STREAMLINING FEDERAL FIELD STRUCTURES

HEARINGS

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

JUNE 13 AND 19, 1995

Printed for the use of the Committee on Government Reform and Oversight

U.S. GOVERNMENT PRINTING OFFICE

26-409 CC WASHINGTON : 1996

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-053562-X

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STREAMLINING FEDERAL FIELD STRUCTURES

TUESDAY, JUNE 13, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:05 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Davis, Scarborough, Bass, Maloney, Kanjorski, and Mascara.

Staff present: J. Russell George, staff director; Mark Uncapher, professional staff member and counsel; Andrew G. Richardson, clerk; David McMillen, minority professional staff; and Elisabeth Campbell, minority staff assistant.

Mr. HORN. A quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order.

This morning we are holding the sixth of nine hearings on Making Government Work. In this session we will focus on how well suited the present network of Federal Government field offices is for the efficient delivery of services to the American public.

Close to a million Federal employees carry on the daily work of our Nation's government, serving its citizens from 30,000 field offices, of which 12,000 have five or fewer people each. These offices have sprung up, group by group, in response to 60 years of various assistance programs. Overlapping and conflicting agency responsibilities, programs, jurisdictions, and separate offices have made ordinary citizens' contact with the Federal Government a nightmare of frustrating, even harrowing experiences.

Now that many Federal programs are being cut back, maybe not all of the field offices are still needed, and possibly they could be combined in some scheme of user-friendly clusters of related functions and services.

Today's hearing, and a follow-on hearing next week in Chicago, will address several basic questions: How should an agency go about determining its most effective field structure? I think there we need to differentiate between the regional management structure versus the services of the clientele in area or district offices, however named.

How can we improve the management of field offices?

How do we foster close interagency cooperation in the field?

What factors deter agency heads from changing field structure?

The first of four panels will summarize Federal field structure streamlining issues; next, a Department of Agriculture official will describe the agency's project for simplifying one of the Government's most elaborate field office networks; then, we will hear two points of view on how to streamline the Social Security Administration's field office network; and to conclude, two Federal field directors will share their experiences in improving customer satisfaction under the National Performance Review.

Ladies and gentlemen, we thank all of you for joining us and we look forward to your testimony.

Before I swear in the witnesses, does the ranking member have an opening statement?

Mr. MASCARA. Yes.

Mr. HORN. I yield to the gentleman from Pennsylvania, Mr. Mascara.

Mr. MASCARA. Thank you very much, Mr. Chairman. It is good to be here this morning.

I am intrigued by the topic of this morning's hearing, streamlining field office structures. Field offices certainly operate on the front lines of our government. They are the place our constituents most often turn to with a phone call or a personal visit to receive services or to interact with a government agency. Our constituents hope for a quick and complete answer.

If the service is under par, it reflects badly on the entire government and tends to reinforce the view that nothing in government works right. They are definitely not pleased to dial an 800 number and sit for several minutes of chatter and demands to press 1, to press 2, to press 3, or the pound sign before talking to a live human being. By a wide margin, citizens prefer a smiling face and a well-lighted office to voice mail.

It is funny how we seem to be perpetually arguing the merits of centralizing or decentralizing government operations. In the early 1970's, President Nixon advocated, and won, the centralization of welfare services for the aged, for the blind and disabled. The object was to ensure benefits were more uniform and even across the country.

Today, my colleagues on the other side of the aisle are advocating the exact opposite, return welfare and any other Federal program you can think of back to the nearest recognized symbol of decentralized government, the States. My prediction is that within several years, States will begin to realize they have been left holding the bag, so to speak. The glamour will be gone and, soon, some future Congress will reverse their stand.

Centralization will return to the accepted list of government terms. Where does the merry-go-round stop? I accept the notion that agency functions change and evolve and that, as a result, field structures must periodically be reviewed. I guess my bottom line concern is that my Republican colleagues will lead the charge of blindly wiping out many field offices while at the same time they are promoting consolidation of every agency and department. It could turn out to be one of my favorite phases, an oxymoron.

My advice, after having served many years in local government, is to ask the taxpayers what they really need and want from their

government before we begin to willy-nilly dismantle the entire field office structure. I advocate caution and look forward to the hearings today.

Thank you, Mr. Chairman.

Mr. HORN. I thank the gentleman. I now yield to the gentleman from New Hampshire, Mr. Bass, if he wishes to make an opening statement.

Mr. BASS. I have submitted a statement for the record, Mr. Chairman.

Mr. HORN. Thank you very much.

[The prepared statements of Hon. Charles F. Bass and Hon. Carolyn B. Maloney follow:]

PREPARED STATEMENT OF HON. CHARLES F. BASS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW HAMPSHIRE

Mr. Chairman, I thank you for calling this important hearing, and I thank our witnesses for appearing before our subcommittee today.

Today, we will examine the Federal field office structure. This structure consists of the offices "outside the beltway" that bring government programs to the people. As the Federal government has grown, so too has the number of these offices, often without any sort of government-wide plan. Even when the original mission of a government agency may change, these offices remain. A good example of this, of course, is the Department of Agriculture field structure, which has only now begun to downsize.

As Congress continues to make budget reforms and shrink the size and scope of government, attention to the field structure will become particularly important. Field offices are truly the face of the Federal government, and we need to ensure that as we make changes, the agencies' customers are still well-served.

With that in mind, I am looking forward to this hearing. I thank the Chairman.

PREPARED STATEMENT OF HON. CAROLYN B. MALONEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Thank you Mr. Chairman. I am pleased with the continuation of these hearings, and I look forward to hearing today's testimony.

We hear a lot of slogans about reinventing government—make government work more like a business; agencies should focus on the bottom line; and so forth. Well, there is nothing closer to the bottom line for government agencies than field offices. That is where "the rubber meets the road"—where the work gets done.

Any reform that really intends to improve service to the public must deal with local offices. Making local offices work better, and improving the coordination between Washington and local offices, will do more to improve service to the public than abolishing departments or moving boxes around on some organizational chart of the Federal government.

Striking the proper balance between national control and local discretion is as old as government. And, just what is a proper balance changes with the environment. Modern computers and communication technology make a radically different environment from the 1950's, but the field structure of the Federal government looks much the same.

There will always be a need for national control. We wouldn't want air traffic control to vary from sector to sector. Nor would we want standards of measurement to vary from state to state. There is a certain comfort in knowing that an acre of land in California is the same size as an acre in New York.

Just as there is a need to national standards, there is a need for local discretion. The problems faced by a California dairy farmer are quite different than those faced by a dairy farmer in Pennsylvania. The Social Security office in Manhattan faces very different problems each day than one in Marin. Local officials must have the autonomy to deal with these differences.

If national control becomes too dominant, then field offices get tied up in red tape "accounting" for their actions to Washington. On the other hand, too little national control leads to inequities. People with the same problems get different treatment depending on where they live. That is not fair.

Over the past 50 years the number of Federal field offices has proliferated with each new Federal program. Every program manager wants her own field office. But

to the public it becomes a nightmare. They must go from one office to another to deal with the government.

Many of these field offices were set up when transportation and communications were quite different. The Department of Agriculture has thousands of offices because it was originally set up when farmers traveled on horseback. Then, having an office in every county made sense. With modern communications and transportation, it no longer makes much sense. Similarly, few Federal offices were established with computer networks in mind. Those networks can connect local offices to central data bases and provide immediate information to the citizens.

A person can now walk into a Social Security Office and have one of the employees look up his or her earnings records. The employee simply goes to a terminal that is connected to the central computer system in Baltimore and calls up the information. A few years ago getting that answer would take weeks.

The Vice-President's National Performance Review has done a good job of getting this reform off the ground. Its 1995 report is an excellent example of national leadership designed for local implementation. That report recommends a number of ways services could be improved. But, it leaves the decision about which will work to the local officials.

It is time to review the Federal field structure. We should take advantage of modern transportation and communication in that redesign. But it must be done without disenfranchising anyone. The Census Bureau recently reported that while home computers were in 56 percent of families with incomes above $75,000, only 3 percent of poverty families had home computers. A field offices that relies on computer access doesn't reach everyone, and severely disadvantages the poor.

Mr. Chairman, I congratulate you on holding this hearing, and I look forward to hearing today's witnesses give their ideas on reforming field offices. If the Vice-President's efforts are to succeed it will take our support as well as support from each of the government employees who staff the local offices.

Mr. HORN. If the witnesses will stand, we will swear you in.

[Witnesses sworn.]

Mr. HORN. Let the record show that all three witnesses have affirmed. We will begin with Dr. Dwight Ink who is president emeritus of the Institute of Public Administration.

STATEMENT OF DWIGHT INK, PRESIDENT EMERITUS, INSTITUTE OF PUBLIC ADMINISTRATION; CHARLES F. BINGMAN, PUBLIC ADMINISTRATION DEPARTMENT, GEORGE WASHINGTON UNIVERSITY; AND ALAN L. DEAN, SENIOR FELLOW, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

Mr. INK. Thank you, Mr. Chairman. I am very pleased that the committee is addressing field operations. It is a very important subject of great interest to me, having served in field offices and having had agency-wide responsibilities for their operation. These are my personal views.

It is very welcome that NPR is now addressing the field, perhaps a little bit late, but I think some good products are going to come out of the NPR. I will comment with respect to the broader governmentwide issues concerning the field.

I have always approached institutional reform on the basis of three interdependent dimensions: Structures, systems, and people. I certainly agree with NPR that agency organizational structure must be tailored to meet individual needs, but I do suggest several guidelines.

First, it is important to look at the impacts on the public. Most organizations are done largely from the perspective of Washington officials who are primarily concerned about individual structures and systems or programs without regard for their relationship to other programs. This approach results in State and local people

being faced with a bewildering array of Federal offices, often located in different cities, and different administrative systems.

No family or neighborhood is sliced up along the lines of the hundreds of Federal categorical programs. Instead, I strongly urge designing a reorganization of domestic agencies more from the opposite perspective, that of the families and communities these agencies serve. Access, clear delegations, quick decisionmaking capacity are important in the design.

Reform efforts should give attention to structures that minimize the difficulties State and local leaders face in coordinating Federal programs that impact on one another. Local leaders should not have to coordinate a sprawling disconnective government. At one time, we had regional councils that helped with this, but they are gone.

I think it is important that field structure be addressed early. That should be one of the starting points in the organization of an agency, not an afterthought halfway through the process. My paper contains an illustration of an earlier massive decentralization effort that enjoyed considerable success.

The key ingredients were, one, they were designed by experienced senior career men and women at all three levels of government; two, capability of units receiving the delegations were assessed and weaknesses corrected before the delegations took place, not after; three, guidance was issued and training was provided for new field and headquarters roles; four, the field proportion of higher grade levels in agencies was increased.

Five, central agency oversight of a constructive nature was installed; six, strong professional central leadership by OMB management and by OPM was provided. This, by the way, helped greatly in the replication of innovative changes. Seven, independent verification of the improvements was required. When these ingredients are missing, and they often are, much needed decentralization can lead in time to waste and scandals which, as the Congressman said, result in new rigidity, red tape and recentralization.

There is not enough time to discuss systems. I will limit myself to two points. First, management systems should be designed in their entirety on a cradle-to-grave basis rather than piecemeal, such as first headquarters and then the field. Second, as with structure, the administrative process in a discretionary assistance program should be decentralized as much as possible, and I emphasize discretionary.

The third dimension is people, which is much more important than structure and systems, I think we would most all agree. If there are not experienced men and women, well-trained men and women, no structure or system will work.

As the NPR moves forward with desirable goals of decentralization and greater flexibility, there is increased need for experienced men and women who are equipped to handle their more challenging managerial responsibilities in the field. The downsizing of staffing levels for decentralized programs should be higher, personnelwise, in Washington than in the field. In particular, the percentage of higher-level career grades in the field should be increased relative to headquarter's percentages of the total.

The civil service reform report on which the current law was based recommended that field offices all be headed by career men and women, and the distinguished Volcker Commission recommended that political appointments as a whole be reduced by one-third. I would say that no large business can run if layered with so many transient political managers with uncertain loyalties as we have imposed on nondefense agencies. It is unfortunate that as this field office need is increasing, the capacity of OPM to provide leadership has dropped.

In closing, I would suggest that the NPR, and particularly Vice President Gore, deserves credit for undertaking these sweeping governmental reforms and I support most of its concepts and most of its goals. I would suggest, however, much greater attention to some of the guidelines that I have just mentioned and, in particular, the importance of central leadership. I would suggest the establishment of an Office of Federal Management and the revitalization of OPM.

Thank you, Mr. Chairman.

Mr. HORN. Thank you, Dr. Ink. I must say, you have got your timing right down to when the light changed. That proves to me that members of the Institute of Public Administration can meet time deadlines.

[The prepared statement of Mr. Ink follows:]

PREPARED STATEMENT OF DWIGHT INK, PRESIDENT EMERITUS, INSTITUTE OF PUBLIC ADMINISTRATION

FIELD ORGANIZATION

Mr. Chairman, I appreciate the opportunity to appear before this Committee as it holds hearings on the federal field organizations. It is a subject of great interest to me, having served in four field offices, and with principal responsibility for the operation of the field structure in four agencies, and assignments in the Executive Office of the President that required me to work with field offices in every agency of government.

These comments are my personal views and do not necessarily represent any organization with which I am affiliated. I have limited them to those that have special relevance to the management of field organizations.

The typical attempt to reorganize the Federal departments and agencies concerned with domestic programs concentrates on the wrong perspective and the wrong priorities. These reorganizations are fashioned from the perspective of Washington and priority is given to the views of assistant secretaries and bureau heads, when the higher priority should be given to the field offices where most of the federal employees are located, and how they can best serve the public.

Unfortunately, the NPR fell into the same trap. A major, coordinated effort to address field operations was not even begun until halfway through President Clinton's four year term and changes in Washington structure had been executed which limit options for field organization. As a practical matter, Washington seems to have been largely substituted for the perspective of neighborhoods and citizens insofar as structure is concerned. In the case of HUD, early field action was taken, but it was a kneejerk "amputation before diagnosis" approach which catered to the hierarchical inclinations of assistant secretaries with a Washington perspective, resulting in the abolition of the regional offices and the installation of an old-fashioned stove-pipe departmental structure in which the local field offices have many Washington bosses.

I am pleased that a higher priority has now been given to the field as the second phase of NPR gets underway, and we should give support to those proposals and actions which move in the right direction. We are told that some field offices are showing great resourcefulness in trying new management techniques and streamlining their operations. Hopefully, the OMB, with the leadership of its able Deputy Director for Management, John Koskinen, can improve the NPR record, although the new OMB structure with its emphasis on short-term budget work will make this difficult. I have deep concerns, however, about the capacity of the NPR infrastruc-

ture to extrapolate individual improvements into wider application or to reverse the low priority given in Phase I to human resource development.

I have always approached institutional reform on the basis of three basic and interdependent dimensions; structure, systems, and people. A professionally administered Total Quality Management approach which has political support, rather than interference, is a valuable tool in implementing the suggestions which follow.

STRUCTURE

In my view, the single most important factor in designing the structure of field organizations is an understanding of the customer and the program delivery arrangements that will best service that customer. The results may be quite different from the more typical field office design which is fashioned on the basis of the perspective of high level Washington officials located far from most of the customers.

Departmental discretionary programs which rely heavily upon the judgment of field officials to tailor projects, grants, or contracts to the diverse needs of individual citizens or neighborhoods must provide maximum access of the public to government decision makers and maximum delegations of authority to the field officials. To the extent possible, these delegations should go down to local field offices, but practical problems limit the extent to which this can be done.

The management of complex programs, such as this are often found in community assistance, require a greater variety of expertise than can possibly be provided to dozens of field offices scattered around the country. At times, a number of different discretionary programs interact in a wide variety of ways at the point of delivery, generally in a continuously changing environment, requiring very close coordination among the administering offices.

Further, programs involving substantial amounts of money may subject low-level field directors to an unreasonable amount of local political pressure from mayors, governors, and members of Congress for special treatment, especially if the field offices are headed by political appointees. In such circumstances, regional offices with department-wide line operational authority and equipped with a fuller range of specialized staff and greater insulation from undue political pressures may be highly desirable, even though their value is seldom recognized by line assistant secretaries.

Other programs which are channeled primarily through the states may need offices located in each state, rather than either regional or local offices. Agencies whose programs reach directly to individuals and families throughout the country, such as the Internal Revenue Service and Social Security obviously have to have offices located in every community so long as they continue to be administered by the Federal Government.

Small departments, such as the Department of Education and the Department of Housing and Urban Development, have the option of choosing regional offices that are "line" organizations with direct operational authority over all field operations and virtually all department programs in the geographic region. Policy determination, of course, remains in Washington. I strongly favor regional offices for small departments and for most agencies. Delegations of authority have to be clear and honored, however. Otherwise, regional offices deteriorate into simply another layer of bureaucracy and increase, rather than reduce time and costs of program management.

Larger departments generally view such regional arrangements as impractical. In departments such as the Department of Transportation, where the different modal administrations have much less need for day-to-day interaction, a department-wide regional arrangement is neither necessary nor desirable. Regional offices for the major program components of such departments are often desirable, however, as an important element of operational decentralization.

Although the NPR wisely opposes a cookie-cutter approach to field organization of agencies which have varied needs, there are a few concepts I would suggest.

Impact on the Public

While agreeing with the NPR that the internal field structure of the various departments and agencies should be tailored to the individual needs of their programs, I would argue that greater attention should be given to how the total government-wide field system impacts on the citizenry of this country.

In Washington we too easily forget how government looks to those outside the beltway who are often involved with a conglomerate of programs, each of which has its own bureaucratic regulations, requirements, and red tape. Each has its own legislated purposes and objectives, some of which are very ambiguous or even in conflict.

The fragmentation of government agencies has been a boon to the leaders of special interest groups, but contrary to the nature of people. Neither individual persons

nor their communities can be carved up and divided along the jurisdictional lines of the hundreds of Federal assistance programs or the scores of separate field systems which administer them. Yet too many of our project design and administration activities in these programs are done with little regard for their relationship with projects in other programs which might be affected. It is very difficult for local city or county officials, for example, to integrate a federally assisted rapid transit system with other federally assisted projects that affect economic development and social services if the federal field offices are located in different cities, require different planning approaches, and do not work closely together. We should not expect a neighborhood in New York City or in Des Moines, Iowa to have to coordinate the Federal Government.

Even with structures and management systems that are well designed and staffed, problems will emerge in any organization. I applaud the NPR on its strong encouragement to try out new techniques and organizational arrangements that might be more effective. One of the very best mechanisms I have seen was the Metropolitan Expediter which HUD introduced on a pilot basis in its early years. As a roving staff member of the regional offices, the Metropolitan Expediter would travel from one community to another and discuss emerging issues with local officials, businesses, civic leaders, and a sampling of citizens from different ethnic and economic groups. Without line authority, the Expediter could spot a problem at an early stage and quickly arrange for the appropriate expertise from the regional office to solve the problem.

Unfortunately, the program was so successful that, without hearings, the House Appropriations Committee abruptly deleted funding for the function on the basis that the Expediters were competing with them in correcting government problems experienced by their constituents. This was the worst possible signal Congress could have sent the new Department.

Field Coordination

Every department and agency should ensure that there is coordination among the various programs administered by its numerous field units, even though the degree of necessary coordination will vary considerably. Otherwise, the department presents too many different policy and administrative approaches to the public, and inconsistencies create problems of equity in service. An agency with line agency-wide regional offices will enjoy a high level of coordination, if the offices are organized and staffed properly. It is obvious that the larger the number of field offices and the greater the amount and variety of discretionary activities, the greater the challenge of both intra-agency and inter-agency coordination. For a number of years, with the active support of the OMB management staff, the Federal Regional Councils provided reasonably effective coordination among most domestic agencies, but these no longer exist. The Federal Executive Boards are useful, but not adequate for this purpose of program coordination.

With the greater use of block grants and the availability of modern communication technology, the need for physical proximity of field personnel has probably decreased in recent years. On the other hand, the number of federal programs has increased, and the demand of citizens for better quality of service has grown, so the importance of location may still have more value than we suspect.

Secretarial representatives have been used in several large departments to foster departmental cohesiveness and coordination. These have not been very successful, but I would suggest the Committee explore this type of arrangement with Alan Dean who has had considerable experience with such representatives. Field committee arrangements have been useful for information sharing, but not for program management.

I have utilized dozens of task forces over the years to address specific departmental issues. Unless the subject was Washington specific, such as relations with the White House, I always included field as well as headquarters personnel.

I would suggest that the NPR Phase II field effort undertake some of the types of data gathering and analyses that used to be conducted to determine the extent to which existing arrangements do, or do not, provide sufficient coordination among field units across the nation.

Decentralization

Decentralization is an extremely popular concept most of us heartily endorse. In the "Systems" portion of this testimony which follows, there is an illustration of its value in saving costs and time, as well as better response to citizen needs.

Unfortunately, far too many decentralization programs fail. The illustration described in the "Systems" discussion is a small example of a rather massive decentralization some years ago involving all the domestic departments. A number of the

ingredients for its success might well be looked at today by NPR as Phase II moves ahead. These included relying more heavily on those experienced career people having responsibility for the programs than has NPR. Greater attention was given to assessing the capacity of those receiving the delegations and assisting in increasing that capacity where it was lacking. Key to this capacity building was guidance and training in their new roles, a function greatly encouraged by the Civil Service Commission which provided the leadership which OPM lacks today. Central oversight of the decentralized activities was emphasized, combined with a quick response capability to correct problems on a timely basis.

Finally, each agency was required to arrange for independent verification of the streamlined results. We had learned in previous years that it is all too tempting to report reforms which on investigation turn out to be overblown if not fictitious. I would suggest the Committee request GAO to test the validity of the NPR reporting on current field success stories.

That earlier decentralization program was professionally led and monitored by the Office of Management of Budget, but OMB no longer has this capability, and few observers believe the Vice President's Office is the proper place for the necessary monitoring. Neither does it have the capability. As a result, the current effort is rather loosely meandering toward an uncertain ending.

SYSTEMS

One of my objections to the NPR approach of waiting until Phase II to address field operations in a serious way is the fact that it placed too much emphasis on Washington needs and not enough on the needs of field personnel providing government services or those who receive the services.

Management systems should be designed in their entirety, on a cradle-to-grave basis, integrating headquarters and field activities, rather than in segments, phases or in sequence. Further, any program that has discretionary decision-making concerning people or communities should be decentralized as much as possible.

I have attached a two page chart which illustrates the practical value of a decentralized design which looks at the total management headquarters and field processing of an activity at once. The "before" chart is a simplified diagram of an actual case that some years ago typified the approval process for medical research grants which then used. This particular grant amounted to about $4,000 in the field of podiatry. After a few months of study by what was then HEW, the whole process was junked in favor of a field administered grant system which is shown on the second page in the "after" chart, with these results:

- Over two hundred headquarters positions were eliminated.
- Processing time was cut to a fraction.
- Accountability replaced buck-passing.
- Decisions were placed in the hands of those most familiar with local conditions. As a result, knowledge replaced the multitude of regulations and paperwork that had been relied upon.
- The federal decision-makers were able to meet face to face with the applicants and explain their decisions, rather than trying to explain Washington judgments they often had difficulty understanding themselves.
- Grant applicants understood and liked the new process, whereas the old system had symbolized the highly negative public view of government.

Later GAO reviews confirmed that this streamlining effort did not result in an erosion in the integrity of those programs. At the same time, it is important to note that without continuous monitoring and insistence on highly qualified field personnel, the high level of flexibility provided in this earlier program would have created vulnerabilities to political pressures and breakdowns within the bureaucracy that would have gravely threatened the integrity and effectiveness of the programs.

The NPR could learn valuable lessons from these and other earlier experiences with decentralization.

PEOPLE

Highly trained, properly motivated people can overcome some of the obstacles presented by poor structures or poor systems, although they should not be asked to do so. But no structure or management system will work if staffed by unqualified or corrupt personnel. It is this dimension of human resources in which I fear the NPR has fallen furthest short of its original rhetoric, at least insofar as recent Washington changes are concerned. I suspect the same is true of the field, but my information is not adequate to reach a firm conclusion.

To the extent that the NPR continues to move toward fewer regulations and more decentralization, there is increased need for experienced people in the field who are

equipped to handle more challenging managerial responsibilities. In this process, the proportion of high level career positions in the field should increase relative to those remaining in headquarters. This will require the transfer of positions from Washington to the field. I would also argue that in view of the reductions in the total work force, headquarters staffing levels should in most cases be cut more heavily than the field if decentralization is to succeed. Even more important than the numbers, however, is the need for training field people in their new responsibilities. It is unfortunate that as the need for human resource development in the field is increasing under NPR, the capacity of OPM to provide field leadership has plummeted during the past 18 months.

Attention to the adequacy of personnel was a part of the decentralization movement of the 1970s referred to earlier, and both OMB and the Civil Service Commission then provided inter-agency leadership in enhancing the stature and qualifications of field personnel. As one might suspect, we found this shifting of operational leadership in the departments a more difficult challenge than the streamlining of management systems.

I would suggest that the GAO be requested to look at whether the NPR field reforms are in fact strengthening the capacity of field offices to respond to the needs of decentralization. (Parenthetically, I might add that the 1978 Civil Service Reform contemplated a greater GAO attention to human resource issues, which is one of several reasons I oppose plans to reduce GAO staff by 25%.)

A development of the 1970s and 1980s which has undermined our field operations has been (a) the politicizing and weakening of our assistant secretaries of administration who played important roles in the care and feeding of field offices, and (b) the reversal of the movement toward heading field offices with high level career men and women. The report on which the Civil Service Reform was based recommended that field offices be headed by career men and women, and the prestigious Volcker Commission wisely urged that the number of political employees throughout government be reduced by one-third.

Political appointees in the field frequently have more loyalty to a local or regional political leader than to the department head or the President, and are more susceptible to such pressures. They are rarely as well informed as the senior careerists and generally do not develop a good grasp of their job until the time they are leaving. Contrary to the public image, they are often less experienced in management though this is not always the case. In addition, political appointees come and go, providing little or no continuity. Their vision tends to be coterminous with their expected tenure which averages only 18 to 20 months.

Grants to neighborhoods or local governments that are based on politics, another danger of political appointees in the field, constitute mass discrimination against those who live in the communities unfairly deprived of the assistance to which they are entitled. Political appointees are both legitimate and necessary for policy formulation, but policy implementation, the task of field offices, should not be politicized.

No business could run successfully if layered with the number of transient political managers with uncertain loyalties and qualifications that we have imposed on most non-defense Federal departments and agencies.

CONCLUSION

Government-wide attention to field operations has been highly deficient during Phase I of the NPR. With the greater emphasis during Phase II, we should expect some useful results. However, despite the addition of a very able Deputy for Management, John Koskinen, the OMB remains poorly equipped to provide the necessary leadership, and the Vice-President's Office is even less capable of management leadership. Data on which recommendations are being developed appear to be quite spotty with little integration. I do not see enough careful analysis of the cumulative impact of various government activities at the neighborhood or family level. Lack of attention to human resource development within the career service, and failure to address the overload of political appointees, is a NPR deficiency that weakens the effectiveness of the field as well as Washington.

As a consequence, the NPR results may be quite disappointing over the longer term despite a welcome NPR environment for innovation and positive gains here and there. These gains are likely to be somewhat limited in the extent to which they are replicated. We are seeing more of a scatter-shot approach than a cohesive interagency effort once one goes below the veneer of the President's Management Council. If this continues, even with a decent success rate, the national impact will be scarcely visible.

An even bigger fear is that we will repeat past mistakes by delegating activities to the field without first providing the management conditions required to make de-

centralization work. The resulting problems and scandals could well lead over time to renewed heavy public criticism of government and a recentralization that is bound up in costly and slow-moving procedures.

I would strongly suggest that NPR be asked to review past successes and failures in the hopes of improving this important dimension of "Reinventing Government". OMB should be urged to equip itself to monitor field management through staff not involved in the budget process. It is also suggested that this Committee arrange for some means of independent verification of the NPR claims of success. Those that are verified, and especially those that are replicated for wider impact, will deserve the recognition and support of all of us.

Mr. HORN. The next witness is well known to most of us and that is Alan Dean, senior fellow of the National Academy of Public Administration, and a long-time Assistant Secretary of Transportation. We welcome you before this subcommittee.

Mr. DEAN. Thank you Mr. Chairman. It is indeed a pleasure to appear again before this subcommittee. All of us in the academy are very impressed by the review you are making of major problems of government management and we think very important developments can come out of these significant hearings.

I want to say that while many of the things I say today will be based on academy studies and research papers—for example, I was recently on the panel that studied HUD—most of my comments will be based on personal experience as a Federal executive involved in the designing and redesigning of field organizations, not only in the Department of Transportation to which you referred, but the Federal Aviation Agency, Department of Health, Education and Welfare, and serving with Dwight Ink as Deputy Assistant Director for Management of OMB during the Nixon administration.

I am going to concentrate primarily on executive departments, although many of the things I say will apply with equal force to large, independent agencies and, in many cases, to the subdivisions of executive departments. I would also like to say it is impossible to exaggerate the importance of this often neglected subject. It is easy to forget, as Mr. Ink has suggested, that the bulk of Federal services take place in the field, not in Washington headquarters, and it is the quality of that delivery that determines how citizens see the Federal Government and how well the purposes of programs are carried out.

But I also want to say that there is no such thing as a single applicable field structure that will apply to all departments and agencies. This makes our job tougher, because every single department, every agency, must design its field offices at every level to reflect its mission and how it really impacts on the public and the volume of interfaces with the public.

Let me say a few words about regional structures. Many independent agencies and subdivisions of departments and several departments have utilized regional directors. The best example of that was HUD when Dwight Ink was there. HUD was the only executive department that had genuine regional directors responsible for all operations in the field. HEW had rather strong regional directors, some other departments much weaker ones.

As time has passed, the regional director concept has virtually disappeared at the departmental level. HUD has recently abolished its regional directors and HHS, is abolishing its regional structure. These regional executives have been replaced by a variety of mechanisms of dubious and varying effectiveness. One is the secretarial

representative, which HUD has now introduced, although I think it has failed in every agency in which it has been tried.

Mr. Chairman, I worked hard with that in DOT and they were eventually abolished as contributing nothing to management of the agency. There are other techniques such as field coordinating committees. Interior and DOT have utilized committees of the ranking field officials in various geographic areas to foster communication and coordination. In these instances, there is no one in the field who can give orders, but my personal experience with field coordination committees is that they can be very effective indeed.

Let me make one other general observation. In every one of the five settings in which I studied field management, a decentralized mode has been vastly superior to a centralized mode. If you wish innovation, if you wish responsiveness, if you wish the best use of resources, you decentralize to the lowest practicable level of the field structure and to the people that are really working on the firing lines. Highly centralized departments waste time, second guess and micromanage their field officials, and, in general, are much less effective in their overall management.

There is a great deal that can be done to improve field structure. We do need to examine what is the appropriate number of regions for each individual department. The Nixon plan for 10 regions was, I think, a faulty one. Studies we made in FAA and elsewhere show that in the contiguous States, if you are using a regional system, you rarely need more than five regions. If you have more than that, you begin to thin out your regional capability and reduce the effectiveness of a decentralized system.

It is appropriate that I make certain specific recommendations before the red light turns on for the committee to consider. One, field offices and regional offices can in many places be reduced in number with savings and increased effectiveness. Second, field offices can very frequently be substantially reduced in number because of modern technology and transportation facilities.

We also need to reemphasize decentralization in departments which have pulled too many things back from the field or refused to delegate to begin with. We should place all field officials in the career service. I see no reason for any other status for people that carry out policy rather than making policy.

And finally, like Mr. Ink, I think we should equip the President to assist the agencies in management and organization matters in the field and you are never going to do it through the present OMB. You need an Office of Federal Management.

Thank you.

Mr. HORN. Thank you very much.

As all of you know, by routine, we automatically include your full statement just after we introduce you.

[The prepared statement of Mr. Dean follows:]

PREPARED STATEMENT OF ALAN L. DEAN, SENIOR FELLOW, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

Mr. Chairman and Members of the Committee:

My name is Alan L. Dean, former Chairman of the Board of Trustees and currently a Senior Fellow of the National Academy of Public Administration. I am delighted to have this opportunity to again appear before this Committee and to com-

ment on the important and often neglected subject of Federal agency field organization.

Although some of my remarks are based on National Academy studies and research papers, I wish to stress that I am speaking primarily as a former Federal official and not as an official spokesman of the Academy, as an institution. I will draw heavily on events relating to decentralization and field organization in which I was involved as Associate Administrator of the Federal Aviation Agency, as Assistant Secretary for Administration of the Department of Transportation, as Deputy Assistant Director for Management of OMB, and as Management Advisor to the Secretary and Under Secretary of the then Department of Health, Education and Welfare (HEW). In all of these capacities, one of the most challenging of my duties dealt with improving agency field structures.

My comments will deal chiefly with how executive departments have addressed matters of field organization and management, but many are applicable to independent agencies and the major program entities within departments.

It is impossible to exaggerate the impact on the quality of agency management of the design of field organizations and the degree to which operational authority is decentralized to field officials close to the public served. Even a casual review of how existing departments approach their field management reveals much diversity, but this situation does not lend itself to easy or standardized solutions.

In contrast to such aspects of departmental management as the organization of the office of the secretary or the structuring of headquarters program elements, where certain preferred approaches could be suggested, there is no such thing as a single universally applicable field organization. Since the field structure is concerned primarily with the delivery of services, it must be tailored so as to assure that those services are competently, consistently, and effectively provided. Thus, the nature of a department's mission, the character of its dealings with the public, and the complexity of the interfaces between its various programs will normally dictate what is feasible in the way of field organization.

Suggesting that each department should design its system of field administration to meet its special needs does not imply that what the departments are presently doing cannot be improved, or that it is impossible to develop helpful guidance in this area. Far from it. Some departments have failed to move in directions which analysis suggests that they should pursue in the interest of improved services delivery. We will not, however, find a single mold which will fit the field organization needs of all executive agencies.

REGIONAL STRUCTURES

The executive departments and major independent agencies differ markedly in the way in which they use regional directors and regional officers. In HUD, the position of regional administrator was originally established as a comprehensive line official, and virtually all program responsibilities of the department carried out within the geographical confines of a region were under the supervision of the regional administrator. This concept limits the role of headquarters program elements in their control over field activities. Headquarters program officials may be empowered by the secretary to issue directives to the regions in their areas of responsibility, but since only the secretary can hire or fire the regional administrators, the headquarters officials are heavily dependent upon the secretary's support. At the other end of the spectrum are several departments which have no departmental regional officials. This is true of Justice, Commerce, Transportation, and Treasury, and except for certain overseas commands of the Department of Defense.

In some agencies, there are no comprehensive regional directors for a very good reason. Their programs require little or no coordination in the field. If coordination is not a problem at the service delivery level, it is obvious that there is little need for an official to do the coordinating. In the Treasury Department, there are few relationships between the Mint and the Internal Revenue Service, or the Bureau of Government Financial Operations and the Secret Service. In the Department of Commerce, the Patent Office, the Census Bureau, and the National Oceanic and Atmospheric Administration deal with few matters of common concern in the field. While it may be that the field organization of the individual bureaus of these departments may need strengthening, there is little indication that improvement would result from the insertion of departmental regional directors into the field structure.

OTHER APPROACHES TO REGIONAL COORDINATION AND SUPPORT

Between the extremes of HUD's initial use of departmental regional administrators and the Commerce-Justice-Treasury reliance on bureau field structures are

found a number of intermediate arrangements. An example of regional directors without comprehensive program oversight authority was provided by the Department of Health, Education, and Welfare in the 1970s. Especially during the secretaryships of Elliot Richardson and Casper Weinberger, the regional directors were given the authority and resources needed to make themselves felt as general managers, program coordinators, services providers, evaluators, and general secretarial vicars in their regions. Yet HEW avoided making the regional directors responsible for those technical and non-discretionary programs whose field operations lent themselves to direct oversight by program officials in Washington. Consequently, food and drug enforcement, processing of social security payments, and many other program activities were administered in the field under the direct command of Washington program elements. On the other hand, because the interrelationships between the various human resources programs were so complex, the regional directors of the Department were able to play a strong role in bringing about needed coordination and in representing the Department in dealings with units of general government within the regions.

HEW regional directors were also given line authority over a number of programs which did not lend themselves to direct administration through the separate field organizations of the program agencies. This was especially true of activities involving the needs and problems of special groups in our society; for example, the programs relating generally to children, youth, native Americans, the aging, the mentally retarded, and the users of skilled nursing facilities.

In the Carter Administration, Secretary Califano abolished the HEW regional directors and replaced them with much weaker "principal regional officials." This action reversed the evolutionary process which had been producing a field management structure well adapted to HEW's needs. Although the principal field officials were again designated as regional directors early in the Reagan Administration, they never regained the status or influence they were accorded under Secretary Weinberger and Under Secretary Frank Carlucci. In fact, they became little more than secretarial representatives. Now HHS proposes the elimination of even the current weak regional directors, which will, along with other measures, will end all vestiges of what in HEW had once been an effective approach to field management. The reasons for this retrogression are hard to identify and might well be inquired into by the Congress.

Other departments, such as Interior, Agriculture, Labor and Transportation do not have regional directors but have instead from time to time provided for a departmental field presence through "secretarial representatives." These representatives usually report, actually or nominally, to the secretary, but they are given little or no programmatic authority. These representatives can, however, serve their departments in matters of interagency and intergovernmental relations, and they can also act as conveners of the field directors of the program elements. Such representatives may also function as the eyes and ears of the Secretary in the field and may serve as members of such interagency bodies as the Federal Executive Boards, or the now abolished Federal Regional Councils.

Much skepticism has been expressed concerning the value of regional secretarial representatives, and it must be conceded that the evidence to date is not encouraging. The efficacy of the concept depends chiefly on the experience and skill of the individual secretarial representatives and the degree to which they have meaningful direct access to the secretary and other senior headquarters officials.

The importance of direct access to the head of the agency is demonstrated by the DOT experience with secretarial representatives. Established originally to provide a DOT presence on the Federal Regional Councils created by President Nixon, they played a reasonably constructive role under Secretary John Volpe. Their importance rapidly declined with the disappearance of the Regional Councils and a 1977 DOT decision to have them report to the Secretary through an Assistant Secretary. The positions were abolished in 1988 as serving no useful purpose.

Secretary Cisneros has now substituted secretarial representatives for the recently abolished HUD regional directors. It will remain to be seen whether or not such a fragile position so dependent upon the support of the agency head can even survive in HUD, let alone play a meaningful role in fostering coordination among HUD activities in the field.

It is sometimes incorrectly assumed that departmental regional directors are a prerequisite to decentralized management. This is simply not the case. The term decentralization applies to the placement of the authority in field officials to take definitive action on matters within the responsibility of a department. It is entirely possible to operate a decentralized system through the bureaus or program administrations of a department like DOT or Treasury. Within the DOT, the Federal Aviation Administration, the Federal Highway Administration, and the Coast Guard are

among the most decentralized organizations in the Executive Branch. The same is true of the Internal Revenue Service of the Treasury Department. In these instances the departmental program entities create their own regional systems and pass authority from the secretary on to their own field officials. Most of these entities have regional organizations under regional directors or the equivalent, but such field officials report to the head of the service, bureau or administration—not to the office of the secretary.

Another approach to fostering communication and coordinated action among field units in departments not utilizing regional directors is the field coordinating committee (FCC).

DOT experimented with such groups during the period in which Alan Boyd and John Volpe served as secretaries. They were initially composed of the senior field offices of the Coast Guard, FAA, Federal Highway Administration, and the Federal Railroad Administration, who were stationed in or near 22 major centers of DOT activity. The chairs were designated by the secretary, although in the Volpe Administration, the newly established secretarial representatives presided in the ten cities in which they were stationed.

During my period as Assistant Secretary, I met frequently with the FCCs and found that they were making an important contribution to the success of the new DOT. A number of instances were encountered in which they helped resolve complex problems involving two or more of the DOT modal administrations.

DECENTRALIZATION

The weight of experience favors departmental management on a decentralized basis, but a truly decentralized system is not easy to install or maintain. Many headquarters officials are reluctant to rely on field staffs to take action on important matters of departmental business. Successful decentralization also depends upon the development of policies and standards to guide field officials in their actions, and the introduction of reporting, audit and evaluation systems to verify that delegated authority has been wisely and correctly used.

Congress has always been ambivalent about decentralization—initially supporting it in HUD, and for the most part, in DOT and resisting it in HEW. Secretary of Transportation John Volpe had little trouble in the 1969-72 period in advancing a philosophy of decentralized management, in spite of the fact that he had to rely on his modal administrations for implementation. In contrast, Secretary Weinberger and Under Secretary Carlucci encountered strong resistance, including legislative interventions, when they sought to advance decentralization in HEW. A department which seeks to foster decentralization as a more efficient and responsive way of doing business needs the support, or at least, the acquiescence of the Congress.

STREAMLINING THE FIELD STRUCTURE

There are many opportunities to streamline the field organizations of the existing departments, many of which have not kept up with changes in mission or have not adjusted to quantum advances in transportation and communications. I will mention several areas in which savings could be achieved and program administration enhanced by appropriate reforms in field organization and administration.

1. Limiting the Number of Regional Offices

When President Nixon established ten standard regions for the major grant-in-aid administering agencies, he also named ten cities in which the agencies were urged to place their regional headquarters. This number was in excess of the eight regions originally contemplated because powerful members of Congress wished to add Kansas City and Seattle to the list.

Studies made by FAA, when it rationalized and decentralized the then independent agency, suggested that only five contiguous state regions were needed to direct and coordinate over 40,000 field employees and several hundred facilities and offices. When the FAA increased the number of its regions to nine to conform more closely to the Nixon standard regions, the action proved costly, spread regional headquarters resources too thinly and contributed to the gradual erosion of the decentralized management system then in place.

It is doubtful that with the current speed of transportation and modern advances in communications technology that ten regions can be justified for most agencies.

2. Consolidating Field Offices

The number and placement of sub-regional field offices must, of course, reflect the nature of the services being delivered and the volume of direct dealings with the public. Therefore, streamlining at this level must be approached agency by agency,

and requires careful analysis of the impact of consolidations or reductions in staffing on the customers.

There is, however, no doubt that the same factors which suggest fewer regional offices apply at the sub-regional level where most service delivery takes place.

In some departments and agencies, such as the Department of Agriculture, county-level offices were installed at a time that farmers and others served, relied literally on horses and buggies or, later on, relatively slow motor vehicles. As transportation and communications improved the need for so many offices was greatly reduced, but departmental lethargy and Congressional pressures prevented or seriously delayed consolidations which would have improved rather than adversely affected service delivery.

It is encouraging to note that the Department of Agriculture has begun the rationalization of its antiquated and complex field structure and that the Congress now seems more amendable to office closings or consolidations which it once would have stoutly resisted.

3. Reemphasizing Decentralization

All four decentralization efforts in which I was an active participant produced benefits in the form of improved services, or reduced costs or both. The magnitude of these benefits increased in direct proportion to the degree of decentralization actually achieved. They were greatest and most enduring in FAA and DOT. They were less sweeping and also transitory in HEW.

Decentralized management can be achieved only through a carefully planned synthesis of structural reform, management systems redesign, and human resources training and development. Few agencies today have the staffs or patience to carry-out and fine-tune a multi-year plan for decentralized management.

As I have previously indicated, successful decentralization is dependent upon a body of policies and standards which field officials can understand and can be held accountable for consistently applying. Field personnel cannot simply be "empowered." They must know what they are to do and the ground rules that apply.

The hallmark of decentralization is giving field staff the authority to take actions consistent with policy without having to secure prior headquarters approval. Accountability is assured by audit, evaluation, management information systems, and related methods of learning how the recipients of delegated authority have exercised it.

Those who would decentralize will always encounter resistance from headquarters staff. Some of these opponents simply fear for their jobs, while others sincerely believe that only they can make decisions because of their superior knowledge. When FAA was debating decentralizing, the heads of all the program bureaus warned of disaster. When Administrator Najeeb Halably refused to be deterred by these predictions, and preceded with his decentralization policy, the fears of headquarters staff proved groundless. The reform helped bring about a reduction of 4,000 in FAA employment while enhancing air safety and improving services to the aviation industry and the public.

4. Placing Field Officials in the Career Service

Before President Nixon took office, virtually all regional and subregional officials of the executive departments were in the career civil service. This was true of the FAA when it was an independent agency and was likewise true of the Department of Transportation, when it was established. The original HUD regional directors were in the career service, and the first HUD Secretary, Robert Weaver, considered this vital to the success of the Department.

When President Nixon established the ten Federal Regional Councils, the White House insisted that the member agencies be represented by political appointees. Reluctantly, DOT agreed to such status for its newly created secretarial representatives. It was soon demonstrated that the Department could have been more effectively represented by assigning to the Councils, career regional directors from the modal administrations.

In even the most decentralized agencies, policy is made in the headquarters, not in the field. Field management requires continuity and a thorough knowledge of the programs being administered, and these needs can best be met by career civil servants.

One of the first places where the Congress could begin to implement the Volcker Commission's recommendation that the number of political appointees in the executive branch be sharply reduced is in the field organizations of the executive Departments and independent agencies.

5. Equipping the President to Assist the Agencies on Matters of Field Organization and Management

During the first Nixon term, the new OMB had a substantial staff concerned with agency field organization, decentralization, grant-in-aid simplification and the functioning of field coordination mechanisms such as the Federal Regional Councils, but over the years this capability has virtually disappeared.

Systematic and sophisticated help to the agencies in matters of field organization can come only from an agency in the Executive Office of the President. With the decline of the "M" in OMB, only a new "Office of Federal Management" will be able on a sustained basis to advance the streamlining of field structures.

This concludes my statement, Mr. Chairman. I would be happy to respond to the questions of the Committee.

Mr. HORN. Our last speaker on this panel is a distinguished author in public administration, also a member of the National Academy of Public Administration, and a professor at George Washington University, Mr. Charles F. Bingman.

Mr. BINGMAN. Thank you, Mr. Chairman. I also appreciate the invitation to appear here and talk about this extremely important subject. Under the pressure of your three-light system, I will get immediately to it.

I want to emphasize some of the reasons that I see for continuing reorganization pressure in the system and some of the impediments that you will be encountering. First, I think the Federal Government suffers from a serious problem of political lock-in; that is when a program or activity is enacted and implemented, all the relevant interests, the Congress, the clientele and the managers tend to lock in around it so that changes become very difficult if not impossible. Thus while the world changes around it, the Federal Government often remains rigid and stultified. That alone, I think, is sufficient reason to keep some kind of reorganization pressure in the system.

Second, I think we are experiencing a growing issue of public credibility. The public is entitled to ask, why does the government seem so helpless? Why does it have so much difficulty solving the problems, even these that it knows it already has? How do we answer those questions? How do we get action?

Third, the Congress has tended to be very conservative and defensive of some of the institutional architecture of government. It has not often wanted to invest its own political capital in reorganization change. I hope that one of the outcomes of these hearings is that Congress recognizes that it must create a more flexible means for agencies to effect needed reorganizations.

I think the budget deficit has also created a real impediment to the initiation of new programs and projects. Where they are justified as the public needs shift, as they certainly will, the government needs elbow room in the form of greater flexibility to change its institutions.

Program managers themselves are under increasing pressure from many directions to upgrade performance, but they do not feel that they are able to make important changes themselves and they are increasingly fearful that even where they see proposals floated, they are trial balloons that are vague, poorly thought out, or irrelevant. This, in turn, produces spastic counterproductive reactions in Congress and among client interests. Field offices also see themselves at the bottom of the heap. Field offices need help, and if

there is a guiding principle to follow in reform efforts, it should be field office liberation.

I would like to make some recommendations about achieving effective reform. I think it is important to emphasize that there is no real organized constituency for organization reform. To meet this problem, there is a compelling need to develop clear, detailed, sensible proposals for reform and to invest some real effort in educating, explaining, and building consensus around such proposals.

Field office reform should not start with staffing or structural analysis but with program assessment. This is, I think, the most important point. The first principle should be to make sure that the program is right. Unless field office reform can be shown to be consistent with current and future program reality, it will probably fail.

The Congress itself needs to accept the importance of field office reforms. If the Congress is not serious, everybody else will feel let off the hook.

I also believe that the Congress may have to enact some form of mandate on the agencies for continuous organizational reform commitments. The point is that there is such a diversity in field offices that we need the whole government working on its own field office reform. Agencies are not likely to volunteer; thus, there may be some form of mandate needed.

As Alan Dean suggested, field office reform can't often be done by looking at individual units. Most field offices fit into some overall agency system, and in many cases, a central definition for a nationally applied program may be key, as it is in the Social Security Administration or IRS. There are added systems complications in the form of multilevel structures such as regional, district and area offices. There are about 900 regional offices and 100 different agencies outside of the DOD, and that alone is an important commitment of resources in the field.

I also call attention in my testimony to a technique drawn from Japanese Government experience called scrap and build, which is a means for the legislative body to control the allocation not only of staffing, but the numbers and location of field entities, and I recommend that for your concern.

I also recommend the restoration of what was known as Presidential reorganization plan authority by which Presidents were able to submit definite reorganization plans such that if the Congress did not vote down the proposals, the President was free to proceed with them.

Finally, my own experience tells me that if you make a political investment in field office reform you should beware of settling for too little and the agencies will almost generally offer you small concessions in the hope that that will buy you off.

Thank you, Mr. Chairman. I have made my deadline.

[The prepared statement of Mr. Bingman follows:]

PREPARED STATEMENT OF CHARLES F. BINGMAN, PUBLIC ADMINISTRATION DEPARTMENT, GEORGE WASHINGTON UNIVERSITY

Good morning Mr. Chairman, and members and staff of the subcommittee.

In addition to "good morning" I think I should also say "good luck!" The political pastures of Washington D. C. are full of sacred cows, and federal government field offices have been among the most sacred. But I approach this presentation with the

recognition that this is a very valuable herd in the affairs of government, and while the herd may be in need of culling, it doesn't deserve to be slaughtered.

First, may I say a word about how my own experience is relevant to this reorganization issue. I spent 30 years in the federal government including the Atomic Energy Commission, NASA, and the Transportation Department, and in each agency, I was directly involved with major reorganization proposals. I also spent several years in the Office of Management and Budget as the chief of the government organization division, designing and supervising many legislative reorganization proposals. In my second career since retirement from the federal government, I have taught public administration at the George Washington University and have undertaken many consulting assignments with federal agencies here in the U. S. and with foreign governments, many of which have involved reorganizations concerns.

In this statement, I will attempt to cover three main topics:

1. Why the reform of government field offices is vital.
2. Some lessons learned from past reorganization reform efforts.
3. Some criteria and recommendations about how to undertake field office reform most effectively.

A. WHY REORGANIZATIONS BECOME NECESSARY

The structure of the government tends to get caught in a paradox: American society is very dynamic, the roles and missions of the government are constantly changing, the political climate tends also to be very dynamic, and yet the apparatus of the government tends to be locked in and static while the world changes around it. Almost any significant organizational change is a political matter that must be debated in the political arena. The days are long gone when agency heads could design their field office structures by themselves.

The federal government has gone through a period of several years where there was little interest in attempting to reorganize. This in turn has made public managers very leery of pressing for organizational reform in the face of these negative political attitudes.. This stultification alone is a powerful reason to reexamine the institutions

Given this prolonged neglect, what is happening this year it truly exceptional. We are entering one of the most dynamic periods for the consideration of reorganization in recent history. It is exceptional that both the Clinton Administration and the new Republican leadership of the Congress are braving the murky waters of government reorganization, and showing the courage to tackle major reforms.

Major reorganizations are under way or being considered in the Department of Defense, HUD, NASA, the Customs Service, the Social Security Administration, the Department of Agriculture, the Department of Transportation, and the combined roles of the State Department, the Agency for International Development, and the U. S. Information Agency. Proposals are being seriously considered for removing the operations of the national Air Traffic Control System from the FAA and placing them into a government corporation. Even broader proposals for the elimination and redistribution of whole departments are being assessed

Why this sudden upsurge of interest in organizational reform?

I believe that this new interest represents necessity at two levels: the political and the managerial.

The Political Importance of Organizational Reform

First, let me attempt to assess why reorganization has become politically important.

1. The long period of organizational neglect has had a cumulative effect, and the Congress is finally realizing however reluctantly that it must face up to a repair and renovation of government apparatus. This realization is driven by the public has finally grown tired of programs that are wasteful or are not being delivered very effectively.

2. I also think that the time has come to look at federal programs themselves. Over time, programs tend to become wholly or partially obsolete or of declining value, and we are left with structures built for more expansive needs that are no longer relevant or effective. In other cases program changes demand improved institutional capabilities, but the structures of government have proved too rigid to adapt to these new demands.

3. The motives Congress itself have changed. There seems to be more willingness to break out of the old patterns of unquestioning defense of the institutional status quo, and greater willingness to rethink the roles and missions of organizations, to place greater emphasis on performance effectiveness, and to question the need for extensive overlap and duplication across agencies.

4. The budget deficit has also forced Congress and the agencies into a position where it is extremely difficult to initiate new programs or projects. This severely limits government responsiveness. But the public does have the right to ask "if new programs are needed, why can't we find the resources to carry them out by better and wiser use of the enormous resources the government already has?"

5. Finally, to turn philosophical for a moment, I think that there is reason to be concerned about a federal government that is so complex and conflicting that the public—or even the experts—cannot fully understand it. Any government that is incomprehensible is essentially undemocratic. A government that is as complicated and confusing as ours surely demands a major effort of simplification and rationalization as one of the obligations of the political system. One of the outcomes of the reforms that this committee and subcommittee is spearheading should be to find better ways to develop some regular, continuing process of change and regeneration of the institutional architecture of government.

The Managerial Importance of Organizational Reform

The failure to keep organizations relevant and open to change has had very damaging effects on the attitudes and capabilities of the professional managers in government.

1. It is the career managers that have to face the public directly and respond to their complaints. Where programs and management systems of government have been allowed to become obsolete, or where service delivery is poor, or where procedures are obviously inefficient and costly, the failure to offer satisfaction is harmful and very corrosive. Where changes cannot be made, public frustration is converted into outrage with "the government" and a damaging loss of credibility. This hits at the heart of the managerial ethic, most managers want to be effective, and it hurts their professional value structure when they feel they are prevented by "the system" from achieving this effectiveness.

2. Even where managers know what must be changed, they feel powerless to make changes themselves. Proposals must be submitted up through complex and ill-understood echelons of their headquarters, and in the even murkier waters of OMB and the Congress. This daunting process does not cause managers to quit, it causes them to turn passive and indifferent, and a vital link in any system of institutional reform is broken.

3. Most experienced managers have gone through some form of what has become known as the "hollow government" syndrome. That is, many agencies have faced the situation where their program or administrative responsibilities have grown—often by specific Congressional direction—but at the same time, the budget process is cutting the very resources they need to meet these new program requirements. It can be maddening to be caught in a system where there seems to be no rational way to match program demands with the institutional resources to implement them.

4. There is an old but erroneous belief that all bureaucrats always defend their turf, and resist change. In fact, professional managers are more inclined to accept change than most professional politicians. Managers draw their personal and professional satisfaction from being good managers Where reorganization is justified, and not arbitrary or capricious, then managers can be made partners

5. Finally, field office people are at the bottom of the bureaucratic heap. They often suffer from too little understanding and too much oversight, and from too many demands and too little support. Getting the direct views of field office people might bring an added degree of realism to field office reforms.

B. LESSONS LEARNED FROM PREVIOUS REORGANIZATION REFORMS

1. It is not a foregone conclusion that a reorganization reform program will succeed. Major reorganization proposals in the Nixon and Carter administrations dissipated themselves largely because they were so sweeping and challenging to so many vested interests that no operable consensus could be achieved behind them.

2. Other political proposals were so poorly thought out and justified that nobody could figure out how and why they would be "better"

3. Many proposals have been motivated mainly as "cutback management" or in response to budget pressures. These fail when it is apparent that they are not just cutting the "fat" from government but will have adverse impacts on the "meat" of program delivery.

4. The National Performance Review initiated by Vice President Gore, is a valuable management reform effort, but it revealed one serious weakness in the approach to reform: it limited itself to "how" the government performed, and lost the opportunity to challenge the more fundamental problems of "what the government does and why."

My first boss in government taught me "never waste your time reforming the wrong thing." Any reorganization logically starts with an assessment of how well public programs are being delivered and whether they deliver the "right thing". It is tragic to see federal time, staff, and money committed to administer programs that are obsolete, marginal in their impact, or "high cost/low value" in their outcomes. Thus, any reorganization must start with program assessment, and proposals must show where and how the investment in reorganization will enhance program effectiveness.

5. Past history also tells us that there is a fine line between reform proposals that are too big and complex, and those that are too modest to produce real impact. I believe that organizational reform must be serious, incremental, and sustained over time. It is very important to realize that there is almost no organized constituency for government reorganization, and that almost all parties involved with an agency or program have a vested interest in the status quo.

- Agency managers have strong identification with "their" programs and their organizations—that is in fact expected of them. This sense of "ownership" makes them very reluctant to accept change unless it can be shown clearly why some alternative will have demonstrable management advantages.
- The external client groups also fear change. Over time, they learn to how to deal with the current structure in order to defend their perceived interests. They fear that change will cause them to lose their access, and that they will be "losers" in the new environment.
- Congress itself stakes enormous political capital in defining programs and organizations in the first place, and in defending them year after year in the political arena. It is difficult to admit that some of this investment of political capital has been misplaced. On many occasions, Congress has blocked agency proposals to rationalize its field establishment simply because individual members may not want to appear to be reneging on previous program support commitments, and do not want to be a party to the loss of federal payrolls in their district.

6). Thus, history also tells us that the only thing that is harder to change than a government organization is a government program, and neither will be easy or popular, especially if the political leadership is not forceful and persistent. The only hope for real success, I believe lies in careful development of concrete proposals which are defined in sufficient detail so that all parties can understand what will happen to each key program piece, and the new structure and people who will manage it. Congress seldom moves if there are large "loser" interests that remain adamantly opposed. It is therefore necessary to make them a part of the planning or organizational planning early enough so that their views can impact the decisions being made. They must either be persuaded or they must be neutralized.

C. ACHIEVING EFFECTIVE FIELD OFFICE REFORM

I am sure that the members of this subcommittee recognize what my own experience tells me: achieving real reform of any government organization, including field offices is extremely difficult. The inertia in both political and bureaucratic terms is very great, and that is why these hearings and the attention of the Committee on Government Reform and Oversight is so important. Two things are critical: a long term commitment by the Congress, and new mandates levied by Congress on the agencies of government instructing them to make steady continuous commitments for reform of their own field establishments. Without such mandates, the tendency of the agencies will be to say "This too shall pass". The Government Performance and Results Act provides such a mandate of the Congress enforces it. The strategic planning that GPRA mandates can be the vehicle for reexamination of existing programs and the identification of program changes that will modernize service delivery. Part of this strategy can be the redesign of field office structures. The required performance plans can be used by agencies to lay out complete operational actions for implementing change. And the performance evaluation and reporting can give Congress a stronger and more comprehensive analysis of how well reforms are succeeding.

I emphasize however, that there is no "standard" field office, and few general groundrules for across-the-board government reform. There are some patterns however, that this subcommittee can use in judging its approaches to reform.

1. There are a few large field office systems where the key to redesign lies in Washington. As an example, you will be hearing testimony about the Social Security system, where the field office roles and operational processes are designed in the agency headquarters for uniform national implementation. Where reform is needed, it will have to take the form of revitalization of this national system. But the most

important fact here is that the SSA field establishment is a "customer outreach" system, and the keys to change will be found in the "bottom up" relationships between these offices and their customers, and not in the bureaucratic procedures inside the agency. In other words, new understandings about how better to serve customers should be fed into SSA headquarters and used to design reforms for national application. The advantage of this approach is that, once reforms are determined, the whole national network can be upgraded at one time.

2. Most field offices however, do not fit such a pattern. I have always been struck by the tremendous diversity and range of field office roles. This tells me that broad general change is unlikely, and change will have to be achieved on and agency-by-agency basis. Most field offices are relatively independent organizations where management innovation and leadership are important, and can really make a big difference in results. One of the most frequent sins of agencies has been to impose excessive controls over this managerial freedom in the form of internal regulations and "reviews". A key to reform here is likely to be a "field office liberation" program which gets the headquarters out of the business of meddling in operational matters If cuts must be made in staffing, then let those cuts be made in bureaucratic red tape, thousands of staff hours could be saved without impairing field office service delivery.

3. As part of this same point, I think it is vital to understand how well field offices are able to meet their current program workload right now. Some offices may already be in trouble, and to force arbitrary cutbacks may hurt service delivery instead of improving "efficiency" in program improvement

4. Again, I must emphasize that the key to service improvement probably lies in program improvement. For example, many regulatory programs already require far more oversight and enforcement than can possibly be provided, so that field offices are already failing to live up to their responsibilities. The precondition for reform may have to be to redesign a more realistic enforcement program and then to determine staffing levels to meet these new requirements.

5. Many field offices are involved in the oversight and enforcement of government activities being performed outside of the federal establishment—primarily by contractors, grantees, and those receiving loans or loan guarantees. I would think long and hard before I cut back the field office capability to perform this "third party" oversight. We need only remind ourselves of the problems of inadequate oversight over the savings and loan industry, or Defense contractors to recognize the enormous latent threats that this kind of oversight contains.

6. There is a very useful legislative idea that could be borrowed from the Japanese government. They call it "scrap and build" and it was originally suggested to them by Peter Drucker, the U. S. organization and management expert, right after the war. Under this concept, the Diet sets overall ceilings for each government agency in terms of staff and the numbers of organizational entities including field offices. Then, each agency is free to manage their organization and staffing within this ceiling, but if they wish to open a new office or increase the staff in some unit, they must cut somewhere else in order to do so. This control is administered by the equivalent of the U. S. Office of Management and Budget by negotiation with each of the ministries. It has apparently been a very effective form of legislative policy control while still leaving the ministries with a good deal of flexibility to start new programs, or to more effectively allocate their staffs to cover their most urgent workload needs. I highly recommend this idea for the subcommittee's consideration.

7. It is very important to attempt to generate more forceful and continuing efforts on the part of all agencies to keep their own structures streamlined and vital. The USDA is a prime example of a department that was so indifferent to its field structure that it could not even tell the Congress how many field offices it had, or what they did, much less whether they were really necessary This neglect on the part of agencies should not be tolerated.

Having said this however, I recognize that, even if a department or agency identifies the need for change, the investment of managerial and political effort to bring about change is so overpowering that few agencies are motivated to try. One valuable tool for organizational modification was allowed to lapse several years ago. I refer to the Reorganization Act of 1945 (periodically renewed over many years) which allowed the President to submit complete reorganization packages that would go into effect unless the Congress explicitly rejected them within a set time period. Under this Act, many important reorganizations, short of cabinet level departments were in fact brought about. I think the Congress should seriously consider reenacting some form of this authority so that the President can once again have a simplified form of reorganization leverage.

8. There are several ways to rationalize existing field office structures, some of which are far more powerful than others. These include:

a. Elimination: Field offices can simply be closed down where they can't be justified, with some residual functions transferred elsewhere.

b. Consolidation: Two or more offices can be combined physically and in terms of their functions. A very important option for agencies like USDA and SSA may lie in the concept of regionalization. It might be possible to set up large, well located regional offices to take over the work of many smaller and less efficient county or local offices.

c. Co-location: Offices can be physically located together, but with no combination of their functions.

d. Retrenchment: Any field office can be cut back, preferably, this would start with a streamlining of the work itself and be followed by staff reductions.

e. Transfers of functions: Some success has been shown in transferring certain process operations to a central Service Center serving a large number of field offices. The USDA data processing center and several urban administrative service centers have good reputations.

f. Devolution of functions to state/local government: As a general rule, the federal government should not hang on to in-house operations that the states could do better.

g. Contracting out: In some cases, operations can be more cost effective or more responsive if contracted out to the private sector, thus permitting the reduction of government staffs and the simplification of red tape.

The point is that all of these options should be considered in any program to rationalize federal field structures. These options simply emphasize the fact that it is the agencies themselves that must become the primary actors in keeping their field office structure vital and efficient.

Having been the senior official in OMB responsible for government reorganization, I am fully aware of how difficult it is to try and galvanize the whole government, to break the grip if inertia in our government system. Reorganization reforms must be a durable, persistent and serious objective of the agencies and the Congress. The natural inclination of all parties will be to "retreat" as slowly and reluctantly as possible. Agencies will try to make big promises but propose modest increments of improvement. There may be tendency in the Congress to attempt too little, and to settle for too little. Substantial reform may require the investment of serious political, but tinkering at the margins of the field office issue will probably fail since it will not be seen as worth the effort.

Mr. HORN. Thanks, very much. Obviously we want to set the price higher than that last question implies.

I yield first to the gentleman from New Hampshire, Mr. Bass.

Mr. BASS. Thank you very much, Mr. Chairman. I thank the panel for testifying on this important subject.

I will begin by commenting that one of the conclusions that it seems that all three of you have drawn is that there is no single, ideal field office structure suitable for every agency; that each agency needs to assess their offices based on their own operations.

In your opinion, do we have too many field offices, and would a structure of fewer field offices or a mechanism whereby we were to eliminate some field offices be in order at this point? And if so, what kind of a process would you recommend to achieve that? I would like to hear from all three of you if possible.

Mr. INK. Yes, I think we do have more field offices than we need. But before we start cutting them out, we need to look at them rather carefully to decide which ones need to be cut out, and at what level. I think the work in Agriculture, which was developed over a period of several years and is gaining momentum, is a commendable one. I think there is quite a way to go yet in Agriculture and I think it was long overdue, but it has been approached on a rather thoughtful basis, whereas the elimination of the regional offices in HUD was done on an amputation-before-diagnosis basis, which I think was not the proper way.

Mr. DEAN. Congressman—should I proceed, Mr. Chairman?

Mr. HORN. Absolutely.

Mr. DEAN. I agree with Mr. Ink. I already indicated that when Nixon set up 10 standard regions, that was in excess of the number that analysis at that time suggested would be needed. Actually, eight was recommended originally. In the agencies that I studied, five contiguous State regions will normally succeed to manage literally scores of subordinate field offices. Wherever you find a large number of regions, you should raise questions.

But the problem is more serious at the subregional level. Many of the offices and, certainly those of Agriculture, reflect the fact that at one time you had to use a horse and buggy to get to a Federal office. That is no longer true in most parts of the country. But yet some departments, because of lethargy and, I must also candidly say, congressional resistance, have been loathe to promptly reduce the number of subregional entities to genuinely reflect improvements in transportation and communications.

I once was asked how hard it was to fire a Federal employee. In the four agencies I referred to, the toughest problem was how to get rid of even the smallest regional office without an aggressive congressional intervention on behalf of that office. I think the atmosphere has changed somewhat in that area.

Mr. BINGMAN. I too must agree as an ex-Fed that there are too many Federal offices, in addition to which the headquarters structures of most agencies are badly in disarray as well. I see continuous battles over roles and missions in many agencies as between the headquarters, regional offices, the use of district offices, the use of area offices, and then somewhere way down on the bottom of the line are field offices trying to deliver services. So there ought to be some form of vertical rationalization that can take place.

Also, in looking at the numbers of regional offices, the 900 number that I mentioned, and the number of agencies where different parts of the agency each had its own regional structure. Then there were substructures below the regional structure. Why on earth they couldn't come up with some kind of common regional configuration, I don't know.

Dwight Ink did it for the whole Federal Government at one stage. Unfortunately, there has been a lot of congressional intervention over the issue of location of field offices and a lot of reluctance to let those payrolls disappear or the loss of some apparent previous commitment of some kind.

Mr. BASS. Assuming that we agree, and I would agree with the fact that there is probably a lot of congressional pressure to maintain field offices, perhaps unnecessarily, do you have ideas as to what system we might set up to allow for the orderly and efficient elimination, if you will, of some of the offices that might not be necessary?

Any of you can answer.

Mr. DEAN. May I comment on that?

The first requisite is for the Congress to avoid writing into law the location or number of field offices. And I hope this committee will not be tempted to follow that route, because things change, and if you have to go back for statutory amendments, you have a very hard time indeed.

The second is very simple, let the agency management, when they do a good job, as Dwight Ink suggests, in analyzing needs, fol-

low through with the necessary reductions or consolidations of field entities and for the committees of Congress of jurisdiction to try to support those agency managements.

If you do those two things, the agencies can proceed pretty well.

Mr. BINGMAN. Very quickly, I agree that this committee can't survey or put pressure on the whole Federal establishment. You have to get the departments and agencies mandated to constantly retune and reevaluate their own field structures and advance proposals under some kind of general sympathetic congressional examination.

Mr. INK. Which requires renewed emphasis on departmental management leadership which has deteriorated in many agencies and certainly the revitalization of central leadership in the OMB.

Mr. HORN. Thank you and I thank the gentleman from New Hampshire.

To the gentleman from Pennsylvania, Mr. Mascara, I yield 5 minutes.

Mr. MASCARA. Thank you, Mr. Chairman.

Mr. Dean, you indicate that successful decentralization relies on good policies and standards to guide field officials. How would you recommend that those standards be developed and how would you recommend that they be evaluated?

Mr. DEAN. Dwight Ink has said everything depends on the quality of top departmental management. The agencies with which I have been most closely associated at the time I was there had that kind of management. We recognized that field people can't just be told you are empowered, go away and do something. It is necessary to have policies and standards to assure that citizens in various parts of the country are treated with reasonable equity.

If you have a weak department like Energy, that does not happen on a regular basis. A strong department, as DOT was or HEW was under Weinberger and Carlucci, does develop such guides and standards. And follow-up by appraisal and evaluation and audit systems to assure that the decentralized power is effectively and properly utilized. This last point I want to stress, is not just developing standards and then delegating, it is making sure that the empowered field officials really follow the standards and policies.

Mr. MASCARA. I come from local government. I served as a county commissioner for 15 years in Pennsylvania and had the privilege of serving as chairman of the Regional Planning Commission in Pittsburgh and Allegheny County, which had the responsibility of taking the Clean Air Amendments of 1990 and ISTEA legislation of 1991 and devising a plan in accordance with Federal rules and regulations. And nobody knows better than I do the problems associated with those regulations. We worked the better part of 2 years to implement those programs in southwestern Pennsylvania.

My question is this: In looking at the possibility of working with State agencies, because those two particular pieces of legislation required that each DOT in each State, in my case Pennsylvania, and the regional planning commissions could interface with Federal agencies to modernize the approach to delivering the services required by Federal legislation, should we look at those existing State facilities and operations to work more closely with the Fed-

eral Government than to cut back on the kinds of things we are looking to cut back on?

Mr. DEAN. Mr. Mascara, you mentioned ISTEA, which I think is one of the most forward-looking and important pieces of legislation to come out of the Congress in a long time because it gives the flexibility in the use of surface transportation funding that really empowers the State and local governments. As you know, you referred to it, the metropolitan planning organizations are given tremendous authority if they will only organize themselves to exercise it. Now there is one weakness. DOT has not internally responded to ISTEA.

ISTEA requires that the Federal Transit and Federal Highway Administration be consolidated at the headquarters, at the regional level and at the State level so that State and local officials do not have to run back and forth between separate regional and district offices and get possibly different answers. The National Academy has recommended that there be a Surface Transportation Administration created in DOT to facilitate ISTEA administration.

Mr. INK. In addition to that, some of us have felt that we have lost a lot of our capacity for the coordination of the DOT to work with HUD and other Federal agencies at a regional level. When we lost the regional councils, that capability, much of it reverted to Washington.

Mr. MASCARA. I have one other question that relates to suggestions that the HUD office of Pittsburgh be moved to Philadelphia. How can we justify the citizens taking away from the citizens of southwestern Pennsylvania a field office in Pittsburgh the size of Allegheny County, of Pittsburgh, and justify moving all of that to Philadelphia under the guise of reform and restructuring of our field offices?

Mr. INK. I am not familiar with that particular situation, but one thing I would suggest, and that is working with the HUD people in terms of how the delivery system and the discretionary decision-making that has evolved in the HUD programs impacts at the local level. And that perspective of looking at it from the local community rather than from Washington is extremely important and is what I thought was missing in the abolition of the HUD regional offices.

Mr. MASCARA. There is no doubt in my mind that we need to streamline and restructure. I am just saying, in our haste to do that we are going to make some mistakes and I see one coming in southwestern Pennsylvania. Thank you, Mr. Chairman.

Mr. HORN. I thank the gentleman. The gentleman from Virginia, Mr. Davis.

Mr. DAVIS. With technology changing the way it is, with the 800 numbers, and with the growth of fax machines, interactive cable, in the long-term—how does that cause us to rethink field offices?

Mr. INK. There are two philosophical problems here leaning in opposite directions. One is the technology view that you are espousing, and I think there is absolutely no question that with this advancing technology, we are going to be able to deal more effectively with citizens, and other beneficiaries of Federal programs, by some kind of technological means.

The other philosophy is to say that is not good enough, that what we want is hands-on kinds of relationships, a more intimate and personalized relationship with individuals. I would say that in those public programs that are heavily client oriented and where there is a good deal of necessity for education or interaction with people who need to understand a program like the social security program, that maybe technology is going to be less important. But for the rest of the government, I think the move is going to be in the direction of technology and that may also create a greater capacity for centralization.

Mr. DEAN. There are several examples that could be given where technology certainly has dictated the reduction of a number of field entities. Flight service stations in FAA, of which there used to be hundreds, where general aviation pilots filed flight plans and got weather information can now be remoted and exactly the same information obtained and the flight plan filed to a more central and better staffed entity.

Let me say, FAA has had trouble getting agreement to do this, but it makes sense. The air route traffic control centers, the largest single FAA entities in the United States, once numbered 30. The last I knew, they were down to 17 because modern communications permitted fewer and more efficient and better equipped centers, and that is true with many areas.

Mr. INK. I would note a word of caution with respect to activities that, as Mr. Bingman said, impact very directly and intimately on people and neighborhoods and families, particularly with inner cities.

Mr. DAVIS. Dr. Ink, I wonder if you could elaborate on your premise that political appointees shouldn't be given field responsibilities.

Mr. DEAN. I would be happy to. The purpose of a political appointment is to make sure there is policy responsiveness to the administration or for people that immediately serve such individuals. Even in the most decentralized structure, as we have already discussed, there are established standards and policy. What you need is skill in implementation. For that, you need continuity of service and real knowledge of the programs.

In DOT we had nothing but career regional officials until Nixon set up the regional councils. We were then forced to make the members of those councils noncareer. Let me tell you, the acting members we had from the career service were so much superior to the political appointees that were brought in, some of whom couldn't stay awake through the whole meeting, that had we had had our way, we would never have used those political appointees, and they are now gone.

Mr. INK. I think it is very important that the public have confidence that decentralized programs, which means the leaders in the field, are making their decisions and their recommendations free of political bias, free of political interference and on a professional basis. That confidence is generally lacking when the field office is headed by political appointees.

Finally, the political not only tend to be temporary, which creates a problem for the State and local officials, but their loyalty may be all over the lot. Generally, there is a patron, perhaps a mayor or

someone in the Democratic or Republican National Committee to whom they owe their job rather than the President or the head of the agency.

Mr. DAVIS. Thank you. Professor Bingman, I think you said that the government managers are willing to embrace reorganizations if the changes are seen as being justified and not arbitrary or capricious. I want to put that if I could into the perspective of the National Performance Review. Do you think it undermined its acceptance by Government managers by setting out to reduce the number of Federal employees with a given number before examining agency missions?

Mr. BINGMAN. Absolutely. I think there are two provisions of the NPR that had that corrosive effect. One is what was seen as an arbitrary and capricious reduction in total numbers and nobody even now quite knows how that is going to play out.

The second was the equally arbitrary reduction on the number of middle managers, with no perception of how you would get along without those middle managers.

I see the government not as a bunch of organizations of very large bodies of people doing the same thing, but the government is exceptional in that it has hundreds and hundreds and hundreds of highly professional, independent operating units headed by middle managers. They are the very key to how the government functions.

Mr. DAVIS. Thank you. Any other comments?

Mr. Chairman, I yield back.

Mr. HORN. I thank the gentleman. Let me ask a few questions and then Mr. Mascara and the others might have some more questions.

I was interested in the question posed by Representative Davis on modern means of communication. Basically, I ask the question do we really need regional offices, given the fact we are not talking about area offices or direct service with constituency but to have a group of administrators in a regional office, in the modern age of communication, how much do we really need that?

Mr. DEAN. In some places we don't need them. We don't have them in DOT nor should we establish them in DOT. The need for a regional director to sit over the Coast Guard and Federal transit in the field would, I think, self-evidently not make much sense. But in the subregional structure in DOT, the Coast Guard districts, the highway regions, and the FAA regions perform essential functions and they should not be pulled back to Washington.

There is a different psychology on the part of a Washington official. The orientation is policy, relations with Congress, et cetera. Field regional directors worry about coordinating a group of smaller offices that just can't be equipped with all the skills needed. Properly set up in the right agency they are valuable and I would be very, very careful about any action that required on a governmentwide basis the elimination of regional offices.

Mr. HORN. Can you tell me which agency you feel best uses regional offices?

Mr. DEAN. Most of the large departments at the program administration or bureau level, for example, Treasury and IRS—I mentioned already in DOT do have genuine regional structures, and many of them function rather well. But I must add, decentraliza-

tion is not easy either to achieve initially or to maintain. It takes an alert departmental management to discourage the headquarters officials from constantly trying to erode the authority of the regional level. They succeeded when Secretary Cisneros came in with the help of NPR in the arbitrary elimination of all the HUD regional offices. This is the one department for which I think there is a really good case for crosscutting regional offices.

Mr. HORN. Let me throw in two more questions and I would like all of you to respond to both of them. Is there any reason why we should think Federal policy should be coordinated at the regional level? We went through the various councils, and we have regional directors generally in the same cities. Somehow it has ended up in San Francisco rather than in Los Angeles where the people are.

Why should we hope that regional directors will get together and let the right and left hand know what is going on?

Mr. INK. Mr. Chairman, let me add to what Mr. Dean has said, that since it is very clear that in many agencies you cannot staff the local offices with the diversity of talent and resources that are required to administer the programs, the alternative, then, to a regional arrangement is Washington. Not only does that have the problems Mr. Dean mentioned, but it detracts from the basic role of headquarters people, which is to deal with policy, the formulation of policy.

And your second question, I would say that when there are regional offices or subregional offices that are located in areas where there is enough proximity to have good communication, and here is where the technological advances can help, they can do a great deal and should do a great deal with respect to implementation of policy.

But the policy formulation, of course, should remain in Washington. The regional offices, subregional offices can and should make input in the formulation of that policy, but policy formulation is a headquarters role. Implementation is a field role.

Mr. HORN. Obviously I am not saying we get rid of the field apparatus. What I am saying is, if you are serving constituents, be it mayors or Governors or people with problems, fine. With modern means of communication, we can get that feedback through a regional office system here in Washington to input changes in policy that are needed, that it just isn't working or, whatever, and you have a vast line and span of control that you can have through that network of area offices, district offices, do you really need the regional office to give you partial coordination, be it 10 districts, 5 districts, whatever, between the people that know the problem, see it every day, and the people in Washington that are supposed to be providing policy standards and guidance.

Mr. DEAN. Mr. Chairman, the case is a little old, but when FAA was first established, it had a bureau structure, no regional directors. We studied it and decided we needed a strong regional system. Over violent opposition of headquarters officials, it was implemented. Three years later, we had 4,000 fewer employees in FAA, we had better service in the field, and an improved safety record for the agency.

I won't give the total credit for that to decentralization and regionalization, but those regional directors got better use of re-

sources than a group of empire building bureau heads in Washington. And unfortunately that is what central staffs tend to be. It has already been pointed out that they are politically oriented. They are also terribly eager to get their particular function as generously staffed as possible.

Mr. HORN. I am assuming we are getting rid of half of them anyhow. Professor Bingman.

Mr. BINGMAN. I too would agree that much of the regional office structure is quite questionable. Most of these are internal bureaucracies, bureaucratic instruments and they are not outward-facing consumer-related instruments. On the other hand, I will be careful to look for those cases where you could—if I could tradeoff a structure that had regional offices plus district offices, plus area offices, plus a bunch of field offices and somehow consolidate and rationalize all of those into a regional office that became a service delivery mechanism, that might in itself be a justification for a regional structure.

You are going to hear from one of the Assistant Secretaries of the Department of Agriculture. They have for a long time been committed to a county office structure. I think that is no longer rational, in part because of some of the technology we talked about. The Department of Agriculture might consider a State-based structure for all of its services and, where necessary or desirable, a substate set of regions as a new and more streamlined delivery mechanism.

Mr. HORN. Thank you.

Mr. Mascara.

Mr. MASCARA. There is apparently great diversity throughout the country as it relates to programs, how we should deal with those programs, I guess, we deal differently. I heard you say that in some instances we need regional offices and others we do not, and my question relates to social security offices where we have tens of millions of people throughout the country who need access to these social security offices.

What would you say about the social security structure that we have in place. Is it adequate?

Do we have too many regional offices?

Mr. BINGMAN. Fortunately, sir, you are going to listen to some people from the Social Security Administration speak on that in detail. Let me give you an outsider's view of that.

I've had some conversations with the people in the Social Security Managers' Association and they have a proposal in which what they are saying is, look, let's return to the thing that made the Social Security Administration strong in the first place, which is a real on-the-ground, hands-on field office presence. They have gone through a wave in which they centralized in some service centers.

They believe now that that sort of large service center is probably not superior even in the data handling sense to a better network of direct service field offices and I think that sounds to me like a very wise pattern. And so I think you may be hearing from two agencies moving in different directions, the Social Security Administration justifying further deployment of workload on to its field centers, which they then want to make general purpose field centers, and the Department of Agriculture, which may be facing some form of consolidation or aggregation.

Mr. MASCARA. Thank you, Professor.

Mr. HORN. Any questions from any Member?

If not, we thank all three of you gentlemen for coming. As usual, you have stimulated a lot of further questions. We might send you a few, if you don't mind answering them for the record, and certainly your thoughts will be very active in any markups the committee is doing in this area.

Thank you for coming.

Mr. BINGMAN. Thank you.

Mr. INK. Thank you.

Mr. DEAN. Thank you.

Mr. HORN. The next witness is the honorable Wardell C. Townsend Jr., Assistant Secretary for Administration, Department of Agriculture.

Mr. Townsend, if you will stand and raise your right hand.

[Witness sworn.]

Mr. HORN. Thank you. The clerk will note that the witness affirmed. Mr. Townsend, please proceed and summarize your statement. We put your full statement right after the introduction I just gave you and then 5 minutes to summarize and we throw it open to questions.

STATEMENT OF WARDELL C. TOWNSEND, JR., ASSISTANT SECRETARY FOR ADMINISTRATION, DEPARTMENT OF AGRICULTURE

Mr. TOWNSEND. Thank you, Mr. Chairman.

Chairman Horn, members of the subcommittee, good morning. Thank you for the opportunity to present to you the President's Management Council, or PMC, Federal Field Office Study and review of the Department of Agriculture's progress in field office restructuring.

At the present, the Federal field office structure comprises approximately 900,000 employees, housed in almost 30,000 separate field offices located in 8,649 zip code areas. That's approximately 20 percent of all the zip codes in the United States.

In the Los Angeles area alone, 22,890 employees occupy 379 separate offices. In Chicago, 11,446 workers report to 140 different office sites and in St. Louis, there are only 6,511 employees but over 342 office locations. So on average, 30 employees are located in each field office but 11,292, or about 30 percent of all field offices house no more than 5 employees.

Because of its size and its county-based program delivery system, the Department of Agriculture has the most field offices of any executive department with approximately 10,000 agency offices. Our county-based agencies have had offices in 3,700 locations and many counties had more than one USDA office.

Over the past 3 years, USDA has aggressively addressed the issue and we are in the process of closing significant numbers of locations to develop a network of 2,535 USDA field service centers. I will provide more details regarding the USDA effort later in this testimony and during our question and discussion.

The President's Management Council recognizes that the need to transition to a new reinvented government requires bold, innovative efforts to redesign, reengineer and streamline the mechanisms

for delivery of government services to our citizen customers. A streamlined Federal field structure could become the cornerstone in the foundation of a reinvented government. The PMC is committed to being proactive in this effort across the executive branch.

There are five criteria by which the PMC has established to be essential to success. These include mission orientation, practicality, cost, mandates, and leverage. In the PMC field office study, three business opportunities were examined for improving the quality and efficiency of service delivery by field offices.

Those are horizontal streamlining, which is the connection between agencies and functions out in the field, vertical streamlining, which is to delayer, and the optimum use of information technology, as Mr. Davis had mentioned earlier.

Decades ago when the Federal field offices were expanding rapidly, predominant management theories emphasized the need for command and control. Consequently, government programs were established with multiple layers of management, overlapping networks, networks of headquarters, regional, district, area, State and local offices. With today's management paradigms, however, that emphasize flexibility and empowerment, many of these offices have become unnecessary and duplicative.

In fact, high-speed communication technology now available may obviate the need for entire layers of existing field office structures. This vertical streamlining that I mention seeks to minimize management layers between headquarters, operations and service delivery locations.

In the study that the PMC completed, there were 10 initiatives developed that might be used by agency heads to kick-start the field office restructuring and demonstrate commitment to change. Used effectively, these initiatives can serve as vehicles to launch the transformation to a streamline service-oriented Federal field structures.

They are, in short, the U.S. store concept, an accessible, user friendly service center to demonstrate the advantages of one-stop shopping; that is, where multiple agencies with multiple missions are located in the same place and it would be in essence one-stop shopping. A circuit rider concept where government employees representing multiple agencies and equipped with mobile communications technology bring one-stop shopping directly to the customer wherever they are. Electronic kiosks, an interactive multimedia computer station placed in accessible locations, such as shopping malls, libraries, post offices and so forth. The other initiatives are listed in my testimony.

Mr. Chairman, with regard to the field service centers at USDA, and as we attempt to close a number of locations, one of the preeminent efforts on our part is that we are indeed customer-driven and we have sought the input of our customers, as well as other providers in ensuring that we meet our mission needs.

[The prepared statement of Mr. Townsend follows:]

PREPARED STATEMENT OF WARDELL C. TOWNSEND, JR., ASSISTANT SECRETARY FOR ADMINISTRATION, DEPARTMENT OF AGRICULTURE

Mr. Chairman and members of the Subcommittee, good morning. Thank you for the opportunity to present to you the President's Management Council (PMC) Fed-

eral Field Office Study and review the Department of Agriculture progress in field office restructuring.

The explosion of Federal assistance programs in the 1960s and 1970s created a multitude of duplicative Federal field offices without regard for internal efficiency or cross-agency coordination. For most agencies, field office organization, staffing and service standards have been frozen in time, unaffected by decades-long economic and demographic shifts and technological advances. Many of these outposts have seemed immune from administrative streamlining and management reform.

At present, the Federal field office structure comprises approximately 900,000 employees housed at almost 30,000 separate field offices, located in 8,649 zip code areas (approximately 20% of all zip code areas). In the Los Angeles area alone, 22,890 employees occupy 379 separate offices. In Chicago, 11,446 workers report to 140 different office sites; in St. Louis there are only 6,511 employees, but over 342 office locations. On average, thirty employees are located at each field office, but 11,292 (38%) of all field offices house no more than five employees.

Because of its size and its county based program delivery system the Department of Agriculture has the most field offices of any Executive Department with approximately 10,000 agency offices. Our county-based agencies have had offices in 3,700 locations, and many counties had more than one USDA office. Over the past three years, USDA has aggressively addressed this issue and we are in the process of closing significant numbers of locations to develop a network of 2,535 USDA Service Centers. I will provide more details regarding the USDA effort later in this testimony.

The PMC recognized that transition to a new, reinvented government requires bold, innovative efforts to re-define, re-engineer and streamline the mechanisms for delivery of government services to the citizen-customer. A streamlined Federal field office structure could become a cornerstone in the foundation of a reinvented government. The PMC is committed to being proactive in this effort across the Executive Branch.

In implementing field office restructuring reform, PMC established five criteria to be considered essential to success. These include mission orientation, practicality, cost, mandates and leverage.

In the PMC Field Office Study, three business opportunities were examined for improving the quality and efficiency of service delivery by field offices: horizontal streamlining, vertical streamlining and optimum use of information technology.

The concept of horizontal streamlining involves restructuring field offices by grouping similar programs in a single location. These groupings may include field offices for several agencies, and may contain programs serving a similar customer base, performing similar functions or delivering complementary services. Horizontal streamlining according to customer base could involve collocation of programs serving homogeneous groups, such as Native Americans on reservations, or serving diverse groups with common needs, such as travelers entering the United States subject to inspection by the Customs Service, the Immigration and Naturalization Service and the Animal and Plant Health Inspection Service. Grouping of field office locations that perform similar functions or services could involve consolidation of administrative support services for multiple agencies, or collocation of government-backed loan and loan guarantee programs.

Decades ago, when Federal field offices were expanding rapidly, predominant management theories emphasized the need for command and control. Consequently, government programs were established with multiple layers of management; overlapping networks of headquarters, regional, district, area, state, and local offices. With today's management paradigms that emphasize flexibility and empowerment, many of these offices have become unnecessary and duplicative. In fact, high-speed communication technologies now available may obviate the need for entire layers of existing field office structures. This vertical streamlining seeks to minimize management layers between headquarters operations and service delivery locations.

Information technology, with its ability to electronically store, access, sort, and transmit information, is a key to streamlining field offices and improving service delivery. Information technology can assist in restructuring efforts by permitting consolidation or elimination of field sites. Technology can overcome the barriers of time and distance to support operations—transferring funds, collecting and validating data, and answering questions. This will allow agencies to minimize their field office structure—while assisting remaining field offices to share information.

While the field office structure and clientele of each individual agency are relatively unique, the business approaches discussed above can be distilled into guiding principles that may be applied to all:

1) Where face-to-face contact is necessary, maintain a presence at the point of service delivery. Citizen-customers should not be required to travel unreasonable distances.

2) If face-to-face contact is unnecessary, use communication technology to upgrade services. Citizen-customers may be better served by telephone contact with an agency representative who can access the individual's entire file than by personal contact with a local representative.

3) Separate front-room (e.g. loan origination) from back-room operations (e.g. loan servicing). Back-room operations can be centralized, and not necessarily in Washington.

4) Eliminate intervening layers of control. With today's communication technologies, management layers between headquarters and points of service delivery may be outmoded and unnecessary.

In the study, the PMC developed ten initiatives that might be used by Agency heads to kick-start field office restructuring and demonstrate commitment to change. Used effectively, these initiatives can serve as vehicles to launch the transformation to a streamlined, service-oriented Federal field structure. They are:

1) U.S. Store: An accessible, user-friendly Service Center to demonstrate the advantages of one-stop shopping.

2) Circuit Riders: Government employees representing multiple agencies and equipped with mobile communications technologies bring one-stop shopping directly to the customer.

3) Electronic Kiosks: Interactive, multi-media computer stations placed in accessible locations, such as shopping malls, libraries, Post Offices, etc.

4) Cooperative Administrative Support Units (CASU's): Host agencies provide administrative and operational support for field offices nearby.

5) Privatize Administrative Services: Permit private firms to compete with in-house administrative operations that provide support service.

6) Privatize Sale of Federal Information Products: Contract with private firms to market information available from government, and to produce value-added products to satisfy customer needs.

7) Electronic Network for Federal Service Delivery: Use communications technologies like "Internet" to deliver services directly to customers.

8) Third-party Providers: Use state and local governments and private firms to deliver Federal programs and services.

9) Use Cable TV to Reach Customers: In cooperation with State and local governments and private firms to deliver Federal programs and services.

10) Multi-mode Service Delivery to Native Americans: Combine collocation, circuit riders and computer technology to improve service delivery to Native Americans.

Agencies and the Federal Executive Boards and Associations have reviewed the PMC Study and have begun to look at opportunities to implement change.

USDA Field Office Restructuring

The Department of Agriculture is recognized across government as the leader in the effort to improve field office delivery of services. A cornerstone of the reorganization of USDA is the creation of field Service Centers where USDA customers receive "one-stop service." By consolidating field offices and sharing resources, USDA can provide better, more efficient service and reduce costs to taxpayers.

To serve customers in the 3,071 counties across the Nation, USDA has been maintaining field offices in 3,700 locations for the Consolidated Farm Service Agency (including commodity programs and some of the conservation programs previously under the Agricultural Stabilization and Conservation Service, the Federal Crop Insurance Corporation, and the farm credit programs previously under the Farmers Home Administration), the Natural Resources Conservation Service (including programs previously under the Soil Conservation Service and some of the conservation programs previously under ASCS) and the Rural Housing and Community Development Service (including housing and community loan programs formerly under Farmers Home Administration and the Rural Development Administration). Within many counties, USDA agency offices are in separate buildings in different locations, sometimes miles apart. Each office has its own staff and overhead costs, and each agency has its own definitions, procedures and forms. In many instances, the field structure that has evolved over the years has forced customers into driving from office to office and filling out form after form, sometimes with the same information, just to get the services they require.

When the establishment of USDA field Service Centers is complete, USDA customers will be served at one of 2,535 locations housing the Consolidated Farm Service Agency and the Natural Resources Conservation Service. In addition, other agen-

cies such as the Rural Housing and Community Development Service may be collocated in the field Service Center.

The determination of the number and location of USDA Service Centers has evolved from an initial study conducted by a joint USDA-OMB Team in 1992. This early study, subsequent plans, and proposals emphasized the efficiency and productivity of the "point of delivery" offices within independent agencies.

In that study, all offices were evaluated on a common set of criteria reflecting:

- Program delivery cost,
- Customer base,
- Complexity of programs administered,
- Geographic service area,
- Collocation status, and
- Office productivity or workload intensity.

Each agency used data for these criteria which reflected their mission. The calculations were weighted by the agency and a numerical score was calculated for each office ranging from 100 to 1000. (100 being the best possible score and 1000 being the worst possible score.)

This effort produced a numerical evaluation of all offices which was used by the State leadership of the agencies to determine the most effective office locations. All offices which scored over 700 were reviewed by agency leadership for potential closure or consolidation. The current individual State plans have been evolving since this field office evaluation study was conducted.

As this earlier work was evaluated, the Department recognized that factors such as workload, clients, geography, and costs were important, but more emphasis needed to be placed on customer service. The early plans submitted from USDA representatives in each State were revised to focus on collocation, common service areas, and consistency across agency lines in the decisions on which offices should be closed.

As a result, in late summer 1993, agency representatives in each State were asked to review their respective State's plans and make necessary changes which focused on a vision of one-stop service for the USDA customer. The current State plans reflect the emphasis on collocation, common service areas, common computer communications, common data bases of shared information, and the sharing of resources.

When fully implemented, the new Field Service Centers will enable USDA to meet its customers' needs more efficiently and effectively. Each Field Service Center will provide a full range of services. They will be linked to other offices by computer network and be able to provide quicker, simpler, more convenient service to customers. The InfoShare system will be implemented in the Service Centers. There are three pilot sites where computer systems including mapping are being demonstrated. In addition, the State of Kentucky is a pilot state for the InfoShare Program and progress is being made in equipping the Service Centers. Making it easier to participate in USDA farm, rural development, and conservation programs, and providing better service at less cost, are the overriding objectives of the field office consolidations in the plan.

To accomplish the creation of the network of 2,535 USDA Service Centers, a total of 1,170 offices will be closed or moved by the end of 1997. About 20% of the projected closings or moves have been completed.

Included in the list of Service Centers are 26 offices designated as serving Native Americans. Most of these offices reflect special part-time offices located on Indian reservations established as a result of requirements contained in the Food, Agriculture, Conservation and Trade Act of 1990. These offices are still under consideration as part of the PMC effort to review and improve services to Native Americans. When the review is completed, more collocation of government services may be proposed.

Full implementation of USDA Service Centers is expected to be achieved without implementing a reduction in force. Staff in offices being closed will be transferred to nearby Service Centers.

In addition to the creation of Service Centers, USDA agencies are streamlining processes which affect customers. For example, based on reviews by a task force set up in February of 1993, the Consolidated Farm Service Agency has already implemented more than 30 actions to reduce the paperwork burden to farmers and improve the agency's efficiency. More improvements will occur soon. The task force has identified more than 200 actions for improvements which will be implemented as regulations are updated. When fully implemented, the changes are expected to save about 2.5 million hours annually of farmers' time in dealing with farm program issues.

These changes are a common sense approach to making farm program participation less complicated and burdensome, with more decision-making given to operating personnel. While most of the changes individually will not cause great notice, taken as whole, they represent a fundamental shift in farm program administration. When combined with USDA's reorganization and field office consolidation, the full impact of a more streamlined, farmer-friendly delivery system will emerge.

As is obvious, the issue of field office review, restructuring and reconfiguration to better serve customers is a priority of the Executive Branch and a major effort in USDA. I appreciate the opportunity to review this issue with you and would be glad to answer any questions.

Mr. HORN. Thank you very much. Let me first yield 5 minutes to the gentleman from Florida, Mr. Scarborough.

Mr. SCARBOROUGH. Thank you, Mr. Chairman.

We've heard time and time again, on the campaign trail and other places, some facts regarding the number of employees in the Department of Agriculture in relationship to the number of farmers in America. If you could, give me a little assistance there. Is it true that there are more bureaucrats working for the Department of Agriculture than farmers in America?

Mr. TOWNSEND. I'll be happy to answer that, Congressman. There are approximately 2 million farmers in America and there are 110,000 USDA employees. So the ratio is not quite as you might have heard. And the fact of the matter is we have 110,000 USDA employees, you have to remember that USDA also provides meals and lunches to some 27 million children every day during the school year. So the ratios are somewhat different. We do more than just serve farmers.

Mr. SCARBOROUGH. OK, when you say 2 million, that you have 2 million farmers, are those 2 million active farmers or are you counting citizens who are given farm subsidies who may not actually be farming any land?

Mr. TOWNSEND. No, that is all farmers, 2 million.

Mr. SCARBOROUGH. Working actively?

Mr. TOWNSEND. Active farmers. Some, of course, are part-time, not full-time.

Mr. SCARBOROUGH. OK. Do you know how many full-time farmers there are?

Mr. TOWNSEND. No, I don't.

Mr. SCARBOROUGH. How does that ratio compare to the ratio 40 years ago?

Mr. TOWNSEND. The number of farmers has decreased or the number of farmers particularly on farm programs, USDA farm programs, has decreased. But also during the last 2 years, we've lost 6,000 employees through the Federal restructuring of the Department.

Mr. SCARBOROUGH. OK. Do you have any idea, can you give me a ratio of what the trend has been in more specific terms over the past 40 years? Because obviously we're concerned about how the agency has been responding and functioning in relationship to its task, and I think it would help us all to have some sort of feel for whether the agency has grown beyond its means in the past 40 years or whether it's maintained a constant level in its relationship to the number of farmers in America.

Mr. TOWNSEND. The size of the Department of Agriculture has fluctuated over the past 20 years up and down. We are now reducing down to an early 1980's level. Now, the question related to the

number of farmers that we have on programs, likewise has fluctuated but not all at the same time. In other words, it's not a correlation in terms of the fluctuation.

Mr. SCARBOROUGH. You say you are reducing down to the number of employees that you had in the 1980's. Can you give me a number of approximately how many employees you had in the Department of Agriculture in 1970?

Mr. TOWNSEND. I don't have that figure in my head, no.

Mr. SCARBOROUGH. Would it be fair to characterize the rate of growth in the agency as being explosive throughout the 1960's and 1970's?

Mr. TOWNSEND. It increased, yes.

Mr. SCARBOROUGH. A good deal or moderately; 5 percent, 10 percent, 20 percent?

Mr. TOWNSEND. Over the decade, I would imagine it was—I could only venture to guess.

Mr. SCARBOROUGH. I certainly won't hold you to these numbers, but if you can give me——

Mr. TOWNSEND. It was an increase. Not precipitous, but an increase.

Mr. SCARBOROUGH. OK.

Mr. TOWNSEND. Yeah.

Mr. SCARBOROUGH. Could I have somebody from my office check with your office so we can get more specific numbers, because I think the question that I have and the question that many others have is what has changed for the American farmer over the past 20 years that would cause an explosive growth in the Department of Agriculture to justify the increase of employees working under the agency and how does that assist the—the American farmer and—or is it a drain, an unnecessary drain on the American taxpayers.

[The information referred to follows:]

The Department of Agriculture has maintained over the last twenty years a consistent level of employment in its farm program areas. The number of employees that are servicing the farm population has been reduced from a high of 20,281 in 1964 to 19,039 in 1992. This number is currently being reduced under the streamlining plans of the Clinton Administration over the next few years.

During the same time period the number of acres being farmed has remained relatively stable, while the total dollar value of the production agriculture that USDA assists the farmer with has increased to over $97 billion. Our farm programs have helped farmers increase their productivity and helped to increase the value of commodities.

You asked why USDA has experienced such growth in its employment. Many of the activities that USDA undertakes are not directly related to production agriculture or commodity programs. USDA has over 40 thousand employees in the Forest Service. We also have responsibility for rural development programs, food inspection, and food stamps, as well as marketing and inspection activities. Each of these areas has contributed to the growth in employment at USDA over the last twenty years.

Mr. TOWNSEND. Right. One point that I did want to make clear, as I stated earlier, that not all of the growth has been in the service to farmers area at the Department. We have 40,000 employees who work for the Forest Service.

Of course, the Forest Service is a part of USDA and not Interior, as some people would think. And also we have—the growth has been in areas other than—other than in farm services. But for your specific question on the number of USDA employees and also look-

ing at—I imagine you are thinking about the farm service area of USDA in terms of the employee numbers?

Mr. SCARBOROUGH. Well, actually, it would be good to have it broken down, both the farm service area and the entire department. And let me just add, I'm certainly not singling out farmers. I believe you can be for the American farmer without being for a rapid growth in the Department of Agriculture in Washington, DC, so I certainly don't want to leave you with the impression that I am antifarmer. We have a few farmers in my district in northwest Florida.

Mr. TOWNSEND. Right.

Mr. SCARBOROUGH. This has to do with the rate of growth, so if we could have somebody in our office contact you and follow up with the specifics, I'd greatly appreciate it.

Mr. TOWNSEND. Be glad to respond to you, Congressman.

Mr. SCARBOROUGH. Great. Thanks a lot.

Mr. TOWNSEND. You bet.

Mr. HORN. I thank the gentleman. Since he started the pattern of disclosure as to what we have in the district, I would say, as Speaker McCormick did, I only have farmers that have window boxes in my district but I did grow up on a farm, and as I recall, 70 percent of the Department of Agriculture's money goes to nonfarm programs. In other words, the nutrition program, school lunch, and so forth.

Mr. TOWNSEND. Right, research, right.

Mr. HORN. I now yield to the gentleman from Pennsylvania, Mr. Mascara, 5 minutes.

Mr. MASCARA. Thank you, Mr. Chairman.

Mr. Townsend, have we been able to measure the effect of the downsizing of the Agricultural Department on these other programs? You mentioned nutrition. I mean, isn't this a constant there or aren't we building in the numbers of people that we have been serving over the number of years and how—how will that be impacted if we keep cutting the number of people working for the Federal Government that engage in those programs?

Mr. TOWNSEND. Congressman, really the service delivery should not be affected if we engage in changing the way we do business, and that is through business process reengineering, and that requires time. It also may require retraining of the people who remain within the Department and also crosstraining.

It might be that an individual may have to do 80 percent of their time would be dedicated one way and 20 percent of their time might take up the responsibilities of someone—part of the responsibilities of someone who is left. So our effort is not to have services diminish.

I mean, that is our—it depends on how quickly you go through a right sizing or streamlining or downsizing and we're trying to—we have planned out for 5 years. We have strategies in terms of outplacement of the people that are going to be leaving. But we also have internal training to ensure that services are not diminished.

Mr. MASCARA. That was my question. Are we crosstraining our employees as a part of the downsizing of that agency so that they will be able to work in other areas?

Mr. TOWNSEND. Yes. Yes, we are. Principally in those areas where the President has called for and the NPR has called for reductions in those administrative areas of accountants, procurement officers and the personnelist where what we are doing there too is taking someone like a personnelist and giving them labor management training so they can be crosstrained to do a number of functions.

Mr. MASCARA. Thank you, Mr. Townsend.

Thank you, Mr. Chairman.

Mr. HORN. You are welcome.

I now yield to the gentleman from New Hampshire, Mr. Bass.

Mr. BASS. Thank you, Mr. Chairman. I'm going to be brief.

I have been quickly reviewing your testimony here and talking about the transformation in the USDA process. What role, if any, did Congress play in this process and, in your opinion, should Congress play a role if they didn't?

Mr. TOWNSEND. In the restructuring of the Department?

Mr. BASS. Yes.

Mr. TOWNSEND. With regard to the field office restructuring, Congressman, the Secretary of Agriculture is already authorized and empowered to make adjustments on field office closure and restructuring without the consent of Congress. This plan that we had started was started with a swat team from USDA and OMB in 1992. During the change of administrations, it was embraced by Secretary Espy and moved forward with few modifications.

Mr. BASS. Thank you very much, Mr. Chairman. That's all I have.

Mr. HORN. I now yield to the gentleman from Virginia, Mr. Davis.

Mr. DAVIS. Mr. Chairman, thank you very much. Of the number of agricultural employees, do you know how many are based in Washington and how many are in the fields?

Mr. TOWNSEND. We have about 10,000 in Washington, the balance of those in the field.

Mr. DAVIS. So the vast majority are out in the field?

Mr. TOWNSEND. Yes, sir.

Mr. DAVIS. As you take a look at potentially downsizing at this point, is it the field offices at this point that would bear the brunt of any downsizing?

Mr. TOWNSEND. Well, as an absolute number that might be true. But as a percentage, the Washington headquarters offices will reduce at a greater percentage than the field offices. So it will be disproportionately higher in the Washington area.

Mr. DAVIS. It would be.

Mr. TOWNSEND. Yes, sir.

Mr. DAVIS. What areas would likely be—at this point would be focused on from the Washington office?

Mr. TOWNSEND. It would be the Forest Service, Natural Resources, Conservation Service, which was formerly the Soil Conservation Service. Some of our research, but very little of it. But principally those two other areas and the natural resources and environment area of the Department.

Mr. DAVIS. I saw—we are going to hear testimony in the next panel about the using of 800 numbers that the Social Security Ad-

ministration used and they—it looks like from based on the testimony, that they underestimated the number of calls and underestimated the number of people that would be going to the offices.

Have you had any experience with that?

And it seems to me with Agriculture, with a lot of your field offices because of the distance people have to drive, that the 800 numbers and fax machines and those kind of things could probably be able to be better utilized than have been. I wonder if you could comment on any experience you have had with that.

Mr. TOWNSEND. Sure. The reports that I've read during 1992 and 1991, there were a number of pilot projects that were established across the United States to find out what our customers wanted in the way of service delivery, how did they want services delivered to them?

Principally this is the county-based field services that I'm talking about. And we used weekend services, night services, faxes, toll-free telephone numbers, walk-in services, kiosk and also by modem, people could hook up to their county office by computer. And we found that some were more useful than others. It just might be a matter of culture, cultural change in service delivery in the field, as well. For some reason, farmers and people whom we serve at the county level like face-to-face contact. They enjoy face-to-face contact.

Mr. DAVIS. Sure. Well, let me ask, not to be controversial, but from the perspective of the Department of Agriculture, as your budget gets chopped along with everybody else's to the extent that the cuts are being made here in the Washington office among these nameless, faceless bureaucrats, the representatives are not going to see particularly a diminution in the services to their constituents, but to the extent that they see the hits out in the field where they are going to start seeing a diminution in the face-to-face movements, they will understand some of these cuts hit home.

How do you think that balance will be achieved at this point?

Mr. TOWNSEND. You ask a very difficult, difficult question.

Mr. DAVIS. I know and it is open-ended and I know it is yet to be determined as you look up, but I think you understand the thrust of it.

Mr. TOWNSEND. Well, by background, I am an administrative social worker so I am a very customer or client-oriented. And in this case, too, the Department of Agriculture is very customer-driven with regard to its approach in trying to develop a system in a time that we know that our budget is going to be reduced. We know that the number of individuals or staff that we have is going to go down.

Mr. Davis, you mentioned the point of technology and the utilization of information technology and managing it appropriately so that we can make more efficient service delivery.

Mr. DAVIS. Right.

Mr. TOWNSEND. And that's a very good point. But what is required in the Federal Government in order to get there is an investment.

Mr. DAVIS. Right.

Mr. TOWNSEND. You cannot——

Mr. DAVIS. It costs you money over the short term. You have to front-end some systems and everything else.

Mr. TOWNSEND. Absolutely. And if it's not there, then you can't expect the efficiencies that people talk about. We can conceptualize them and visualize them, but they're not going to happen if you don't do the hard, hard investment.

Mr. DAVIS. Right. Like Mr. Mascara, I was in county government for 15 years, as well, headed the county government across the river.

Mr. TOWNSEND. I know who you are.

Mr. DAVIS. 900,000 people.

Mr. TOWNSEND. Right.

Mr. DAVIS. We were stuck with a lot of disinvestment in computers and had to catch up on that. But it saves a lot of money over time. When you take a look at the long-term, you cannot do it without going on-line and investing in information technology.

Mr. TOWNSEND. Absolutely.

Mr. DAVIS. What is the status right now? Where is agriculture in your judgment in terms of our investment in those areas?

Mr. TOWNSEND. I can say at this point we're somewhat inadequate and wholly inadequate, let me say it that way actually in all honesty.

Mr. DAVIS. Sure.

Mr. TOWNSEND. I think we are on the verge of at least consolidating all of the agencies into thinking that a joint effort in terms of standardization of our systems so that interconnectivity is possible, that is occurring and that is a major cultural change and a major step in terms of consolidating the resources for procurement, as well as BPR and all the change management with regard to people and culture, change management that is necessary under such changes.

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

Thank you, Mr. Chairman.

Mr. HORN. I thank the gentleman. We mentioned the county-based field office. How many agencies within Agriculture still have basically a county-based field office? Any?

Mr. TOWNSEND. Yes. There are a number of them. The Consolidated Farm Service Agency or the Farm Service Agency which is made up of a number of—during our reorganization they were consolidated, the farm-based organizations.

Mr. HORN. Would that include the Soil Conservation Service?

Mr. TOWNSEND. Right, the SCS.

Mr. HORN. Which really makes sense, because your clients are involved in that or have been unless you cut various advisory boards out.

Mr. TOWNSEND. No, they still exist. The county committee still exists.

Mr. HORN. It seems to me with the tradition in this country that made agriculture what it is, of agricultural extension, which was on a county basis, I assume still is, it's important to link some of those services together where people do have the customer, the farmer, as a hands-on relationship in terms of some of those decisions. But I was just curious what the Department was doing in that area.

Mr. TOWNSEND. In the area of the field-based structures?

Mr. HORN. Right. On a county level. When you have some counties that are convenient enough to have one agency or one field office, are they trying to put one where two counties can access it?

Mr. TOWNSEND. Right. We certainly are. That's part of our restructuring effort in the field.

The process that was used by the Department of Agriculture was to evaluate on a set of criteria, and that was in each county, and that was in terms of services that were being provided, program delivery costs, customer base, the complexity of program administered, geographic service area, co-location status, and office productivity or workload intensity.

Now, as a measure, what we did was to measure on a scale of 100 to 1,000, points were given and what we found is that those that were 700 or below, the scores, needed to be reviewed and find out what weaknesses were, but also they were candidates actually for closure or co-location.

And we had to have this criteria to go by and to do it from a rational standpoint in consolidating. But we also did best practices. Those who had scores that showed better effectiveness in terms of service delivery, we wanted to know and gain models from those so that we could replicate them.

Mr. HORN. This has already been done, I take it.

Mr. TOWNSEND. Yes, sir.

Mr. HORN. State-by-State.

Mr. TOWNSEND. That is correct.

Mr. HORN. Does the committee staff have any of these data?

I would like to look at the ones for California since I know those counties pretty well and sort of make a seat of the pants rule of thumb, whatever, approach. I might add that the President's Management Council Field Study will be put in the record here, the full text. It's about 50 pages.

Mr. TOWNSEND. That's correct. I appreciate that.

Mr. HORN. I think everybody would like to take a look at it and that's the easiest way to do it.

Any other questions? Mr. Davis, do you have any further questions?

If not, we thank you very much, Secretary Townsend, for coming and we appreciate having your testimony. There might be a few questions the staff will send you, if you don't mind answering them.

Mr. DAVIS. Mr. Chairman, can I ask one question?

Mr. HORN. Sure.

Mr. DAVIS. Looking at possible downsizing, do you have enough tools at this point to work through what we would call a soft landing for employees that may be leaving in terms of buyouts and that kind of thing or would there be additional incentives you may need?

Mr. TOWNSEND. I——

Mr. DAVIS. Or would you like to get back to us on it?

Mr. TOWNSEND. Well, Congressman, let me answer it this way. At the Department of Agriculture, we needed to reduce the number of employees by 1999 by 13,500, approximately. We have reduced by 6,000 in the first 2½ years.

Now we have about 7,500 more to go and it is going to—we know that during those first 2½ years, yes, we used every tool available to us, early out, buyout, and people exercised that option. Now, we no longer have those tools available to us so that we know that the out years are going to be more difficult in terms of——

Mr. DAVIS. Can I ask, just follow-up?

Mr. TOWNSEND. Sure.

Mr. DAVIS. I appreciate it. I think your testimony has been excellent.

There is pending before Congress right now a move to take a look at the retirement individuals will receive and average it on the high 5 years instead of the high 3 years. Doesn't that discourage somebody from leaving early, make them work a couple years longer as opposed to encouraging them to leave?

Mr. TOWNSEND. No, it would make them leave, if they were ready to retire, they would leave right away.

Mr. DAVIS. Well, before it is enacted. But once it's enacted——

Mr. TOWNSEND. Right.

Mr. DAVIS. What does it do?

Mr. TOWNSEND. Well, in order to gain their high five, they would have to stay those 5 years.

Mr. DAVIS. So you may get a rush before it's enacted but if it is enacted very quickly, I mean, at that point then it is a discouraging factor, wouldn't that be?

Mr. TOWNSEND. Right. Now, we've done some succession analysis, particularly with regard to the senior executives where we are under a mandate to reduce the 14, 15 senior executives by 10 percent.

Mr. DAVIS. Right.

Mr. TOWNSEND. We know that at USDA in 1992, 50 percent of all of our senior executives and those in the higher ranks were eligible for retirement. Next year, 80 percent of those people will be eligible for retirement.

Now, if you were to raise the ante to 5 years, then yes, there is going to be a rush. What percentage of those people who leave actually exercise the option? Don't know, but the likelihoods is high at least at that level. And we've also found that throughout the ranks they are very similar in terms of the number of people who would exercise, people who were at grade 12 or grade 13, as well. But——

Mr. DAVIS. And the other side of that is, of course, you can't continue to downsize and manage and do the kind of innovation you want if you're losing all your key managers. It goes both ways.

Mr. TOWNSEND. Right. Now the point that was raised earlier is that when you go through this kind of change, restructuring, training is very, very important. You have got to have the talent and the skill mix of the people remaining otherwise, yes, services will eventually suffer.

Mr. DAVIS. