18. GENERAL GOVERNMENT

Table 18–1. Federal Resources in Support of General Government
(Dollar amounts in millions)

Function 800	1993 Actual	2001 Estimate	Percent Change: 1993–2001
Spending:			
Discretionary budget authority	11,642	14,011	20%
Mandatory outlays	1,540	2,283	48%
Credit Activity:			
Direct loan disbursements	....	16	NA
Tax expenditures	37,205	71,300	92%

NA = Not applicable.

The General Government function encompasses the central management activities of the executive and legislative branches. Its major activities include Federal finances (tax collection, debt financing, currency and coinage, Government-wide accounting), personnel management, and general administrative and property management.

Four executive branch agencies are responsible for these activities: the Department of the Treasury (2001 enacted level of $14.0 billion), the General Services Administration ($590 million), the Office of Personnel Management ($207 million), and the Office of Management and Budget in the Executive Office of the President ($69 million).

Department of the Treasury

Treasury is the Federal Government's financial agent—collecting revenue, making payments and managing the Government's finances. It produces and protects the Nation's currency; helps set domestic and international financial, economic, and tax policy; enforces economic embargoes and sanctions; regulates financial institutions and the alcohol, tobacco, and firearms industries; and protects citizens and commerce against those who counterfeit money, engage in financial fraud, violate our border, and threaten our leaders. Treasury's law enforcement functions are discussed in Chapter 17, "Administration of Justice."

Treasury has enjoyed eight years of success in delivering its missions. In 2000 Treasury collected $2 trillion in tax and tariff revenues due under law; issued nearly $2 trillion in marketable securities and savings bonds to finance the Government's operations and promote citizens' savings; and, produced nine billion Federal Reserve Notes, 17.5 billion postage stamps, and 27.2 billion coins.

Internal Revenue Service (IRS): The Clinton-Gore Administration inherited an IRS with an outdated organizational structure, work processes and technology. Confronted with a steadily increasing workload (well over one-billion documents each year), IRS was failing to provide the level of service expected by America's taxpayers.

Since 1993, the IRS has been transformed. As required by the bi-partisan IRS Restructuring and Reform Act of 1998, IRS reorganized into four operating divisions, each focused on serving groups of taxpayers with similar needs (i.e., wage and investment earners, small business and self-employed, middle and large corporate, and tax exempt and government entities). This transformation is the most fundamental organizational modernization of the IRS since the early 1950s.

IRS also adopted a new mission statement that reflects both its customer service and enforcement roles: "to provide America's taxpayers with top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all."

Currently, the IRS is engaged in a massive effort to modernize its outdated technological infrastructure to dramatically improve compliance, productivity, and customer service. The management capacity to succeed in this extraordinarily complicated effort was instituted over the last three years. IRS will require another decade to complete the full program.

IRS introduced a new balanced performance measurement system to improve its management. Over the last several years, balanced measures of business results (including quality and quantity measures), customer satisfaction, and employee satisfaction were developed for each major work product (e.g., examinations, telephone customer service, etc.). In addition, IRS is engaged in a long-term study to improve its understanding of taxpayer compliance burden so that this burden can be minimized.

IRS managed its growing workload while implementing its modernization program. In 2000, IRS:

- provided 92.2 million refunds to taxpayers on 127.7 million individual returns (83.7 million refunds on 114.2 million returns in 1993); and,
- received 28 percent of individual tax returns electronically (11 percent in 1993).

Financial Management Service (FMS): The FMS seeks to improve the quality of Federal Government financial management by providing financial services and information to Federal program agencies and other clients. Over the past eight years, FMS has drastically improved its electronic payment and collection systems; and, in doing so, has been able to better serve its customers. For example, the percentage of payments transmitted electronically has increased from 50 percent in 1995 to 70 percent in 2000. In addition, FMS received over 75 percent of its collections electronically in 2000, compared to 28 percent in 1995. FMS also has been successful providing debt collection and debt management services to Federal agencies to aid in its implementation of the Debt Collection Improvement Act (DCIA). Since the passage of the DCIA in 1996, Treasury has collected approximately $9.1 billion in delinquent debt.

