the United States, the costs of overseas operations could be significantly reduced. In August 2001, The President's Management Agenda noted that the U.S. overseas presence is costly, increasingly complex, and of growing security concern.[14] It concluded that the cost and security considerations demand that the overseas staffing process be improved.

Creating high performing organizations will require a cultural transformation in government agencies and new ways of doing business. Hierarchical management approaches will need to yield to partnerial approaches. Process-oriented ways of doing business will need to yield to results-oriented ones. "Siloed" organizations will need to become more horizontal and integrated to make the most of the knowledge, skills; and abilities of their people. Internally focused agencies will need to focus externally to meet the needs and expectations of their ultimate clients—the American people. Major programs and operations need urgent attention and transformation to ensure that the government functions as economically, efficiently, and effectively as possible. Management reform will be vitally important for agencies to transform their cultures to address the changing role of the government in the 21st century.

The key to effective public management in the 21st century is to ensure that organizations have the characteristics and capabilities needed to effectively influence and leverage partners, people, processes, and technology to achieve results. As part of a continuing series of forums, GAO will convene a forum in November that will focus specifically on the implications of the public management environment in the 21st century for federal agencies as they strive to become high performing organizations. This forum is intended to help identify key characteristics and capabilities of high-performing organizations in this environment, challenges facing federal agencies in transitioning into high-performing organizations, and ways in which the Congress and the executive branch can foster these transformation efforts.

[14]GAO-03-1006.

Importance of Strategic Human Capital Management

Strategic human capital management should be a centerpiece of any serious change management initiative or any effort to transform the cultures of government agencies. It is a vital element to the success of any government restructuring efforts, whether within an existing agency or across current agency boundaries. People are an agency's most important organizational asset. An organization's people define its character, affect its capacity to perform, and represent the knowledge base of the organization. Human capital issues have been a focus of this Congress and certainly this Subcommittee. They will require continuing attention.

Since 2001, we have designated human capital as a governmentwide high risk. The Congress and the executive branch have taken a number of steps to address the federal government's human capital shortfalls. However, serious human capital challenges continue to erode the ability of many agencies, and threaten the ability of others, to perform their missions economically, efficiently, and effectively. A consistent strategic approach to maximize government performance and ensure its accountability is vital to the success of any reorganization efforts as well as to transforming existing agencies.

A high-performing organization should focus on human capital. Human capital approaches are aligned with accomplishing missions and goals. Strategies are designed, implemented, and assessed based on their ability to achieve results and contribute to an organization's mission. Leaders and managers stay alert to emerging demands and human capital challenges. They reevaluate their human capital approaches through the use of valid, reliable, and current data, including inventories of employee skills and competencies. Recruiting, hiring, professional development, and retention strategies focus on ensuring that an agency has the needed talent to meet organizational goals. Individual performance is clearly linked with organizational performance. Effective performance management systems provide a "line of sight" showing how unit, team, and individual performance can contribute to overall organizational goals.

The first step in meeting the government's human capital challenges is for agency leaders to identify and make use of all the appropriate administrative authorities available to them to manage their people both effectively and equitably. The second step is for policymakers to purse incremental legislative reforms. Most recently, the Congress has been considering legislative proposals for the DOD.

As we have previously testified, agency-specific human capital reforms should be enacted to the extent that the problems being addressed and the solutions offered are specific to a particular agency (e.g., military personnel reforms for DOD). In addition, targeted reforms should be considered in situations in which additional testing or piloting is needed for fundamental governmentwide reform.

Moving forward, we believe it would be preferable to employ a governmentwide approach to address human capital issues and the need for certain flexibilities that have broad-based application and serious potential implications for the civil service system, in general, and for the Office of Personnel Management (OPM), in particular. Some examples, that have been pursed, include broadbanding, pay for performance, reemployment, and pension offset waivers. As federal agencies compete for resources, it is important to maintain a level playing field among agencies.

However, whether through a governmentwide authority or agency-specific legislation, in our view, such additional authorities should be put in operation only when an agency has the institutional infrastructure in place to use the new authorities effectively. This institutional infrastructure includes, at a minimum, a human capital planning process that integrates the agency's human capital policies, strategies, and programs with its program goals, mission, and desired outcomes; the capabilities to develop and implement a new human capital system effectively; and a modern, effective, and credible performance management system that includes adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, to ensure the fair, effective, and nondiscriminatory implementation of the system.

GAO as an Example of Positive Change

Transforming an organization is not an easy endeavor. It requires a comprehensive, strategic approach that takes leadership, time, and commitment. Because GAO is the agency that reviews others, we strive to lead by example. To create a model federal agency and world-class professional services organization, we have undertaken a comprehensive transformation effort over the past few years. Our strategic plan, which is developed in consultation with the Congress, is forward-looking and built on the key trends emerging at the beginning of the 21st century that were discussed earlier and relate to the United States and its position in the world community.

We also have restructured our organization to align with our goals, resulting in significant consolidation—going from 35 to 13 teams, eliminating an extra organizational layer, and reducing the number of field offices from 16 to 11. We have become more strategic, results-oriented, partnerial, integrated, and externally focused. Our scope of activities includes a range of oversight-, insight-, foresight-related engagements. We have expanded and revised our product lines to better meet client needs. We also continue to provide certain legal and adjudicatory services, as specified in our authorizing legislation. In addition, we have redefined success in result-oriented terms and linked our institutional and individual performance measures. We have strengthened our client relations and employed a "constructive engagement approach" with the entities we review. The impact on our results has been dramatic. Client feedback reports show significant improvement, and results for several of our key performance indicators have almost doubled in only 4 years.

There are four lessons to be learned from our experiences. First, one should not minimize how challenging it is for an organization to undertake a comprehensive transformation. Second, transformation is multifaceted and takes time. Our transformation began in 2000 and continues to be a work in progress. Third, transformation must be based on the best, most up-to-date management practices to reach its full potential. Fourth, transformation requires continual management commitment, monitoring, and oversight. Because of the 15-year terms for comptrollers general, GAO has the advantage of stable, long-term leadership that many other agencies do not have. However, our approach—based on best management practices—can serve as a guide to others.

We employed a strategic, not an incremental, approach to transforming GAO. Our approach is based on a regularly updated 6-year strategic plan for serving the Congress. GAO's strategic plan, which is currently being updated, established clear goals and objectives. Three goals aimed at providing Congress timely, quality service to: (1) address challenges to the well-being and financial security of the American people, (2) respond to changing security threats and the challenges of global interdependence, and (3) transform the federal government's role and how it does business. Our fourth goal is to be a model federal agency and a world-class professional organization. Our strategic plan provides a firm foundation from which to identify priorities and opportunities for eliminating redundancies and improving operations. It is the basis for our workforce planning. It also sets the stage for maximizing our effectiveness and efficiency. Our strategic planning process provides for updates with each

new Congress, ongoing analysis of emerging conditions and trends, extensive consultations with congressional clients and outside experts, and assessments of our internal capabilities and needs.

Our strategic plan formed the basis for a major organizational realignment. This realignment focused the organization on our goals and resulted in significant streamlining. The process employed to accomplish the realignment required time, energy, and commitment from GAO's senior leadership. Input was sought from GAO executives and employees at all levels throughout the process. Extensive communications with GAO staff and key congressional stakeholders were maintained on an ongoing basis. The result has been a more agile, effective, responsive, and accountable organization that has been able to effectively respond to the many new challenges presented to it.

