



MEMOS TO NATIONAL LEADERS

SUBJECT: REORGANIZING THE FEDERAL GOVERNMENT

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Reducing the federal deficit and improving the efficiency of government programs has increased attention on reorganizing federal agencies and programs as a mechanism to achieve these desired results. While there is merit in reorganizing the federal government, it may not achieve the desired results unless done properly. Even then, reorganizations may have limited impact on helping to reduce the deficit or immediately improving the efficiency of government programs.

There has been significant expansion of federal government agencies' programs over the last several decades. This expansion has been due to actions by the Executive and Legislative branches of government to address new or reoccurring problems with new or expanded programs. As a result of the new or expanded programs, there has been mission creep among federal agencies and the creation of overlapping, duplicative and fragmented federal programs.

Eliminating or reducing overlapping, duplicative and fragmented programs is an important task for the next Administration and Congress. One important step may be to structurally reorganize these programs by consolidating them. This will require the expenditure of political capital by both the President and Congress. It will also require them to work closely together, reach consensus on the reorganization goals, and understand that savings and program efficiencies may not be immediate. They both need to use the important principles and guidelines for structural reorganizations. Additionally, the President and Congress should be careful not to replicate the design and process deficiencies that occurred in designing the Department of Homeland Security.

Another important step may be to increase the development of interagency councils to coordinate cross-cutting programs. This step has been called a "virtual" reorganization and can be used to supplement a more traditional reorganization. Creating interagency councils though will not be sufficient. The President and Congress should organize them around broad, agreed upon national goals and use other important tools to ensure accountability and transparency of such councils. Also, one agency head should be designated to lead each council and provided with the appropriate authority to ensure that multi-programs work together toward for achieving the broad national goals.

The next Administration and the Congress should use both steps to help eliminate or reduce the overlap, duplication and fragmentation among federal programs. This memo makes several recommendations regarding the structural and virtual reorganization of the federal government.

Memo #1: Reorganizing the Federal Government

The need to reduce the federal deficit and improve the efficiency of government programs has increased attention on reorganizing federal agencies and programs as a mechanism to achieve these goals. Additionally, there is sustained interest in changing the role, and reducing the size, of the federal government. The key question of any desire to reorganize government is how to better design the federal government to meet the challenges of the 21st century.

Over the last several decades, the size of the federal government has remained relatively constant while the population it serves, and the programs enacted to provide this service, has increased dramatically. The structure of the federal government has not kept pace with these developments. Many programs cross agency boundaries, yet we have lost ground with respect to our capacity to address interagency and intergovernmental issues that are posed by most national initiatives today. This increase of programs has been due to actions by the Executive and Legislative branches to address new or recurring problems with new or expanded programs.

The increase in the number of agencies and programs over the last many years has created at least two significant governance problems. First, mission creep among federal agencies. Second, many national issues are being addressed by multiple agencies and programs responsible for addressing a portion of the larger problem they were created to address. Thus, we are now faced with the growing problems of overlapping, duplicative and fragmented programs. A 2011 report by the Government Accountability Office (GAO) identified 34 areas where programs were overlapping, duplicative or fragmented. For example, it identified 82 teacher quality programs administered by 10 agencies; 80 economic development programs administered by 4 agencies; 56 financial literacy programs administered by more than 20 agencies; and 47 employment and training programs administered by 3 agencies. This situation of overlapping, duplicative and fragmented programs has, for the most part, produced ineffective means of program delivery and at times, created competing goals and objectives as well as an inefficient use of limited federal funds.

Eliminating or Reducing Federal Programs

Eliminating or reducing overlapping, duplicative and fragmented programs is an important task for the next Administration and Congress. One important step may be to reorganize these programs by consolidating them. Some of the consolidations can occur within existing departments and agencies while others can occur through combining existing agencies and their programs.

Program consolidations within departments have already started in the current Administration and have been proposed in numerous other Administrations. The current Administration, for instance, is working with Congress to reduce the number of K-12 education grant programs from 38 to 11. Program consolidations have the advantage of achieving programmatic efficiencies without the turmoil of interagency reorganization. It is not without controversy. In some cases, consolidations are used as a way to reduce federal funds to state and localities and it is not clear whether the resulting efficiencies offset the loss of funds.

Consolidation of grants has often been proposed as a way not only to achieve efficiencies but to devolve authority to states and localities for determining priorities over the use of funds. While block grants may achieve program reforms and streamlining, the transfer of authority carries implications for who gets what,

when, where and how under these programs. States will make different choices than federal agencies and the implications of these choices for differing values and priorities needs to be carefully assessed.

There are clear cases where programs overlap federal agency boundaries, and these are areas where structural reorganization has the most compelling rationale. However, achieving structural reorganizations require the expenditure of political capital by both the President and Congress. It will require the President's administration and Congress to work closely together and to mutually agree on the goals of any reorganization. However, efforts by the President and Congress to work closely together on any issue in recent years have proven to be elusive. Significant changes will need to be made in their working relationship before any reorganization effort starts.

Also, the President and the Office of Management and Budget (OMB) will need to clearly explain in practical terms how any structural reorganization will actually improve the efficiency and effectiveness of the agencies and their programs.

Additionally, the President's administration must be willing to work with Congress to address key issues and concerns it has regarding any structural reorganization. A necessary element in this working relationship will be the willingness of the Administration not only to discuss these issues and concerns with Congress but also to share information regarding how decisions were initially made in designing the reorganization.

Further, the President and Congress will need to understand that any structural reorganization will most likely have little to no immediate impact on dollar savings. It will take years to achieve any potential dollar savings and reduce the budgets of the affected agencies and their programs.

Numerous organizations and organizational experts have developed principles or guidelines for future federal government structural reorganizations. While these principles and guidelines vary in their scope, there are some common elements:

- Clearly identify the problem(s) reorganization will address.
- Use facts regarding the problems, not just opinions, in designing reorganization.
- Develop clear, identifiable and specific goals for reorganization.
- Assess the pros and cons of proposed reorganization.
- Strive to create a consensus for reorganization among the Congress, federal employees, the public, state and local government, and the private sector.
- Continuously consult with Congress on reorganization plans and be willing to accept advice and counsel from Congress.
- Create two-way communication with affected federal employees, the public, state and local government, and the private sector, including the opposition.
- Seek out suggestions, ideas and support from affected employees regarding both planning and implementing reorganization.
- Develop reorganization implementation plans for both the short-term and long-term.
- Don't forget to address the "soft" organizational issues such as organizational culture and tradition.

These common elements provide a good framework for designing and implementing reorganizations. However, there are several drawbacks from doing structural reorganizations. The first drawback is that many structural reorganizations take a long time to fully implement. Complete implementation of such

reorganizations often takes 3 to 5 years, though there are examples of some reorganizations, such as the creation of the Environmental Protection Agency and the Office of Personnel Management, which moved more rapidly.

The second drawback is that reorganizations typically cost more money upfront to implement. Thus, they do not immediately reduce funding related to the affected agencies and their programs but instead result in greater funding during the initial stages of implementing reorganizations. This is because additional costs will incur due to the need to relocate employees, consolidate information systems, change payroll systems, move equipment and furniture, etc.

The third drawback is that the initial phases of the implementation planning and implementing reorganizations may cause a temporary decrease in programs' efficiencies due to disruptions in established relationships and processes and uncertainty experienced by affected employees about changes to their current positions and reporting levels.

If the next Administration decides to develop a broad structural reorganization of the federal government, it should establish a commission to consider and vet reorganization proposals. GAO and others view the first Hoover Commission as "the most successful of government restructuring efforts." The key to the success of the first Hoover Commission, widely recognized by many, was that it was bipartisan and its membership included members of the President's administration, members of both houses of Congress, and people from outside of government including members representing the public. The Ash Council's reorganization proposals in 1969-1970 also provide important lessons from its mixed success in structurally reorganizing the federal government.

It is important to note that the Hoover Commission took two years to complete its work—from 1947 to 1949. So, once again many structural reorganizations, even the development and approval of proposals, can take a long time. Both the next Administration and Congress must be committed to the long term nature of the process and be willing to accept or revise and then act upon the commission's proposals.

Recent Lessons from the Creation of the Department of Homeland Security

The creation of the Department of Homeland Security (DHS) provides important lessons that the next Administration and Congress should consider. The creation of DHS focused on the idea of addressing some of the organizational failures that resulted in 9-11. The primary failure was the lack of coordination and information sharing (i.e., "connecting the dots") among agencies and programs responsible for ensuring the security of the United States from terrorism. So, 22 federal agencies that had some terrorism security responsibilities, along with other responsibilities were brought together under a newly formed department.

While the degree of success of the creation of DHS varies, there are some key lessons learned from the reorganization. These lessons learned include:

a) **Reorganizations do not always resolve all coordination issues:** Not all of the agencies whose missions included homeland security were transferred to DHS. Ensuring effective coordination among agencies with similar mission not included in a reorganization is important.

b) **Don't dilute other important missions:** The 22 agencies transferred to the new department had other missions in addition to homeland security. There was a need to ensure that these other missions continued and not made subordinate to their homeland security missions. This did not always happen with the creation of DHS.

c) **Consult with key stakeholders:** Little in the way of consultation with key stakeholders occurred in the design of the DHS reorganization. As a result, there was almost no emphasis in the discussion about the reorganization as to the impact of its design on these stakeholders and how they were supposed to support the new department's work.

d) **Provide complete information to Congress:** At the start of the legislative process creating DHS the exact figure of the number of employees to be transferred to the new department was unknown. In the early stages, the number of employees who would be transferred to DHS ranged from 170,000 to 220,000, undermining the ability of Congress to assess the human capital implications.

e) **Legacy systems and processes need to be considered:** All of the agencies transferred to the new department had their own personnel systems, information systems, payroll systems, procurement regulations, etc. However, these issues received minimal attention during the legislative process.

f) **Don't forget the field offices:** All of the agencies being transferred to DHS had field offices, with people and facilities, scattered throughout the United States. However, there was little discussion regarding the impact the reorganization would have on these offices. Key questions as where all the offices were located, whether some could be eliminated or merged, and the critical interagency and intergovernmental roles of these field offices were not discussed. As a result, many of these key questions are still unresolved 10 years after DHS was created.

One other important lesson from the DHS reorganization is the need to involve persons experienced with large, complex reorganizations in the process. Such individuals were not involved in the proposed design of DHS. In the past, these individuals resided in the Executive Office of the President. However, over the years, this expertise in the Executive Office, or elsewhere in the Executive Branch, has disappeared. The next Administration should focus on rebuilding the Executive Office's institutional capacity for designing and implementing reorganizations.

The Value of Virtual Reorganizations

Another important step may be to increase the development of interagency councils to coordinate cross-cutting programs. This step has been called a "virtual" reorganization and can be used to supplement a more traditional reorganization. One major advantage of a "virtual" reorganization is that it can be implemented fairly quickly through (1) the creation of interagency councils and (2) the establishment of broad national goals.

The establishment of interagency councils focused on broad national goals can be an important mechanism for bringing overlapping, duplicative and fragmented programs together under a specific framework. The first step in the process is for the next Administration to consult and reach consensus with Congress on the specific broad national goals to be addressed. The interests of both the Administration and Congress must

be achieved in this process. This concept closely aligns with two recommendations contained in the Memo to National Leaders—Strengthening the Federal Budget Process. Specifically, the memo titled, “Budgeting Strategically”, recommends that the next Administration, in consultation with the leaders of the next Congress, (1) should identify several high priority national objectives that will be the focus of strategic budget reviews and (2) these reviews should rigorously examine the full portfolio of current federal programs cutting across multiple agencies and departments.

Once consensus is reached on the broad national goals, the President should require the creation of interagency councils focused on these broad national goals and designate an agency head to chair each council. These councils can use the GPRA Modernization Act of 2010’s requirement for the development of cross-cutting federal priority goals as a tool to help identify and reduce program overlap, duplication, and fragmentation and improve coordination among similar programs.

However, the creation of interagency councils focused on broad national goals who use cross-cutting federal priority goals may not be sufficient. Additional tools may be necessary to adequately implement virtual reorganizations. One such tool that should be used is national strategies. Over the last 10 years, the federal government has used national strategies to try to focus on significant issues and bring a variety of organizations together to work collaboratively on these issues. Some of these include the National Strategy for Homeland Security, National Strategy for Combating Terrorism, National Strategy to Secure Cyberspace, National Strategy for Financial Literacy, and the National Strategy for Pandemic Influenza.

The use of national strategies can serve as an important organizing method for multiple agencies working on broad national goals. In a 2004 report, GAO identified the following six desirable characteristics for national strategies:

- (1) Statement of purpose, scope and methodology: addresses why the strategy was produced, the scope of its coverage, and the process by which it was developed.
- (2) Problem definition and risk assessment: addresses the particular national problems and threats the strategy is directed towards.
- (3) Goals, subordinate objectives, activities, and performance measures: addresses what the strategy is trying to achieve and the steps to achieve those results, as well as the priorities, milestones and performance measures to gauge results.
- (4) Resources, investments and risk management: addresses what the strategy will cost, the sources and types of resources and investments needed, and where the resources and investments should be targeted by balancing risk reduction and costs.
- (5) Organizational roles, responsibilities and coordination: addresses which organizations will be implementing the strategy, what their roles will be compared to others, and mechanisms for them to coordinate their efforts.
- (6) Integration and implementation: addresses how a national strategy relates to other strategies’ goals, objectives, and activities, and to subordinate levels of government and their plans to implement the strategy.

Accountability and transparency are vital for helping to ensure the successful implementation of a virtual reorganization. One way to do this is for the interagency councils to annually report to OMB and Congress on their performance. Also, providing the interagency councils with the authority to make recommendations to OMB on the budget requests of related programs would enhance their ability for ensuring that funds are used efficiently and effectively to address the broad national goals and among related programs. However, these interagency councils should not be designed to operate agency members' programs for achieving the national goals. Instead, the councils should be designed to enhance communication, coordination and collaboration among their member agencies so they can work together to achieve the broad national goals.

One existing interagency council that could be used as an example for these new councils created through a virtual reorganization is the Interagency Council on Homelessness. This council was created through legislation in 1987 (the McKinney-Vento Homeless Assistance Act) and its authority and responsibilities were strengthened through reauthorization legislation in 2009 (the Homeless Emergency Assistance and Rapid Transition to Housing Act). Recently, as a result of the 2009 legislation, the Council was required, among other things, to develop a federal strategic plan to end homelessness, to encourage the creation of State Interagency Councils on Homelessness, and to conduct research and evaluation related to its functions. However, the Interagency Council on Homelessness also has some weaknesses and thus, is not as strong as a model as those recommended in this memo. For example, department or agency leaders that chair the Council rotate among its members and are selected by its members as opposed to being designated by the President. Also, the original legislation created an executive director to manage the day-to-day operations of the Council with limited clear direct line of authority between the executive director and the Council Chair. Further, the Council has its own staff and receives a separate appropriation which creates an additional organizational level, increases funding costs associated operating the Council and potentially dilutes member agencies' responsibilities for doing the important collaborative work of the Council.

As noted in the example above, an authority gap may still exist preventing the interagency councils to successfully fulfill their responsibilities. This gap involves who has the authority for ensuring that all of the affected agencies and their programs are working together. Many attempts have been made in the past to address this authority gap—National Security Council committees, “Czars” and lead agencies—but they have proven insufficient. Prior attempts to manage multi-departmental programs run into the problem of effective management as too many cooks attempt to produce a coherent menu. One model that exists that should be considered to address this issue is the “Chief of Mission” authority delegated to ambassadors serving in the country of assignment. The ambassador leads the so-called Country Team which is the only formally instituted multi-agency entity in the US government below the White House. The ambassador reports directly to the President, giving him or her leverage to direct initiatives of federal agencies represented in that country. By Congress authorizing the President, through legislation, to delegate to leaders of interagency councils (who should be an agency head) this “Chief of Mission” or for this purpose “Chief of National Goal” authority, Congress could provide enhanced accountability for the councils' work.

Congress's Structure Often Reflects the Executive Branch Structure

Much like the overlapping, duplicative and fragmented programs, Congress and its current committee structure reflects the nature of these programs. These multiple committees and subcommittees request thousands of reports and hold hundreds of hearings a year regarding the agencies and their programs under their jurisdictions. Many of these reports and hearings provide fragmented information on many broad national issues and thus, it is difficult for Congress to obtain a complete understanding on the results of agencies' programs and to adequately identify the best congressional solutions.

Going Forward

The use of program consolidations within departments, as well as structural and virtual reorganizations should not be viewed as a choice of one over the other. All three should be used to make the delivery of federal programs more efficient and effective and produce better results for the American people. The next Administration and Congress should use program consolidations within departments and reorganizations to help eliminate or reduce the overlap, duplication and fragmentation among federal programs and agencies. One of the most important factors regarding structural and virtual reorganizations is that the next Administration and Congress need to work more closely together to determine the value of each type of reorganization, reach consensus on reorganization goals and broad national goals, and focus more on results and less on just reducing the size of government.

Recommended Actions

1. The next Administration should work with Congress to establish broad national goals that the government should address. These goals should focus on current, but more importantly, future issues the United States faces or may face. These goals in turn should inform subsequent choices about programmatic and structural reforms needed to better achieve outcomes.
2. The next Administration should determine the need for program consolidations within agencies. The case should be made by documenting expected improvements in efficiencies and outcomes.
3. The next Administration should also determine the need for structural reorganization of federal agencies and if some agencies need to be reorganized, the Administration should draft a bill, and submit it to Congress, to establish a Reorganization Commission based on the success factors of the first Hoover Commission.
4. The next Administration and Congress should establish a mechanism that requires Congress to consider and vote on the Commission's reorganization proposals.
5. Using GAO's reports on overlapping, duplicative and fragmented programs, the next Administration, with the advice and counsel of Congress, should establish interagency councils focused around broad national goals.
 - a. Once the interagency councils are established, the President should designate an agency head as leader of each council.
 - b. The next Administration and Congress should work together to explore legislation providing "Chief of National Goal" authority so that it may be delegated to these council leaders.
 - c. The interagency councils should be directed by the President to develop a national strategy appropriate to the broad national goal they are to address. These national strategies should be developed in consultation with the leaders of the appropriate congressional committees.
 - d. The interagency councils should annually report to OMB and Congress on their performance regarding implementing the broad national goals and the national strategy they are responsible for.

- e. The interagency councils should be provided the authority to make recommendations to OMB on the budget requests of their members' programs. This authority would help ensure that the interagency councils focus on the efficient and effective use of the funds for these programs and their efforts to address broad national goals.
- 6. Congress should assess how it is organized and operates. It should establish a bipartisan committee to assess its committee and subcommittee structure and make recommendations for eliminating or merging some committees or subcommittees.
- 7. The leadership of the next Congress should require that congressional committees—both oversight and appropriations committees— hold joint hearings focused on the progress of the federal government to achieve broad national goals and the results of the programs related to these goals. More specifically, Congress should hold joint hearings on the progress made regarding the national strategies.