Bureau of Public Debt (BPD): BPD handles all Treasury debt financing operations and promotes the sale of U.S. savings bonds. During this Administration, BPD streamlined and consolidated the issuance and redemption process, allowing the Bureau to:

- consistently issue at least 99 percent of over-the-counter bonds within three weeks of their purchase; and,
- announce auction results within one hour 90 percent of the time (100 percent in 1999 and 2000).

U.S. Mint: The U.S. Mint—a self-financing entity which returns almost $3 billion to the Treasury each year—produces the Nation's coinage and manufactures numismatic products (commemorative coins, medals, and bullion) for the public as well as safeguards the Government's holdings in monetary metals. Highlights of the Mint's activities during the last eight years follow:

- The implementation of the 50 States Commemorative Quarter Program in 1999. Approximately every 10 weeks, through 2008, the Mint will issue a new State quarter.
- The issuance of the new golden dollar in 2000. To date, the Mint estimates that it will produce close to two billion dollar coins.
- Achieving impressive customer service goals. In 1999, the Mint received a high customer satisfaction rating from buyers of numismatic and commemorative coins. Exceeding the scores of many private sector firms in the American Customer Satisfaction Index (ACSI), the Mint scored among the highest of the 29 "high impact" Federal agencies evaluated by ACSI.

Bureau of Engraving and Printing (BEP): BEP produces all U.S. currency, about half of U.S. postage stamps, and other Government securities. During this Administration, the Bureau increased its capacity to produce currency. Over the past eight years, BEP efficiency and cost-effectiveness have increased, allowing the Bureau to:

- successfully redesign and issue new $100, $50, $20, $10, and $5 bills, which contain many new features intended to make our currency secure and to defeat high-tech printing equipment; and,
- meet all Federal Reserve and United States Postal Service orders as requested.

General Services Administration (GSA)

GSA provides policy leadership and expertly managed space, products, and services to support the administrative needs of Federal agencies. Over the past eight years, GSA has expanded the range of choices available to its customers for office space, supplies, and administrative services. It has also strengthened its role as the central management agency for administrative services policies. During this same period, GSA reduced its staffing by 30 percent, from 20,248 to 14,027, and increased its annual operating revenues by nearly 60 percent, from $8.4 billion to $13.3 billion. Highlights of GSA's activities over the past eight years follow.

- In 1995, GSA centralized its policy and regulatory authorities into an Office of Government-wide Policy (OGP) reporting directly to the Administrator. Since then OGP has begun a complete revision of GSA regulations to replace overly complex and outdated policies with simpler, "plain language" guidance. OGP has also modernized its Government-wide information systems that capture agency data on the management of various administrative activities such as real property holdings, motor vehicles, aircraft, and travel.
- The Public Buildings Service (PBS) is GSA's largest business activity and provides real estate and related services for more than 100 Federal organizations. Since 1993, PBS has constructed 86 new Federal buildings, of which 37 were courthouses. During this same period, PBS completed major repair and alteration projects on 156 Federal buildings. PBS currently manages almost 186 million square feet of space in Federal buildings and nearly 153 million square feet of space in leased buildings. During the past six years, PBS has improved its responsiveness to its agency customers by reducing the average time for an agency to lease space through GSA from 244 days to 136 days. In 2000, PBS operated Government owned space at a cost 13 percent below the private sector and since 1985 has reduced its energy consumption by 20 percent.
- The Federal Supply Service (FSS) has begun a fundamental shift in its business model. In 1993, agencies ordered $926 million in supplies from FSS warehouses and purchased $2.9 billion in supplies and services directly from vendors on FSS' Multiple Award Schedules contracts. Last year, agencies ordered $781 million from FSS warehouses, but purchased more than $11.4 billion through the Multiple Award Schedules contracts. FSS has also led the Federal Government in simplifying the processes used by agencies to order and pay for supplies and services. GSA Advantage! is an FSS web site through which agencies can order more than 800,000 supply items on-line. GSA's Smart Pay program offers agencies charge cards through which they can purchase goods and services and charge travel expenses. Agency charges through this FSS program have grown from $2.3 billion in 1993 to $10.1 billion in 1999.
- The Federal Technology Service (FTS) is the smallest of the three GSA business units but has made the greatest contribution to GSA's revenue growth. In the last eight years, FTS revenues increased over 2½ times, from $1.1 billion in 1993 to almost $4.2 billion in 1999, most of the increase coming from the sales of information technology services. During this period, FTS also negotiated new long-distance telecommunications contracts that bring the average cost of a long-distance phone call below five cents per minute.