People are an organization's most important asset. Modern, effective, and credible human capital policies are critical to the successful functioning of any enterprise. This has been the case at GAO. In 2000, we sought and received certain narrowly tailored human capital authorities, including early out and buyout authorities. We have used these authorities responsibly to strategically reshape GAO. In addition, we have implemented a comprehensive recruiting program, instituted a competency-based performance management system, made significant investments in training and staff development, and continued to refine our staffing process to maximize resource utilization. We continually seek to refine and improve our human capital practices. Recently, I have sought additional flexibilities for GAO to ensure quality service to the Congress; continue leading by example in government transformation; and continue to attract, retain, motivate, and reward a quality and high-performing workforce. I appreciated the support from you Chairwoman Davis and the Subcommittee on this request.

Continual communication with GAO staff is a critical feature of our human capital strategy. Among other things, we periodically survey staff on a wide range of human capital and organizational issues. I am pleased to report that the results of our latest comprehensive survey, completed last month, continued to demonstrate remarkably positive results.

Finally, we are continually evaluating, reengineering, and refining our work processes to reflect the best management practices to ensure the most effective and efficient service delivery. For example, we have employed two new management strategies within the organization—risk

management and matrix management. GAO's risk management approach allows management to identify and involve internal stakeholders with needed subject matter expertise throughout an engagement to transcend traditional organizational boundaries, maximize institutional value, and minimize related risks. GAO's matrix management approach maximizes our value to the Congress by leveraging the knowledge, skills, and experience of all employees to ensure the highest quality products and services and to help the Congress address the challenging, complex, changing, and multidimensional problems facing the nation. As part of this effort, we continually strive to provide GAO's people with necessary tools, technology, and training, and a world-class working environment.

GAO's transformation can provide lessons about what can be accomplished. To measure ourselves, we use a balanced scorecard,[1] measuring client service, results, and employees. On all three dimensions, we are reporting very positive results. To illustrate, in fiscal year 2002, GAO's efforts helped the Congress and government leaders achieve $37.7 billion in financial benefits—an $88 return on every dollar invested in GAO, up from $19.7 billion and $58 return in fiscal 1998. The return on the public's investment in GAO extends beyond dollar savings to improvements in how the government serves its citizens. The results in 2002 are in part attributed to work we have done to transform GAO using a strategic, comprehensive approach.

Similar benefits can be achieved in other governmental organizations. Building on GAO's experience, a comprehensive approach grounded in a sound strategic plan and appropriate organizational alignment, and based on the best management practices, including human capital management, can yield optimal results in terms of effectiveness and efficiency. Successful transformation is not easy. It will take strong, committed, and persistent leadership, and it will take time. We are still working on it, but we are ahead of schedule and are pleased with our progress.

Options for Strengthening Congressional Oversight

The challenges facing our nation are many and difficult. Clearly, there is a need to reexamine how the federal government is organized both in the executive and legislative branches. We need to reassess how the federal government does business. Fundamental questions need to be asked about what the federal government should be doing and who should be doing it, given past changes and 21st century challenges. Clearly any major organizational change is both complex and controversial. In considering government restructuring and changes in business practices, it is important

to focus not just on the present but on the future trends and challenges. Identifying goals for addressing these trends and challenges can provide a framework for achieving the needed consensus. In fact, the effects of any changes will be felt more in the future than they are today. Because the world is not static and never will be, it is vital to take the long view, positioning the government to meet challenges throughout the 21st century.

There is no easy answer to the challenges federal departments and agencies face in transforming themselves. Multiple actions are required. This is illustrated by the examples I have provided today. As the Congress moves forward, it will be important to keep three things in focus: goals, players, and processes. Clear goals are essential. Defining clear goals forces decision makers to reach a shared understanding of what really needs to be fixed in government, what the federal role ought to be, how to balance differing objectives, and what steps need to be taken to create not just short-term progress but long-term success. All key players must be engaged if viable solutions are to be achieved—this means the Congress and the President, as well as other parties with vested interests. Excluding key players increases the risk of failure. Finally, the process used must be tailored to the task at hand. Straightforward changes, such as the consolidation of agency payment operations, may call for agency-centered processes, requiring minimal involvement by the Congress or others. Other changes, such as revamping the U.S. food safety system, will require a process that involves key congressional stakeholders and administration officials as well as others, ranging from food processors to consumers. Even more ambitious changes like reorganizing the executive branch or rationalizing the existing federal infrastructure will likely require commission approaches similar to the Hoover Commission that I discussed previously.

On September 24, 2002, GAO convened a forum to identify and discuss useful practices and lessons learned from major private and public sector organizational mergers, acquisitions, and transformations that federal agencies could implement to transform their cultures successfully.[15] While there is no one right way to manage a successful merger, acquisition, or transformation, the experiences of both successful and unsuccessful

[15]U.S. General Accounting Office, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002), and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C. July 2, 2003).

efforts suggest that there are practices that are key to their success. These key practices should be considered as federal agencies seek to transform their cultures in response to governance challenges. These practices include the following.

- Ensure that top leadership drives the transformation.
- Establish a coherent mission and integrated strategic goals to guide the transformation.
- Focus on a key set of principles and priorities at the outset of the transformation.
- Set implementation goals and a timeline to build momentum and show progress from day one.
- Dedicate an implementation team to manage the transformation process.
- Use the performance management system to define responsibility and ensure accountability for change.
- Establish a communication strategy to create shared expectations and report related progress.
- Involve employees to obtain their ideas and gain their sense of ownership of the transformation.
- Build a world-class organization.

Eliminating redundancy and improving federal operations are critical to meeting the challenges we are facing at the beginning of the 21st century. Chairwoman Davis has introduced the Government Accountability and Streamlining Act of 2003. This bill is aimed at stopping the creation of any additional unnecessary redundancy. As it considers this proposal, the Congress may also want to consider other options, such as reinstituting some form of budget controls, granting the President executive reorganization authority, establishing special commissions, and enhancing oversight. The Congress may want to consider giving federal department and agencies additional tools to assist in the transformations that they undertake, including creating chief operating officer positions in selected departments and agencies and human capital reforms. As I have

emphasized, multiple approaches are needed to address not only future but also existing redundancy and inefficiency in federal operations. Each of the following seven tools has merit depending on the situation.

- *Government Accountability and Streamlining Act of 2003.* This proposal would require GAO to prepare statements for bills and resolutions reported by congressional committees and subcommittees on whether the responsibilities of any proposed new federal entities, programs, or functions are redundant. While I appreciate the respect for our work shown by this proposal, I also think it is important that we be practical in designing such a mandate. This kind of evaluation is very resource intensive, and there are currently no agreed-upon criteria for determining whether an activity is actually duplicative or redundant. Each year, there are hundreds of bills proposed by committees alone. Though not all bills would have potential redundancy implications, the number might be significant and could affect our other work for the Congress. An alternative might be to provide the Chair of the House Committee on Government Reform and its Senate counterpart with the authority to request such an evaluation for any bill before it goes to the floor. At a minimum, some way to limit the number of bills analyzed would be necessary.

- *Reinstitution of budget controls.* The appropriations caps and "pay-go" requirements—which expired in 2002—limited the expansion and creation of new government programs and activities. Such controls could be beneficial given our current and future fiscal challenges. In addition, the reconciliation process could be used more to force trade-offs as well as a reexamination of existing programs.

- *Executive reorganization authority.* Earlier this year, the House Committee on Government Reform held hearings on reinstating the President's executive reorganization authority. Though a bill has not yet been introduced, this authority could provide a useful tool in reexamining the federal government's organizational structure. Essentially, it would reinstate the authority of the President to submit government restructuring plans to the Congress and obtain expedited review. Such authority can better enable the President to propose government organization designs that would be more efficient and effective in meeting existing and emerging challenges. But it is important to achieve consensus on identified problems, needs, and solutions. The Congress has a vital role in this process. As I testified at the April 2003 hearing, some expedited congressional consideration may

be appropriate for specific issues.[16] However, the Congress may want to consider different tracks for proposals that encompass significant policy changes versus those that focus more narrowly on specific government operations.

