

CREATING A 21ST CENTURY GOVERNMENT

Under the President's direction, the Administration is working to deliver a 21st Century Government that is more effective, efficient, and supportive of economic growth. The President is committed to creating a Government that will make a significant, tangible, and positive difference in the lives of the American people and the economy, and to driving lasting change in how Government works.

The Budget supports the President's Management Agenda, a comprehensive and forward-looking plan to deliver better, faster, and smarter services to citizens and businesses;

increase quality and value in the Government's core administrative functions and continue efforts to enhance productivity and achieve cost savings across the Government; open Government-funded data and research to the public to spur innovation and economic growth; and unlock the full potential of today's Federal workforce and build the workforce we need for tomorrow. The Agenda reflects the Administration's commitment to building a Government that focuses on results and draws on evidence-based practices to ensure that every taxpayer dollar is used wisely and to the maximum effect.

EFFECTIVENESS: DELIVER A WORLD-CLASS CUSTOMER SERVICE EXPERIENCE FOR CITIZENS AND BUSINESSES

Government must build, buy, and deliver services that meet the expectations of a 21st Century society, taking into account the rapid pace of innovation and user experience to which American citizens and businesses are accustomed. With more than half of U.S. adults now using smart phones, citizens expect digital services that are simple, accessible, and easy to use. As part of the Budget, the Administration will launch new efforts to deliver a world-class customer service experience to citizens and businesses.

Improving Key Citizen- and Business-Facing Transactions. By making it faster and easier for individuals and businesses to complete transactions with the Government, online or offline, the Government can deliver the world-class service that citizens expect. The Budget builds on work already underway to improve key transactions that are large in scale, meaningful, and have the potential to significantly reduce the

cost per transaction. The Budget includes initiatives designed to create user-friendly experiences for common services in areas such as veterans' pension and disability applications, Social Security, and taxpayer assistance. For example, the Budget provides \$100 million for the Social Security Administration (SSA) for a new customer service modernization initiative to significantly improve internet and in-person services at SSA. The Opportunity, Growth, and Security Initiative includes \$150 million in additional funding to further reduce wait times and enhance services at SSA. The Administration will also invest in building an eBenefits web portal at the Department of Veterans Affairs, which will allow veterans to manage their own benefits, while providing faster, more accurate benefits claim processing. For businesses, the Budget proposes funds for the Small Business Administration's (SBA) SBA ONE, a single application for SBA loans that reduces time and cost for lenders to process loans, as well

as for SelectUSA, which offers a single point of Federal contact for foreign companies that want to do business with and invest in the United States.

Delivering Smarter Information Technology (IT). During the first term, the Administration made progress improving the delivery of IT. By establishing new mechanisms such as PortfolioStat, a data-driven review of agency IT portfolios that has resulted in nearly \$1.6 billion in savings since March 2012, and promoting new technologies such as cloud computing that give agencies the ability to purchase IT services in a utility-based model where they pay only for the services they consume, the Administration stopped the out of control Federal IT spending, which had been growing at seven percent per year the decade before the President took office.

However, as it became clear from the problems surrounding the initial rollout of *HealthCare.gov* in 2013, there is still much more to do. The Administration is committed to delivering smarter IT services, shifting the focus of Government IT projects from compliance to delivering on intended impact and meeting user needs. The Administration will begin implementing these efforts this year, and push further in 2015. To do this, we need the best talent working inside Government, the best companies working with Government, and the best processes in place to ensure accountability for delivering results for the American people. For example, the Budget funds technology-enabled solutions to create more visibility into contracting opportunities for small, innovative companies. The Budget also funds BusinessUSA, a centralized, one-stop on-line platform to make it easier for businesses to access services such as loan programs and training to help them grow and hire.

EFFICIENCY: INCREASE QUALITY AND VALUE IN CORE OPERATIONS AND ENHANCE PRODUCTIVITY TO ACHIEVE COST SAVINGS

To achieve cost savings and maximize the value of Government investments, the Administration will pursue initiatives to streamline the way Government delivers services internally, with a particular focus on the core administrative functions that are common across the Federal Government. The Administration will also continue ongoing efforts to enhance efficiency and identify savings.

Increasing Quality and Value in Core Operations. The Budget will maximize the value of every taxpayer dollar while increasing productivity and the quality of services through:

Expanding the Use of Strategic Sourcing Solutions. The Administration's efforts to better leverage the Government's buying power through the use of strategic sourcing has saved over \$300 million since 2010 on commonly purchased goods such as office supplies and services such as package delivery. Creation of central vehicles that can be used by all Federal agencies has reduced

contract duplication and reduced prices for some common office supplies by over 65 percent. Such efforts save taxpayer dollars directly through reduced prices and duplication that allows agencies to focus scarce human capital resources on more complex, mission-critical efforts.

Expanding the Use of High-Quality, High-Value Shared Services. Today, many agencies are spending too much time and money on administrative and operating functions that are not central to their core mission and shared by other agencies. These functions could be handled by Federal Shared Service Providers (SSPs), reducing duplication and costs while increasing quality of services through concentrated expertise. In some administrative areas, the Government has already coalesced around a small number of SSPs. For example, payroll services are provided for all Federal agencies by service centers at the Departments of Agriculture, the Interior, Defense (DOD), State, and

the General Services Administration. In the largest financial management shared service arrangement established to date, the Department of Housing and Urban Development has signed an interagency agreement with the Department of the Treasury (Treasury) to transition all of its core financial management functions to Treasury beginning in 2015. The Administration will continue to drive efficiencies and cost savings by increasing the performance and capacity of the SSPs.

Establishing Cost and Quality Benchmarks for Core Administrative Operations. Federal agencies often do not have the tools to measure their performance in key administrative areas such as human resources, finance, acquisition, IT, and real property. Beginning in 2014 and continuing in 2015, the Administration will leverage the Executive Councils, which represent the chief administrative and operating officials at Federal agencies, to establish cost and quality benchmarks in each of these key areas.

Enhancing Productivity to Achieve Cost Savings. The Administration will continue efforts to enhance productivity, reorganize or consolidate Federal programs to reduce duplication, and identify cost savings to allow the Government to invest more in productive activities. The President is again asking the Congress to revive an authority that Presidents had for almost the entire period from 1932 through 1984—the ability to submit proposals to reorganize the Executive Branch through a fast-track procedure. In effect, the President is asking to have the same authority that any business owner has to reorganize or streamline operations to meet changing circumstances and customer demand.

Examples of continuing efforts to enhance productivity include:

Consolidating Business and Trade Promotion Into a Single Department. As the President indicated in 2012, if given Presidential reorganization authority, the first proposal would be to consolidate a number of agencies

and programs into a new Department with a focused mission to foster economic growth and spur job creation. By bringing together the core tools to expand trade and investment, grow small businesses, and support innovation, this reorganization would help American businesses compete in the global economy, expand exports, and create more jobs at home.

Cutting Improper Payments. The Administration has made reducing improper payments—payments made to the wrong entity, in the wrong amount, or for the wrong reason—a priority. When the President took office in 2009, the improper payment rate was 5.42 percent and rising. Since then, the Administration, working with the Congress, significantly reduced improper payments through yearly reviews by agency inspectors general and expanded audits for high priority programs. This strengthened accountability and transparency in payments resulted in the improper payment rate declining to 3.53 percent in 2013 when factoring in DOD commercial payments. Furthermore, agencies recovered more than \$22 billion in overpayments through payment recapture audits and other methods in 2013.

The Administration set a cross-agency priority goal to reach a Government-wide improper payment rate of three percent or less by the end of 2016. To support that goal, the Administration is advancing data analytics and improved technology to prevent improper payments before they happen. The Office of Management and Budget (OMB) has begun conducting a comprehensive analysis of agency-specific corrective actions to identify programs with the highest return-on-investment or potential for substantially reducing improper payments. This analysis will help shape future guidance on improper payments.

Saving on Real Estate Costs. The Federal Government is the largest property owner in the United States. There are opportunities for savings by using Federal space more efficiently and disposing of unneeded space, and

the President has made it a priority to shrink and reduce the cost of operating the Federal real estate inventory. Laying the groundwork for the Administration's long-term strategy on real property, in 2012 the Administration issued a Freeze the Footprint policy and directed agencies to freeze the growth in their real estate inventory. In early calendar year 2014, the Administration will begin publicly tracking the Government's adherence to a fixed baseline—730.2 million square feet—composed of office and warehouse space, and agencies will continue to pursue mobile workforce strategies and tighter internal controls on space acquisitions.

Through the Freeze the Footprint policy, the Administration continues its work, in collaboration with the Federal Real Property Council, to improve the quality of data on the real estate inventory and to develop key performance metrics. In addition, the Budget includes \$57 million to start up the Civilian Property Realignment Act (CPRA). CPRA would create an independent board of private and public sector real estate experts that would make recommendations to the Congress on properties that should be sold, consolidated, co-located, or reconfigured. Legislation to create CPRA would help to streamline the disposal process, generate \$2 billion in savings through the disposal of excess properties, and provide funds for real property reinvestment. Further, modernization would support the consolidation of the Federal real estate inventory and help reduce the Government's operating costs.

Reforming Military Acquisition. DOD must procure weapon systems and critical goods and services needed by the Armed Forces to execute its national security mission. The military services and defense agencies have a portfolio of 81 ongoing major weapon system acquisition programs, and DOD contracts account for approximately 70 percent of all Federal procurement. The Budget continues to invest in DOD's Better Buying Power (BBP) reform, charting a path to greater productivity in the military acquisi-

tion system. New BBP initiatives enforce affordability caps, measure cost performance, and align contractor profitability with acquisition goals. DOD-instituted best practices for procurement include applying lessons learned, expanding strategic sourcing, establishing acquisition professional reviews, and instituting peer reviews to ensure effective competition. These actions help further the Administration's ongoing Government-wide goal to ensure smarter and more fiscally responsible buying across Government.

Reducing Administrative Overhead. In November 2011, the President signed an Executive Order to promote efficient spending that called for agencies to make a 20 percent reduction in their 2013 spending on administrative areas. These included travel, advisory contracts, printing, extraneous promotional items, and transportation. In May 2012, the Administration outlined a series of actions for further spending reductions and increasing both transparency and oversight of Federal conference and travel activity. As a result, agencies have reduced travel and conference spending alone by more than \$3 billion. Overall, agencies have saved over \$16 billion on administrative activities. The Administration is continuing these efforts through the strategic sourcing, shared services, and administrative benchmarking efforts outlined above. Specific examples include a 20 percent reduction in operating budgets for DOD's headquarters staff through consolidating duplicative efforts and strengthening management functions.

Reforming TVA. Since its creation in the 1930s during the Great Depression, the federally owned and operated Tennessee Valley Authority (TVA) has been producing electricity and managing natural resources for a large portion of the Southeastern United States. TVA's power service territory includes most of Tennessee and parts of Alabama, Georgia, Kentucky, Mississippi, North Carolina, and Virginia, covering 80,000 square miles and serving more than nine million people. TVA is a self-financing Government corporation,

funding operations through electricity sales and bond financing. The 2014 President's Budget announced the Administration's intentions to undertake a strategic review of options for addressing TVA's financial situation, including the possible divestiture of TVA. Since then, TVA has undergone a major internal review and taken significant steps to improve its future operating and financial performance. In addition, TVA has committed to resolve its capital financing constraints. The Administration supports TVA's ongoing operating and financial initiatives and intends to closely monitor TVA's performance. The Administration continues to believe that reducing or eliminating the Federal Government's role in programs such as TVA, which have achieved their original objectives, can help mitigate risk to taxpayers. The Administration recognizes the important role TVA serves in the Tennessee Valley and stands ready to work with the Congress and TVA's stakeholders to explore options to end Federal ties to TVA, including alternatives such as a transfer of ownership to State or local stakeholders.