Office of Personnel Management (OPM)

OPM provides human resource management leadership and services to Federal agencies and the 1.8 million employees in the civil service. OPM works closely with agencies to create effective policies and systems to recruit, develop, manage and retain the high quality and diverse work force needed to deliver results. OPM provides policy guidance, advice, and direct personnel services and systems to the agencies. It operates USAJOBS, a worldwide job information and application system. It provides fast, friendly, accurate, and cost-effective retirement, health benefit, and life insurance services to Federal employees, annuitants, and agencies. See Chapter 12, "Health," for a discussion of the health benefits program and Chapter 14, "Income Security," for a discussion of the retirement program.

OPM provides oversight of the Federal merit system, through on-site evaluations that are conducted on a four-year cycle for the 30 major departments and agencies, and a five-year cycle for 35 small agencies. These oversight reviews ensure that agencies are adhering to the merit system principles (5 USC 2301), and other policies and principles such as veteran's preference and protection from prohibited personnel practices, while allowing agencies enough flexibility to focus on results, not process.

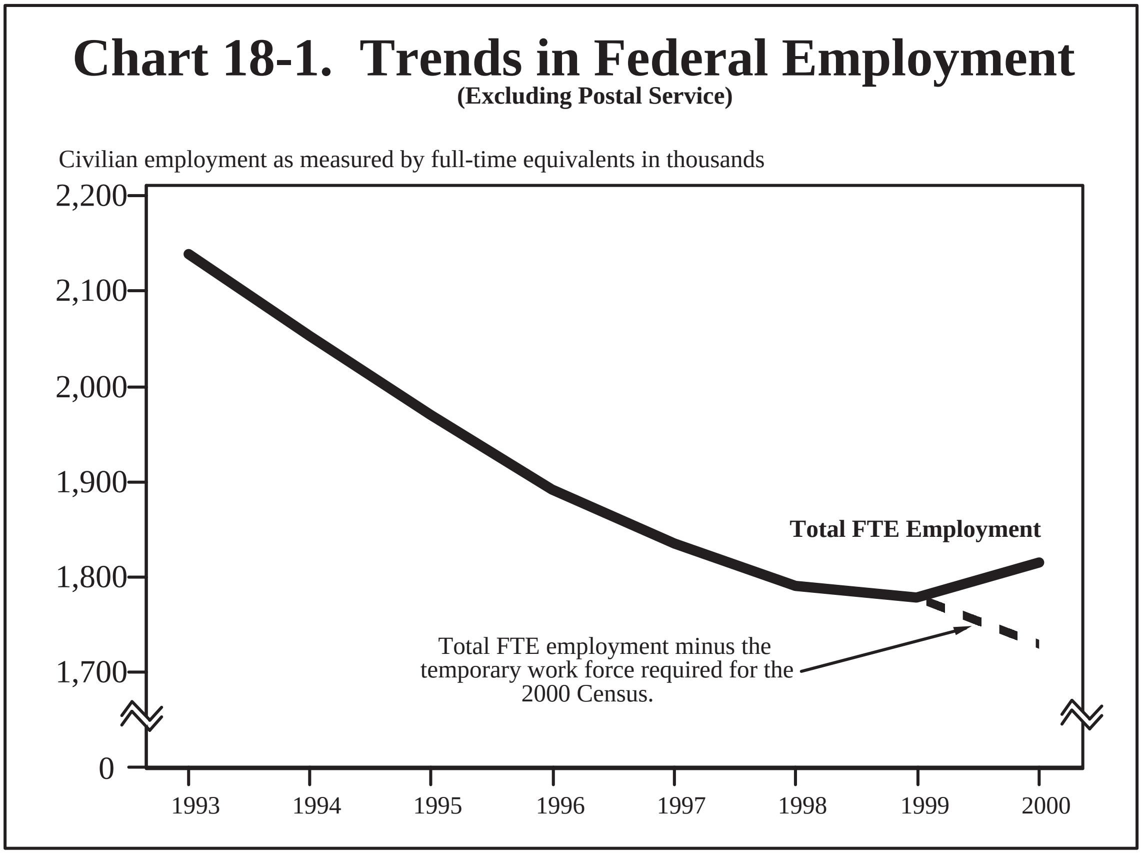
Over the past eight years OPM achieved considerable success in refocusing its mission and goals to ensure that the Federal work force is effectively poised to meet the challenges of the 21st Century. It positioned itself to help agencies better align human resources management to support agency goals. OPM privatized its training and background investigations programs, the latter resulting in the first Government Employee-owned Stock Ownership Plan (ESOP). The ESOP has exceeded expectations of success many times over. Extensive use of automation and application of state-of-the-art information technology has provided agencies with the tools needed to better recruit, train, retain and manage their work forces to best serve the American people.

As the Government's central human resources management agency, OPM presided over dramatic work force changes experienced by the Executive Branch during the last decade. Between 1993 and 1999, the Federal work force declined by 17 percent, or 377,000 full time equivalent (FTE) positions, resulting in the smallest Federal work force in 39 years (see Chart 18–1). Almost all of the 14 Cabinet Departments and large independent agencies have reduced their work force. OPM itself reduced its work force by 45 percent during this period. (It should be noted that some argue that the work force needed to deliver the mission of the Federal Government also includes uniformed military, postal workers, contractors, grantees, and State and local government employees, putting the work force needed to do the job closer to 16.8 million in 1999.) These work force reductions accompanied intensive management reform efforts to achieve a Government that works better, costs less, and gets results Americans care about.

OPM's significant accomplishments in 2000 included: new procedures for evaluating senior executives that reinforce excellence and accountability; a career intern hiring program to attract top quality, diverse applicants; regulations to allow repayment of student loans as a recruitment incentive; higher pay rates to attract and retain key Federal information technology workers; child care tuition assistance to support low-income employees; an Executive Order increasing the opportunity for individuals with disabilities to be employed in the Federal work force; and USA Staffing—a fully automated system for posting vacancies, accepting and rating applications, and notifying applicants and agencies of results.

Office of Management and Budget (OMB)

OMB assists the President by preparing the Federal budget and overseeing its execution in the departments and agencies. In helping formulate the President's spending plans, OMB coordinates the review and examines the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; and, provides policy options. OMB works to ensure that proposed legislation, and agency testimony, reports, and policies are consistent with Administration policies, leveraging use of interagency programs and Councils. On



behalf of the President, OMB often presents and justifies major policies and initiatives related to the budget and Government management before the Congress. It performs a critically important function in representing the President's position during face-to-face negotiations with members of the Congress over budget and policy issues. In addition, OMB is often called upon to provide Government-wide policy development and coordination on issues of importance to the national interest, such as the U.S. policies on responding to the crisis in Kosovo and on the protection of our natural resources.

OMB has a central role in developing, overseeing, coordinating, and implementing Federal procurement, financial management, information, and regulatory policies. OMB helps to strengthen administrative management, develop better performance measures, and improve coordination among Executive Branch agencies.

Over the past eight years, OMB has exercised its leadership and oversight role on a number of significant Government-wide efforts. Examples include: (1) continued implementation of the Chief Financial Officers Act, which resulted in 15 agencies receiving unqualified audit opinions on 1999 financial statements; (2) the Government Performance and Results Act, which resulted in a closer integration of budget and performance data and a Government-wide performance plan; (3) the Government Management Reform Act, which led to agencies' issuing accountability reports for the first time; (4) the Clinger-Cohen Act, which put in place sound information technology resources capital planning and investment control, with performance based acquisition strategies, all firmly linked to budget requests; (5) provided overall coordination of Y2K resource allocations for the agencies; and, (6) the Federal Acquisition Streamlining Act, which has resulted in the Government buying better goods and services for fewer dollars and has propelled acquisition reform throughout the Government. A series of Priority Management Objectives was established and issued in the annual budget, focusing top management attention on the most pressing management improvements needed in Government.

OMB produced the annual budget for 2001 using a state-of-the art off-site secure data center to improve efficiency and timeliness, improve services to agency customers, and ensure Y2K compliance. In 2001, OMB is investing in additional information technology applications to improve efficiency and effectiveness of the OMB's staff in completing an ever-increasing workload under continually shrinking deadlines. In addition, OMB staffing is being increased to permit completion of more thorough technical and analytical work in key functional areas such as financial management, procurement, regulatory analysis, economic forecasting, and technology systems investment analyses.

Tax Incentives

The Federal Government provides significant tax incentives that benefit State and local governments and U.S. possessions. The two largest are the deductibility of State and local taxes ($46 billion in 2001) and the exclusion of interest on State and local bonds ($23 billion in 2001). During this Administration, the effectiveness of tax incentives has been improved through reform of the possession credit and the expansion of credits to holders of qualified zone academy bonds.

- The Omnibus Budget and Reconciliation Act (OBRA) of 1993 reduced the cost of the possession tax credit and greatly improved its effectiveness in creating jobs in the possessions. Before OBRA 1993, U.S. corporations operating in a possession received a credit for the U.S. tax liability on their income in the possession. These profits tended to be very high because valuable intangible assets such as patents and trademarks were routinely transferred to the possessions corporation. Treasury studies indicated that the revenue loss per job created by possession corporations was very high, in excess of 100 percent of the compensation paid. In 1993, the President proposed to convert the income-based possession credit to an activity-based credit. The credit would be limited to 60 percent of the wages paid. The compromise reached in OBRA 1993 permits taxpayers to choose between the wage credit and a substantially reduced income-based credit, phasing down eventually to 40 percent of its pre-OBRA level. The cost of the program has been reduced by about 40 percent or almost $2 billion per year. Employment in possessions corporations has risen.

  In 1994, the Congress further restricted the possession credit by imposing base period constraints on future credits. In the 1996 Small Business Job Protection Act, the Congress enacted the complete termination of the possession credit for all taxable years beginning after December 31, 2005.

- The Taxpayer Relief Act of 1997 provided a tax credit to holders of Qualified Zone Academy Bonds (QZABs). The law created $400 million of authority to issue QZABs for 1998 and 1999 and allocate it among State education agencies. The proceeds of the bonds may be used for renovation of and equipment in Zone Academies, i.e., elementary or secondary schools in enterprise communities or empowerment zones or having 35 percent or more of their pupils eligible for the free and reduced-price lunch program. Private entities must make a contribution to the school program equal to 10 percent of the face amount of the bonds. Holders of the bonds receive the tax credit in lieu of interest payment; issuers are responsible for repayment of principal. An additional $400 million of bond authority was provided for 2000 and 2001 by the Ticket to Work and Work Incentives Improvement Act of 1999.