- *Special commissions.* In the past, there have been special commissions chartered to examine and make recommendations on difficult structural issues. The most successful had both executive and bipartisan legislative branch support. For example, the first Hoover Commission had more than 70 percent of its recommendations implemented, including 26 of 35 reorganization plans. More recently, the Base Realignment and Closure process was used successfully to reduce unneeded defense assets. Provided there is a clear statement of goals and the process to be used, such commissions can provide an effective means of examining issues in depth and formulating recommendations for the consideration of the Congress.

- *Enhanced oversight.* A management and oversight process that is narrowly focused or one that considers only incremental changes, while beneficial, will not allow the government to reach its full performance potential. The government is composed of organizations, programs, and functions that are overlapping, fragmented, and interdependent. Structuring management and oversight only according to preexisting boundaries, whether they be executive departments or congressional committee structures, limits the full potential of any review. The importance of seeing the overall picture cannot be overestimated. It is important to be asking the right questions.

  The traditional oversight that the Congress provides to individual organizations, programs, and activities has an important role in eliminating redundancy and inefficiencies. There are important benefits to be achieved through focused oversight if the right questions are asked about program design and management. Five key questions for program oversight are as follows:

  - Does the program duplicate or even work at cross-purposes with related programs and tools?

[16]U.S. General Accounting Office, *Executive Reauthorization Authority: Balancing Executive and Congressional Roles in Shaping the Federal Government's Structure*, GAO-03-624T (Washington, D.C.: Apr. 3, 2003).

- Is the program targeted properly?
- Is the program financially sustainable and are there opportunities for instituting appropriate cost-sharing and recovery mechanisms?
- Can the program be made more efficient through reengineering or streamlining processes or restructuring organizational roles and responsibilities?
- Are there clear goals, measures, and data with which to track progress built into its planning and reporting systems?

- *Chief operating officer (COO).* Transformation of a large organization is a difficult undertaking, especially in government. Success depends on committed, top-level leadership and sustained attention to management issues. A COO could provide the sustained management attention essential for addressing key infrastructure and stewardship issues and could facilitate the transformation process. Establishing a COO in selected federal agencies could provide a number of benefits. A COO would be the focal point for elevating attention on management issues and transformational change, integrating various key management and transformation efforts, and instituting accountability for addressing management issues and leading transformational change. A COO would provide a single organizational position for key management functions, such as human capital, financial management, information technology, acquisition management, and performance management as well as for transformational change initiatives. To be successful, in many cases, a COO will need to be among an agency's top leadership (e.g., deputy secretary or under secretary). However, consistent with the desire to integrate responsibilities, the creation of a senior management position needs to be considered with careful regard to existing positions and responsibilities so that it does not result in unnecessary "layering" at an agency. Consideration also should be given to providing a term appointment, such as a 5—7 year term. A term appointment would provide sustained leadership. No matter how the positions are structured, it is critical that the people appointed to these positions have a proven track records in similar positions and be vested with sufficient authority to achieve results. To further clarify expectations and responsibilities, the COO should be subject to a clearly defined, results-oriented performance contract with appropriate incentives, rewards, and accountability mechanisms. For selected agencies, a COO should be subject to a Senate confirmation. In creating such a position, the

Congress might consider making certain subordinate positions, such as the chief financial officer, not subject to Senate confirmation.

- *Governmentwide human capital reforms.* There are a number of reforms that might be considered. As I have previously testified, Congress should consider providing governmentwide authority to implement broadbanding, other pay for performance systems, and other authorities whereby whole agencies are allowed to use additional authorities after OPM has certified that they have the institutional infrastructures in place to use them effectively and fairly. In addition to requiring a human capital strategic plan from each agency, the Congress should establish statutory principles for standards that an agency must have in place before OPM can grant additional pay flexibilities. Additional efforts should be taken to move the Senior Executive Service to an approach wherein pay and rewards are more closely tied to performance. Further, the Congress might consider establishing a governmentwide fund where agencies, based on a sound business case, could apply to OPM for funds to be used to modernize their performance management systems and ensure that those systems have adequate safeguards to prevent abuse. The governmentwide fund would provide for targeted investments needed to prepare agencies to use their performance management systems as strategic tools to achieve organizational results and drive organizational change.

Government leaders are responsible and accountable for making needed changes to position the federal government to meet current and future challenges and to take advantage of emerging opportunities. In meeting this responsibility, leaders must take advantage of every tool that is available to them. Each of the seven tools that I have discussed has unique characteristics and benefits that can be highly effective depending on the goals to be achieved.

Concluding Remarks

In view of the trends and fiscal challenges facing the nation, there is a need to consider the proper role of the federal government, how the government should be structured, how the government should do business, and in some instances who should do the government's business. We cannot afford unnecessary redundancy and inefficient operations, and taxpayers deserve better. The federal government's large and growing fiscal gap means that doing nothing is simply not an option. Tough choices will have to be made by elected officials. The Congress and the administration will need to use every tool at their disposal to address these challenges. In addressing these

challenges, it will be important to set clear goals, involve all key players, and establish viable processes that will lead to positive and sustainable results. We in GAO take our responsibility to assist the Congress in these crucial efforts very seriously.

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Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Walker. Mr. Johnson, I will recognize you for 5 minutes. You are welcome to summarize your statement, and your full statement will be put in the record.

STATEMENT OF CLAY JOHNSON III, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. JOHNSON. Thank you very much. I agree with Comptroller General Walker and I am sure I will agree with Chairman Volcker's position that we must and can significantly improve the performance of government for the American people. However, mine is a cautionary note here today. I suggest to members of this committee that no matter how the Federal Government is organized, its performance will not be enhanced, it will not be enhanced unless our valuable human resources and employees are managed strategically. It won't be enhanced unless we make investments wisely and professionally in technologies to help us accomplish our goals. It won't be enhanced unless we focus on cost and efficiency and have timely and financial information available to us to do that, and it won't be enhanced unless we're asking ourselves whether individual government programs are working and if they aren't working what we need to do about them to get them to work.

These are areas where there is opportunity today for historic improvements in the management and performance of the Federal Government. Agencies and departments with a little help from OMB are aggressively pursuing these opportunities as we speak. This is happening today. We must continue to support and reward these efforts and never think that reorganization per se is the big cure for unsatisfactory performance. Reorganization per se will not accomplish what we want to accomplish.

With my verbal comments today I want to briefly touch on the human capital opportunities. I want to be brief so more time can be devoted to Chairman Volcker because I know we are interested in hearing his remarks.

Our employees are the greatest resource we have to improve the performance of the Federal Government. Each year we spend more than $100 billion on our almost 2 million civilian employees. Agencies are beginning to manage this annual investment and their employees more strategically, focusing more on results and evaluating employee performance based on the achievement of measurable goals. Inventories of the skills we need to perform our mission are being prepared. Skills gaps are being addressed and succession plans are being put in place, which is particularly important given the large percentage of Federal employees who are eligible for retirement in the next few years.

Hopefully, if Congress adopts the administration's proposed human capital performance fund and we move away from a complete reliance on automatic across-the-board pay raises, Federal employees can receive pay based on their performance and not just their longevity. As an example of what agencies are doing today, not a year from now but what they are doing today, to more strategically place the human capital, HHS has developed and implemented SES performance based employment contracts that link to program outputs and outcomes. EPA has implemented an SES mobility program which fosters the development of cross-agency skills

and succession planning. Interior has completed a comprehensive work force plan for all its bureaus to guide a department-wide recruiting strategy as well as performance-based contracts for members of the Senior Executive Service. The Department of Transportation has implemented a department-wide leadership succession planning strategy and piloted a mentoring program for emerging leaders. And GSA has implemented an agency-wide leadership institute to ensure that current and future leaders are effective.