Continuing PortfolioStat. In March 2012, OMB initiated the PortfolioStat process, designed as a data-driven effort with agencies to examine IT portfolios and identify common areas of spending to decrease duplication and drive down costs. As a result of PortfolioStat, agencies reported nearly \$1.6 billion in savings and identified more than \$2.5 billion in savings that could be achieved over the 2013–2015 period. The Administration is committed to continuing the PortfolioStat process to drive further management improvements, save billions of dollars across the Federal Government, and

improve services to Americans through the effective use of technology.

Expanding Federal Cloud Computing. The Budget includes investments to transform the Government IT portfolio through cloud computing, giving agencies the ability to purchase IT services in a utility-based model, paying for only the services consumed. As a result of the Administration's Cloud First policy, Federal agencies adopting cloud-based IT systems are increasing operational efficiencies, resource utilization, and innovation across the Government. To accelerate the pace of cloud adoption, the Administration established the Federal Risk Authorization Management Program, a Government-wide program standardizing how we secure cloud solutions. To further grow the use of cloud-based services, the Government is working to establish a credential exchange system that allows citizens and businesses to securely access online services at different agencies without the need for multiple digital identities and passwords.

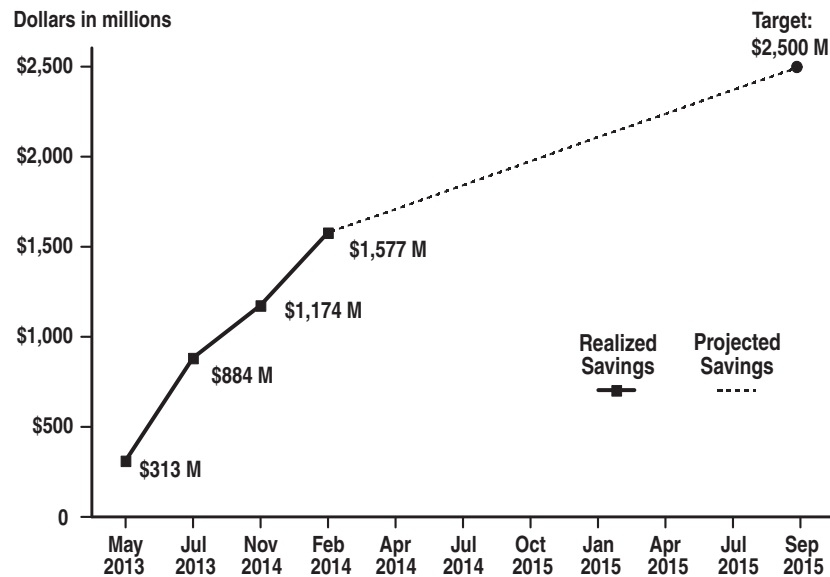
Consolidating Data Centers. Under the President's Federal Data Center Consolidation Initiative, the Administration is working to consolidate unnecessary Federal data centers across the Nation. Since agencies began executing their data center consolidation plans in 2011, more than 600 data centers have been closed (a complete listing of these can be found on Data.gov), leading to a net reduction in data centers for the first time in over a decade. Closing these facilities increases agency IT efficiencies, strengthens our cybersecurity posture and decreases the Government's energy and real estate footprint.

ECONOMIC GROWTH: OPEN GOVERNMENT ASSETS AS A PLATFORM FOR INNOVATION AND JOB CREATION

By opening up Government-generated assets including data and the fruits of federally funded research and development (R&D)—such as intellectual property and scientific publications—

to the public, Government can empower individuals and businesses to significantly increase the public's return on investment in terms of innovation, job creation, and economic prosperity.

PortfolioStat-Related Savings, 2013-2015



Opening Data to Spark Innovation.

The Administration has placed a high priority on transparency and, in particular, on opening Government data as fuel for private sector innovation and public use. Since 2009, the Administration has released tens of thousands of data sets to the public while protecting individual privacy, on everything from credit card complaints, to weather and climate measurements, to what different hospitals charge for different procedures. The use of this data has resulted in new start-up companies and ventures, creating jobs and driving innovation. Private companies have used Government data sets to bring transparency to retirement plans, help consumers find deceptive, erroneous, and fraudulent charges on their credit and debit card bills, and increase crop yields and address climate change by enabling rapid adaptations in crop selection and management. By continuing investments in open data, the Administration supports efforts to unlock Federal data sets with a high potential for economic impact, including in the areas of health care, energy, education, public safety, tourism, and agriculture.

Accelerating and Institutionalizing Lab-to-Market Practices.

The Federal Government's investment in R&D yields extraordinary long-term economic impact through the creation of new knowledge, new jobs, and ultimately new industries. The Federal R&D enterprise must continue to support fundamental research that is motivated primarily by an interest in expanding the frontiers of human knowledge and diffusing this knowledge through open data and publications. At the same time, economic growth can be accelerated through more effective transition of R&D results from the laboratory to the marketplace, based on close collaboration with industry.

The Budget reflects the Administration's commitment to accelerating the transfer of the results of federally funded research to the commercial marketplace by proposing increased funding for technology transfer from Federal labs in the National Institute of Standards and Technology, and for the National Science Foundation's public-private Innovation Corps program to bring discoveries ripe for innovation out of the university lab.

PEOPLE AND CULTURE: UNLOCK THE POTENTIAL OF THE FEDERAL WORKFORCE AND BUILD THE WORKFORCE WE NEED FOR TOMORROW

To fully capitalize on the talents in today's workforce at all levels, and recruit and develop the capabilities needed for the future, the Administration is committed to undertaking executive actions that will attract and retain the best talent in the Federal workforce and foster a culture of excellence.

Creating a Culture of Excellence and Engagement to Enable Higher Performance.

Data-driven approaches to enhancing management, performance, and innovation across the Federal workforce are critical to fostering a culture of excellence. In 2015, the Administration will support the development of Government-wide enterprise training and resource exchanges across agencies to share best practices and increase leadership development opportunities within Government.

Building a World-Class Federal Management Team Starting with the Senior Executive Service (SES). To ensure the Government sustains a first-class Federal workforce, the Administration will continue to invest in

civil service leadership. The Administration will take administrative actions to produce a Federal executive corps with a broader, stronger experience base. For example, the Budget includes funding for the Office of Personnel Management to build a stronger onboarding program for new SES, and leadership and engagement training opportunities for current SES that emphasize diversity and the changing needs of a 21st Century workforce.

Enabling Agencies to Hire the Best Talent from All Segments of Society.

The Administration is committed to working with labor groups to improve hiring outcomes by exploring flexible approaches to recruit and retain individuals with high-demand talents and skills. Beginning in 2015, the Administration will launch demonstration projects to identify promising practices in recruiting, hiring, onboarding, and deploying talent across agencies. The goal of these projects is to increase diversity, reduce skills gaps, and improve organizational outcomes.

IMPROVE RESULTS: SETTING GOALS AND TRACKING PERFORMANCE

As the Administration works to deliver on this Agenda, it is committed to driving effective performance management within the Government by using the framework developed with the Congress in the Government Performance and Results Act (GPRA) and the GPRA Modernization Act. To improve outcomes, the Administration will drive progress in three ways: through a discrete set of Cross Agency Priority Goals, where multiple agencies come together around a central goal; through Agency Priority Goals where leaders are focused on improved implementation; and through agency strategic plans covering

the broad range of outcomes within an agency's mission. All three sets of goals can be found on *Performance.gov*.

These goals and strategic plans reflect key Administration priorities and were chosen by agencies to achieve maximum impact. Each publicly identified goal will have Goal Leaders, an action plan, and performance indicators. OMB and Goal Leaders will regularly review progress and take corrective action as needed to keep implementation on track. Agencies will provide regular updates on their progress through *Performance.gov*.