That is all happening today. It's not all that needs to be done, but it is very significant because none of that was happening 2, 3 years ago. Agencies and departments are working on these significant management opportunities and others like them that are realistically possible today. It is important and necessary that we make these changes no matter how the Federal Government is organized. Any reorganization without these changes will have minimum impact on government performance.

Currently, the administration is not studying any possible reorganization of the executive branch as such a move would not be practical without the benefits of the Reorganization Act, which allowed such a proposal to be considered by Congress in an expedited fashion. If and when the Reorganization Act is reauthorized, the administration looks forward to working with Congress, this committee in particular, and GAO to explore the opportunities to reorganize agencies and departments to better serve the American people. Thank you.

[The prepared statement of Mr. Johnson follows:]

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

Statement of the Honorable Clay Johnson III
Deputy Director for Management
Office of Management and Budget

before

The Subcommittee on Civil Service and Agency Reorganization
of the
Committee on Government Reform
U.S. House of Representatives

September 17, 2003

Chairman Volcker, Comptroller General Walker and I agree that we must and can significantly improve the performance of government for the American people. I suggest to the Members of this Committee, though, that no matter how the Federal government is organized, its performance, our ability to address the issues that the Comptroller General and Chairman Volcker speak about, will not be enhanced unless:

- Our valuable human resources – our employees – are managed strategically;
- Investments are wisely and prudently made in technologies that help us accomplish our goals;
- We focus on cost and efficiency, and have timely and accurate financial information available to us; and
- We are asking ourselves whether programs are working and, if not, doing something about it.

These are areas where there is opportunity for historic improvements in the management and performance of government.

In the area of Human Capital, for instance, each year, we spend more than $100 billion on the almost 2 million Federal civilian employees. Our employees are the greatest resource we have to improve the performance of the Federal government. So agencies are beginning to manage them more strategically, focusing them on results and evaluating their performance based on achievement of measurable goals. Inventories of the skills we need to perform our mission are being prepared;

skill gaps are being addressed; and succession plans are being put in place, which is particularly important given the large percentage of Federal employees who are eligible for retirement in the next few years. Hopefully, if Congress adopts the Administration's proposed Human Capital Performance Fund and we move away from a complete reliance on automatic, across-the-board pay raises, Federal employees can receive pay based on their performance and not just their longevity.

Just to give you some examples of what agencies are doing to more strategically manage their Human Capital:

- The Department of Health and Human Services developed and implemented Senior Executive Service performance-based employment contracts that link to program outputs and outcomes.
- EPA implemented a Senior Executive Service Mobility Program, which fosters the development of cross-agency skills and succession planning.
- The Department of the Interior completed comprehensive workforce plans for all of its bureaus to guide a Department-wide recruiting strategy, as well as performance-based contracts for members of the Senior Executive Service.
- The Department of Transportation implemented a Department-wide leadership succession planning strategy and piloted a mentoring program for emerging leaders.
- The General Services Administration implemented an agency-wide leadership Institute to ensure current and future leaders are effective.

With these changes taking place, agencies are beginning to maximize the value of the Federal workforce.

In spite of the controversy surrounding Competitive Sourcing, agencies are striving to employ it as an accepted management practice, one which seeks the best source for performing the government's really, really commercial activities. We are beginning to see the positive results of this initiative. For instance:

- The Department of Health and Human Services completed competitive sourcing cost comparisons involving library services, graphic arts, TV studios, clerical support and IT functions.
- The Department of Justice initiated competitions covering commercial positions that include automotive mechanics.
- The Department of Transportation launched one of the largest public-private competitions in the Federal government, studying flight service stations nationwide.
- The Office of Personnel Management has competitively sourced financial systems support and computer operations functions, as well as facilities

maintenance, and tele-services. A standard competition is underway for a nationwide test administration program.

These competitions will ensure we're getting the best value for the taxpayer.

We have a duty to account responsibly for the people's money. Agency financial performance is improving, as evidenced by the fact that 21 agencies received clean opinions on their audited financial statements this past year. More importantly, however, agencies are beginning to use financial and performance information to manage their operations. Two agencies — the Environmental Protection Agency and the Social Security Administration — are now using accurate and timely financial information to make decisions and better manage their organizations. For example, the Social Security Administration tracks the amount of time each field location takes to resolve cases and allocates funds to field locations to maximize the effectiveness and efficiency of case processing.

Expanding Electronic Government is another way to improve our service to the American taxpayer. Getting information to and from the people is a major part of what the Federal government does. When we do that, it should be done effectively and efficiently. Providing the American people with one source for information about recreation activities or benefit programs improves service to the people. Making grant applicants go to just one internet site to apply for multiple grants is another.

Continued advances in technology provide limitless opportunities to improve our service to the taxpayer. But the almost $60 billion we spend on information technology each year must be invested wisely and managed professionally. IT systems must be able to demonstrate how they will assist us in achieving results and they must be developed on budget and on schedule. And they must be secure.

The Budget and Performance Integration Initiative is focusing agencies and the Congress on the question of whether programs are working. The Program Assessment Rating Tool, the PART, is used to evaluate the management and performance of each of the programs that make up the more than $2 trillion we spend each year. The PART is a systematic, consistent way to ask the question: are we getting what Congress and the Executive Branch wants and if not, what can we do about it? Such remedies can range from managing a program differently to working with Congress to restructure the program or fund it at higher or lower levels.

Let me provide an illustration with the Department of Education's Upward Bound program, which provides intensive services to improve academic performance and college preparation for high school students. The program did not effectively

target the highest risk students, those who have potential for college but are not performing successfully in high school. Because evaluations indicate that this high-risk population is most likely to benefit from the program, the Department created a special competition that will award $20 million to projects that serve these high-risk students. The Department of Education will monitor the college enrollment rate for these participants and will use the results of this demonstration initiative to guide future changes in the Upward Bound program.

Agencies and departments are working on these significant and, I would say, historic, performance improvements that are realistically possible today. It is important and necessary that we make these changes no matter how the Federal government is organized. The Administration is not currently studying a possible reorganization of the Executive branch, as such a move would not be practical without the benefits of the Reorganization Act, which allowed such a proposal to be considered by Congress in an expedited fashion. If and when the Reorganization Act is reauthorized, the Administration looks forward to working with Congress, this committee in particular, and the General Accounting Office to explore the opportunities to reorganize agencies and departments to better serve the American people.

Thank you for giving me the opportunity to testify before you today.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Johnson. Mr. Volcker, I want to thank you for agreeing to come back before this subcommittee. I really enjoyed hearing your testimony in front of our full committee, and I recognize you for 5 minutes.

STATEMENT OF PAUL A. VOLCKER, CHAIRMAN, NATIONAL COMMISSION ON THE PUBLIC SERVICE

Mr. VOLCKER. Thank you for inviting me back. I appreciate it and I will try to be brief. I have the feeling I don't need any statement. I just have to read your introductory comments here. We are certainly singing out of the same hymn book and you emphasized very clearly some of the organizational problems we have.

Interestingly enough, listening to Mr. Johnson, he says organization can't accomplish everything, which I certainly agree with. We arrived at some emphasis at organizational change because we felt it's very difficult in getting personnel and other changes of the kind we're talking about without some pretty basic reorganization and an emphasis on the importance of bringing related activities together, avoiding too many conflicts in activities, strong political direction of related departments, but when it gets to the ministerial agencies, providing the kind of flexibility and personnel and other practices and review that Mr. Johnson and the Comptroller General have emphasized. So we kind of are approaching this in different directions, but I don't want to lose sight of the importance of the reorganizational changes.

Having said that, the question is how to get there. Reorganization is always very controversial and difficult. It's not a thing that grabs the attention of the Congress or the administration very often. It's not a glamorous political subject. And we have concluded that you're not going to get any action unless you provide some general reorganization authority. It's a lot easier to say than to do, but I think we are at an exceptional period now where there is more recognition of the need for reform, not just an organization but elsewhere, particularly in personnel practices in government, and I've seen it for a long time. So the opportunity is there.

And you personified the interest in Congress, which I presume is not unanimous, but it's been very difficult to get people in Congress interested in this. And I'm encouraged by the interest in this committee and I think there is some interest in the Senate, too. So I think we have an opportunity to make some progress, and we strongly recommend something that's not unique but a reorganization authority. That is about the only way the progress has been made consistently in the past beginning back with President Truman and moving ahead with the reorganization proposed by the Hoover commission.

Reorganizational authority or authority subject to congressional approval has been used in other controversial areas, as you well know, and that is our proposal, that you go ahead and provide some reorganization authority subject to the approval of the Congress, a positive approval of the Congress, by both Houses of the Congress.

We are not talking about a blank check. I think the check in this legislation is to provide a framework that will permit the President to make proposals within a framework that the Congress has al-

ready set out as reasonable, because otherwise you are going to have too much controversy on every particular proposal. So the check as I see it, the good political challenge is to provide the reorganization authority with enough of a framework for the President to work within in presenting a particular proposal.

What do I mean by a framework? I certainly think there ought to be a requirement for consultation within the effective departments with the Congress. We suggest in the report that might be useful to have an outside group or groups of experts involved so that kind of weight can be attached to the proposals. I think you need some guidelines to make sure that merit principles are preserved, traditional insulation at the administrative side from political interference. You need some indication of employee protections, many of which have become quite traditional in the Civil Service. If you're going to have pay for performance and wide pay bands and all the rest, which we strongly support, you need some standards for how performance is judged in a neutral and nonpartisan way. I think you'll need some provision for oversight by OPM and by the Office of Management and Budget so that we can have some assurance that flexibility is used and not abused. But I think all those things are possible. And the commission that I headed and its staff is in the process still of sponsoring some conferences and some work along the lines of spelling out what might be practical and feasible in terms of developing some of these guidelines.

So I think that's all I would want to urge today that concentration be placed upon the importance of enabling legislation and the kind of framework that should be established in that enabling legislation.

[The prepared statement of Mr. Volcker follows:]

Testimony of Paul A. Volcker
Chairman, National Commission on the Public Service
Subcommittee on Civil Service and Agency Reorganization
House Government Reform Committee
September 17, 2003

Chairwoman Davis, Congressman Davis, Members of the Subcommittee. Thank you for inviting me to join this distinguished group to testify on the need to reform and enhance the structure and operations of government.

As members of this Subcommittee are well aware, the National Commission on the Public Service issued its recommendations for the reform and renewal of the public service at the beginning of this year. I testified with two of my colleagues from the Commission, Secretary Donna Shalala and Secretary Frank Carlucci, before the full Government Reform Committee last March on the broad range of the Commission's recommendations. Today I would like to focus on the lead recommendation of the Commission: to bring greater rationality and cohesion to the way our government is organized.

Government Organization and Government Performance

Many people were surprised when the National Commission on the Public Service led its report with a recommendation that the federal government be reorganized around mission centered departments. Some asked why a Commission focusing on the public service - that is, the people who do the work of government - would consider the organization of government to be of greater importance. The fact is that our Commission did begin with the men and women who are responsible for making government programs work. And we quickly came to the view that we had to address the organization of government departments and how they are managed to allow these men and women to get the job done. We saw that federal public servants are constrained by their environment - and that changes in federal personnel systems will have limited impact if they are not accompanied by significant change in the operating structure of the Executive Branch.

Organizational chaos in government undermines the ability of government to meet its critical responsibilities. There is great difficulty in accomplishing national goals when program responsibility is spread across hundreds of programs in dozens of agencies, as is the case with our clean air and water programs. The examples of duplication and overlap in federal education and job training are legion. Important health and safety protections fail when responsibility for regulation is dispersed among several departments, as is the case with food safety. And on all our minds today is the challenge of meeting our national security needs. Well before the attacks of 9/11, the Hart-Rudman Commission on National Security in the 21st Century warned that redundancy and overlap among organizations and diffused lines of authority and responsibility were undermining our government's ability to keep us safe.

Principles of Organizational Cohesion

Our focus on bringing organizational cohesion to the federal government was not born of a desire to achieve a particular budget outcome or to reduce the federal workforce. Those are matters of programmatic decision. Our Commissioners - Democrats and Republicans and philosophically across the political spectrum - were bound together by their demonstrated commitment to public service and their common desire to make government work better.

We recommended that the federal government be reorganized into a limited number of mission-related Executive departments, following some basic principles:

1) Programs that are designed to achieve similar outcomes should be combined within one agency unless there is a compelling case for competition.

2) Agencies with similar or related missions should be combined in large departments that encourage cooperation, achieve economies of scale in management and facilitate responsiveness to political leadership.

3) These new agencies and departments should be organized so that there are as few layers as possible between the top leadership and the operating units.

4) Agencies should have flexibility to design organization structure and operating procedures that closely fit their missions.

Coincidental with the work of our Commission was Congress' consideration of legislation to create a Department of Homeland Security. The organizational goals behind the creation of that department, and the operating flexibility given its constituent agencies, paralleled our own thinking about the need for far reaching administrative reform. Getting the new department up and operating efficiently has been difficult, and will take time, but I believe the enhancement of capability that this reorganization should produce is potentially worth it and should be repeated across the government.

Getting the Process Started

We did not underestimate the difficulty in bringing such radical changes about. Presidents and Congresses have struggled with the organization of government since there was a government to organize. Through the 20th Century virtually every President and many Congresses tackled this issue. And both branches struggled with arguments over turf, individual interests and the appropriate separation of powers from day one. But the fact that successive national leaders and policymakers have worked hard to improve the performance of government by reforming government organization shows - in my opinion - that we are on the right track.

How and where do we begin? The Commission recognized the difficulty of formulating, let alone effectuating, major government reorganization. The reorganization of federal agencies into the Homeland Security Department was

recommended by the Hart Rudman Commission, but effectuated only as a result of the crisis of 9/11.

We concluded that the most effective method would be to reinstate a version of the reorganization authority granted to Presidents beginning in 1932. This authority was renewed in varying forms for successive Presidents through 1984, and I believe it has proved its usefulness.

For example, President Harry Truman requested that Congress renew his reorganization authority in 1949 because he saw it as the most effective means to submit the recommendations of the first Hoover Commission to the Congress. Congress granted him his request, allowing reorganization plans to be rejected by a veto by either house. During 1949 and 1950, President Truman submitted 37 reorganization plans to implement many of the recommendations of the Hoover Commission. Congress allowed 28 of these to become effective.

Our Commission's recommendations require that to be adopted a reorganization plan be affirmatively approved by a majority of each house. We suggest that the reorganization proposals submitted under this authority be considered under an expedited procedure, not subject to amendment, and given an up or down vote within 45 legislative days of submission. A proposal could be turned down by a majority vote in either chamber. Such a system allows a majority of either house to reject a reorganization plan, but would help prevent individual parochial interests or turf battles from undoing an otherwise sound solution.

The Commission recommends that the statute granting this reorganization authority include the basic framework of important employee protections, such as close adherence to merit principles, assurance of fairness, and measures of performance and related pay standards.

Issues and Answers

The underlying purpose of reorganization is a threshold issue for those debating the utility of reorganization and giving the Executive reorganization authority. There have been many, including Presidents and Members of Congress,

who have believed that the reason to reorganize was simply to save money. We do not see it that way. As I noted, the goal of our Commission was to allow government to work better, more efficiently and more effectively. Cost savings should result if existing programs could be made more efficient. But our purpose is not to determine the size of the budget. We would find ourselves more in line with President Franklin Delano Roosevelt who is said to have declared: "The reason for reorganization is good management." [i]

Most of the early debate over granting the President reorganization authority centered on the appropriateness of a one-house or two-house veto. Congressman Jack Brooks of Texas, a former Chairman of this Committee, was one of the critics of the legislative veto. He advocated that reorganization plans be adopted by a joint resolution of approval within a 60-day period.

In 1983, the validity of the legislative veto was struck down by the Supreme Court in *INS v. Chadha*. The *Chadha* decision effectively put this debate to rest, and the most recent reauthorization of Presidential reorganization authority in 1984 required an affirmative vote by both houses of Congress and signature by the President.

We assigned the initiating role to the President in recognition of the Executive Branch's extensive institutional knowledge and resources for bringing a comprehensive scheme together. The nature and organization of Congress and the daily demands on it would make its formulation of government-wide reorganization plans extremely difficult. However, the Commission expects that proposals advanced under this authority would be developed with the input and advice of not only Executive Branch experts, but also Congress and its committees and the affected interests in the public at large. If the knowledge and views of these parties is not taken into consideration, we cannot expect that Congress would accept the proposal on an expedited basis.

Some have suggested to us that they are concerned that reorganization authority gives too much power to the Executive, at the expense of the Congress. This was

certainly an issue in earlier reorganization acts. However, I believe that the 1983 *Chadha* requirement of an affirmative vote of both houses effectively requires that the Executive involve Congress in the development of any reorganization plan. Beyond this, the legislation could be amended to explicitly require a level of consultation with the appropriate Congressional committees as a plan is being developed. Congress required that the Department of Homeland Security consult formally with those who will be affected by the Department's new personnel systems - this might provide another means of gaining constituent input prior to a plan being submitted.

Conclusion

In conclusion, I congratulate this Subcommittee for its demonstrated interest in improving government operations and management. And I particularly appreciate your consideration of our Commission's proposals for structural revitalization of the government.

I will note that we also recommended that Congress reorganize its own committees along mission-centered lines, paralleling the reorganization of the Executive Branch. In that way Congressional responsibility for oversight will be clarified and facilitated, which seems essential to me.

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[i] See Moe, Ronald C., Administrative Renewal, University Press of America, 2003, for this discussion and other details on the history of federal government reorganization in the U.S.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Volcker, and I would like to say thank you for taking the time and being so patient waiting while we voted. I appreciate the expertise that comes from each one of you. I am going to begin with the question and answer session. And I would like to thank Mr. Van Hollen and Mr. Murphy and Ms. Holmes Norton for coming to the hearing today, and we are going to start out here with a few questions. I will take my 5 minutes and then go to Mr. Van Hollen.

Mr. Walker, in 1949 the Hoover commission sent Congress 277 specific recommendations for structural changes to the Federal Government. It's estimated that about 100 of the recommendations were adopted, which was considered to be quite impressive. In the 2 years following the commission's report Truman submitted 35 reorganizational plans to Congress, of which 26 were approved. Do you believe it will be a worthwhile exercise for Congress to assemble a high level bipartisan commission similar to that of the Hoover commission for reorganization of the government?

Mr. WALKER. There were two Hoover Commissions. One was more successful than the other. I think we can learn some valuable lessons from the Hoover commission that was more successful. And part of that was the players that were involved, you had a combination of people from the executive branch, the legislative branch as well as certain other experts. Furthermore, if you look at the scope of what they were asked to do, it was a much clearer defined scope, if you will, and, you know, dealing more with management and operational issues, if you will, rather than policy and programmatic choices. And so I do think that considering some type of a commission that is properly comprised with the appropriate scope is one that could help to move this forward.

Mrs. DAVIS OF VIRGINIA. Would you gentlemen like to comment on that question?

Mr. VOLCKER. I must confess, I had not thought of that approach at this point. I think the kind of consultation and expertise that was involved in the Hoover commission would be useful. I don't know whether it's useful to do that kind of across the board or do it in a particular area that a President or the Congress may decide is a priority area as a kind of complement to the kind of legislation I'm talking about, which would simply have enabling authority for reorganization. And the substance of that reorganization is obviously a big and complicated subject. Is that the point at which you want—if the President chose an independent commission. I don't know whether it would require legislation. You could go back obviously and have a full scale Hoover type commission. That's not what I have been thinking about and my guess is that we slow down the process at this point rather than enhance it.

Mr. JOHNSON. My personal preference is that the Reorganization Act be passed and then the executive branch be challenged to come forward with proposals.

Mr. WALKER. If I can, Madam Chair, I think it is important to have enabling legislation, no question about that. And that's fundamental. I think any commission that you would have could be a supplement to, not a substitute for, but you need that enabling legislation.

Mrs. DAVIS OF VIRGINIA. Mr. Volcker, you made a comment that Congress hasn't politically been real interested in the reorganization and I would imagine one of the reasons is that, A, it's not glamorous and, B, it's probably very controversial and something that quite frankly scares the socks off the Federal workers, and that's not what this hearing is intended to do and it's not what we want to do. We want to make it a better place for our Federal workers. I think that is one of the reasons you don't see much activity within the Congress on our reorganizing or doing anything to change our Civil Service workers.

Mr. WALKER. We have reorganized GAO to where we eliminated a layer of management, which was an unneeded layer. We didn't lay off anybody. Nobody lost their jobs.

Mrs. DAVIS OF VIRGINIA. Was there job loss?

Mr. WALKER. In that particular case, no. We did close 5 of 16 field offices and there were some job losses, but every person but one who wanted our assistance to find a job found a job. And so they either retired or they—or we helped them find a job. So there are ways to do this in ways that get the job done, but in a considered, compassionate, you know, effective manner.

Mrs. DAVIS OF VIRGINIA. Mr. Walker, your concerns about government spending should strike a real chord with all the taxpayers and future taxpayers, and I have heard your comments and I saw your speech that you made today. And our children and grandchildren must not be burdened by our inability to control spending.

Could you give us any ideas about the best path we should take to achieve governmental reorganization to eliminate functional redundancies? I assume you read my opening statement about the cheese pizzas and the pepperoni pizzas.

Mr. WALKER. It's hard to believe that one department has responsibility for cheese pizza and the other department pepperoni pizza, and the only difference is the pepperonis I guess. We were trying to debate earlier who had the pineapple pizzas but we couldn't decide that. That is a small part of our challenge, let's face it. But it is illustrative of what could end up happening through an accumulation of agencies, programs, functions, policies and activities on a piecemeal basis over decades. And one of the things that has to happen that I pointed out in my speech at the Press Club today is that we need to have a very disciplined process where we start looking at what exists in government today, both mandatory discretionary spending as well as the tax side. We have to look at it and ask ourselves does it make sense in the 21st century. You know, what kind of resources and authorities are being allocated? What kind of results are being achieved? It's a very important approach.

I lay out several ideas with regard to redundancies that need to be considered in my testimony. But this is a fundamental process. It's an important process. It's going to take years but we need to get started.

Mrs. DAVIS OF VIRGINIA. Anyone else have a comment? My 5 minutes are up, and I want to go to Mr. Van Hollen.

Mr. VAN HOLLEN. Thank you, Madam Chairman, and I want to thank all three of you gentlemen for your testimony. And Mr. Walker, I haven't had a chance to look at it all but I have a copy

of the speech you gave before the National Press Club and I heard a little bit about it on NPR radio this morning. So thank you for your observations there with respect to future budget situations as well as the management issues.

And Mr. Volcker, thank you very much for your sticking to it on this issue over many years and your service. You're right, it is not one of those issues that grabs the attention of a lot of people but it is very important to the success of our country that we be able to continue—that we attract good people to government in the future. So all three of you, thank you very much for being here. Obviously one of the concerns Congress has is giving up a blank check over any administration, Republican or Democrat. So if we were to provide the kind of authority, as I understand it, you are supporting a provision where the administration would come forward with the reorganization proposal and there would be vote up or down. Let me take you back though to the whole question of the Homeland Security Department, because there the administration came forward with the proposal and I think maybe I'm wrong but my sense was that the administration as well as Members of Congress thought the final product would be strengthened and improved in many ways as a result of going through the process. After all there had been number of bills that Members of Congress introduced that actually initiated the process. And if we had just an up or down vote, you wouldn't have—without the opportunity for amendment, you wouldn't really have that ability to do it or the administration would be in such a position they could say well, OK, we agree to that and will have to come back with another draft. And I guess why should Congress give up that flexibility? My understanding—I could be wrong—with respect to reorganization of government that we have not—and I could be wrong—we haven't seen any major proposals coming forward in recent years other than Homeland Security, that we have—and anything that has come up we as a Congress have acted on. So I would be interested in your response.

Mr. VOLCKER. I guess my brief answer would be history is against you. When you do it one by one and with full range of debate about every aspect of the reorganization proposal, nothing gets done. In fact it probably won't be proposed. Now Homeland Security was a rare instance, obviously following September 11, obviously revealed a lot of lack of cooperation, lack of information, of course related agencies at that time, a sense of emergency, and finally got done with a lot of effort in a very difficult situation, but a pressing situation. Whether you can expect that to be successful right across the board I think is doubtful. With the kind of question that you have, I would anticipate by saying you can't write a complete blank check you want to give some instruction in effect in this legislation about basic principles or guidelines that have to be respected in terms of any Presidential proposal and you could require certain consultation, too, including certain consultation with this committee. But it gives you some kind of framework within which the proposal is made and if you still don't like it you vote it down and obviously you would have to come back. But you don't have to fight every principle over again. You settle what's really a core continuing requirement in the enabling legislation in general terms.

Mr. VAN HOLLEN. Do you believe that the prior reorganization acts offer any guidance in that area or is there some kind of model?

Mr. VOLCKER. I think some of those weren't quite so sweeping. They were more individual proposals, but I think the conclusion consistently has been to get consistent action here, you need some kind of enabling legislation. And I am just urging what's been done in the past to get some action here.

Mr. VAN HOLLEN. Is there a model that you've seen that sort of spells out the limitations?

Mr. VOLCKER. There are models in other areas. Base closings.

Mr. VAN HOLLEN. In terms of this procedure, I understand. But I'm talking about with respect to the kind of limitations that you thought would be appropriate to write into this kind of authorization.

Mr. VOLCKER. I'm not going to be very precise now because I am unable to sitting here. It is an area that we've been working a bit with the committee staff on—the full committee staff. And it's an area in which we are engaging and plan to engage in consultations with some experts in this area and we would be delighted to work with the committee if and when—I hope you will—develop some legislation.

Mr. VAN HOLLEN. Thank you.

Mr. JOHNSON. My comment about the Homeland Security to be careful, it's not just the Homeland Security organization. It's the largest reorganization in 50 years. What was proposed by the President, I think it was 27 pages long, would have led to a very, very effective Department of Homeland Security. What was agreed to by the Congress and the President will also lead to a very effective—it's what was agreed to was better—we could debate that all day long—it will be made to work and our country will be much more secure and safer as a result of that. But I don't think it's proper to say that thank goodness there was not an up or down vote on the original proposal because that proposal was flawed.

Mr. WALKER. If I can quickly, first, there were unusual external events that resulted in the creation of the Department of Homeland Security, which hopefully are not going to occur frequently. And so I think—we can't count on those types of events. We don't want those types of events to try to force the type of reorganization that needs to occur in other areas of government that may not involve safety and security but are important opportunities for economy, efficiency, effectiveness, etc.

Second, you're right, no blank checks. Nobody should give a blank check. I have had the opportunity to testify before the House Rules Committee as well as the full Government Reform Committee on this issue and will be happy to provide that to your office because I think there are some principles and guidelines that could be employed to try to allow more flexibility in circumstances where it's really only management operational issues versus policy and programmatic issues and, you know, different safeguards to make sure the Congress is not giving up too much of its Constitutional responsibilities.

Mr. VAN HOLLEN. Thank you, Madam Chairman.

Mrs. DAVIS OF VIRGINIA. Mr. Murphy.

Mr. MURPHY. Thank you, Madam Chair. First of all, I compliment you on putting together this hearing. And these issues are incredibly important when we read some of these reports about the number of agencies and programs involved. It's absurd and we can certainly save the taxpayers a lot of money and do a better job. In the interest of time and also the delays our panels had and recognizing the impending weather here, I would like to submit some questions for the record and ask them to respond that way.

Mrs. DAVIS OF VIRGINIA. Without objection. Ms. Holmes Norton.

Ms. NORTON. Thank you very much, Madam Chairwoman. I'd simply like to get some clarification as to what exactly is desired here. First, I want to make it clear that far from having any objection to reorganizations of government when I served as Chair of the Equal Employment Opportunity Commission during the Carter administration, I asked the President and he indeed put forward a major civil rights reorganization of the Federal Government precisely because the duplication and overlapping of agencies was so costly and so inefficient. So I—if I have any bias, it's toward consolidation and toward reorganization. I believe the government agencies grow like topsy. When anybody has an idea, they create some department or subdepartment.

But after having served on the Homeland Security Committee, I sat on this committee as we dealt with DOD, I want to know what it is about. I mean after that experience where the Congress was so responsive, I'm absolutely puzzled that the administration would come forward and ask to have the authority to reorganize the government with no amendments from the Congress as if, you know, there were some kind of perfection anywhere in the universe.

So I just want to know why you don't feel that perhaps with some kind of abbreviated process, I can even understand that, you wouldn't be better off talking to Members of the House and Senate, many of whom have far longer experience than I have, know the government better than any of you with the possible exception of Mr. Volcker. Why in the world don't you think—I thought I heard Mr. Johnson say a better piece of legislation than Homeland Security because of the way people cooperated, what is to be gained? What is it that you are after given the responsiveness of Congress to you on two occasions, giant reorganizations, Homeland Security and DOD? What is it that you are after that requires such haste that you don't even want the kind of give and take legislative process that we have had for 200 years in this Congress? What is it that requires—because the word "requires" is the word I think should be used. Congress should give up such authority only if it's required. Why is it required? What is the urgent necessity requiring it?

Mr. JOHNSON. I am not suggesting a specific reorganization. What I'm suggesting is that some form of expedited consideration by Congress be passed. I don't know how that ought to be structured. That would be debated as such an act was being created. But what exists now would almost ensure that whatever started off as a race horse would end up as a camel medical. And there has to be instead of that some kind of expedited way to consider government reorganization. Whether it allows up, down votes I don't

know any of that. But a faster, more direct way of consideration by Congress has to be developed is what I'm suggesting.

Mr. WALKER. Ms. Holmes Norton, I believe what the issue is that there are a number of Presidents of both political parties who, for a number of years, had certain reorganization authority. That authority has expired. And so the question is whether and to what extent Congress might seek to give this and future administrations some basic reorganization authority. Clearly no blank checks. And as I mentioned, I testified before House Rules as well as full committee about some ideas as to how you separate the wheat from the chaff. I share a lot of your concerns about DOD's transformation bills, especially in the human capital area. I don't think that's necessarily what they are talking about expedited treatment for. We're really talking about organizational units rather than fundamental changes in the Civil Service system.

Ms. NORTON. You know, whole units involving employee rights could be abolished with a blank check.

Mr. WALKER. And blank checks would clearly be inappropriate. And that's one of the things we have tried to do at GAO is to talk about some principles and some safeguards in order to make sure that Congress doesn't give up too much authority and to make sure that situation doesn't occur because that wouldn't be anybody's benefit for that to occur.

Ms. NORTON. I don't oppose an expedited way to reorganize the government. My own experience tells me you want to get it done, you don't want to get it done fast and wrong but you want to get it done fast. Mr. Johnson's testimony was that President and Congress need to work together and we work on things far more serious, far more urgent if, I may so and is. Why would the reorganization—how would you ensure that the President works with the Congress given what you have proposed here this afternoon?

Mr. JOHNSON. I'm sorry——

Ms. NORTON. If in fact the President could put forward an up or down motion, an up or down bill and you would have to vote against the whole thing, and we know what the purpose of that is, we're not fools, how would you assure that we worked with the President since he knows just like we have an omnibus bill that nobody is going to go after the omnibus bill because there are too many things in there to get the whole body to vote against them? How would you assure that we work together to keep that from happening, an omnibus type bill from occurring in this context?

Mr. JOHNSON. Well, maybe—briefly and you are much more informed.

Mr. VOLCKER. You are on the seat here and I'm not.

Mr. JOHNSON. In my mind, it would be to do it with Congress and not to Congress, because if we're doing it to Congress nothing would get approved. Once an idea is developed you would seek input from Congress, who know their States and districts, and you would work with agencies who know their programs and so forth and you would work with constituent groups that know what needs to be done and what the opportunities were. And then you develop your ideas and there's compromise and debate and discussion, but eventually somebody has to put together something and come for-

ward. And you would come forward with full explanation and full selling points why on balance this is the best thing to do.

Ms. NORTON. And if you don't like it vote against the whole thing. That is really an "in your face" approach.

Mr. JOHNSON. As an expedited fashion as opposed to piecemeal as current legislation would call for. I don't know whether it has to be up or down. That's the way the old bill was and Congress and the President and the executive branch have to figure out what expedited fashion means. But we would do this so we would be doing it with Congress because the way our government is set up you don't do anything to Congress.

Ms. NORTON. Unless you have an up or down vote when you get——

Mr. JOHNSON. I don't hear anybody saying it was a disastrous approach.

Mr. VOLCKER. I agree with what Mr. Johnson is saying. You want to work with the Congress and with others to get something this broadly acceptable. But I think history suggests that at the end of the day you have to get together and got to get a vote. And because there are so many controversial areas involved, it's very hard to get Congress to act unless they are faced with an up or down vote. And it's likely to be a down vote unless there's the type of concentration to talk about. And you are going to have a certain framework that Congress has put in there to make sure what Congress thinks are important are appropriately recognized in the proposal. And employee protections is one of those areas where you know you fight it now in Homeland Security. You fight it over again in the Defense Department reorganization. And you'll fight it in every reorganization and get a different answer maybe in each one. You want some kind of a template here that will facilitate consideration of something that experience shows is very difficult to get action on even when there's recognition that something ought to be done, as you have expressed that.

Ms. NORTON. I want to assure you that we have up and down votes on very complicated bills here every week, bills of enormous complication. So the whole notion that you are proposing something that is more complicated than what we do on a regular basis is an amazing notion to me. And I invite you to look at the bills that have been passed during this session of Congress alone. Mr. Volcker, again your notion about beginning with some guidelines and the rest, that gives you a start, but the last thing we should do is to approach the reorganization of the government of the United States with a blueprint. The kind of principles we start out with would be so general that I don't think they would be of much help. That's why what we usually start out with is some kind of bill. Then people get to look at it—and frankly we pass these things—you know some of us vote against it. You can't hold it up. You got a majority, at least the present majority has a majority. So some vote against us. Some of us vote for it. So it passes out the committee. Yes, there is some division, but it passes. It goes to the floor and it passes. Nobody can hold it up. So it seems to me, yes, you begin with principles. Your next task as far as I'm concerned is to come forward with a specific expedited process and ask the Congress to vote on that process. I would be perfectly pre-

pared to vote on an expedited process, not on something called a concept of an expedited process. And I am in your corner. I am one of the few Members of Congress who has run an agency. And I would be prepared to advocate the shorthand way of reorganizing the government. I saw just a tiny part of government, what it took to reorganize. And by the way we did it in a very short period of time.

So I think it can be done, but I don't think you will get very far talking to Members of Congress who have to deal with complicated tax legislation, complicated welfare legislation, that this is so complicated that we need an up and down vote with all of the stuff kind of buried like sausage in between and you folks couldn't get it done if you had to deal with the sausage. We get our hands dirty with this sausage every day. We pass bills out of here every day and I think we could do this as well.

Mr. WALKER. If I could mention real quickly. Clay Johnson's two predecessors ago, Sean O'Keefe, who was Deputy Director of OMB for Management, and I had an opportunity to testify before the House Rules Committee—and I will make sure that GAO provides you a copy of that testimony and some of the follow-up of that because it's very much along the lines of what you're talking about. What happened is the administration came forth with the Freedom to Manage Act and it didn't have enough specificity, controls and safeguards in place. And what we said was what needs to happen is we need to put forth something that does have more specificity, more controls and safeguards in place, which is what I hear you saying. And I think it's a reasonable request that there's got to be something in writing that people can debate and discuss.

Mrs. DAVIS OF VIRGINIA. Thank you, Ms. Holmes Norton. Without seeing any specifics in concept I agree with you that it should be not concept but specifics when it comes forward. I am going to ask one more question and I will certainly leave it open to you, Mr. Murphy and Ms. Holmes Norton, if you have another question. And this is to you, Mr. Walker. When considering reorganization it's of utmost importance in my mind to do it right the first time, which means we have to have all of our information in front of us.

Could GAO provide to the subcommittee the identity of all Federal programs under each Federal agency determine the role and function of each program and determine if an existing program performs a function that is performed or carried out by an existing program or programs even though it is cutting across Federal agency boundaries?

Mr. WALKER. Madam Chair, I would like to work with you to see if we could narrow the scope and clarify that because that would be a huge undertaking that would take a tremendous amount of resources over a considerable period of time. But if we could end up talking about narrowing it to certain activities and start there and do it on an installment basis, that might make more sense.

Mrs. DAVIS OF VIRGINIA. That may be the way we do reorganization as well because we can't vote on reorganization if we don't know what we are voting on.

Mr. Murphy. Ms. Holmes Norton.

I want to thank all three of you gentlemen. We may have some more questions that we would like to submit to you in writing. If

you, Mr. Johnson, Mr. Walker and Mr. Volcker would be willing to respond to us so that we can make it available to the committee members, I would certainly appreciate it. And Mr. Volcker, I appreciate you coming all the way down here and I appreciate your time for coming down here and thank you for all your valuable work that you have done with your commission on a bipartisan basis.

Mr. VOLCKER. I appreciate even more the opportunity to come down and try to help keep this process going.

Mrs. DAVIS OF VIRGINIA. Thank you so much, and with that, the committee stands adjourned.

[Whereupon, at 4:10 p.m., the subcommittee was adjourned.]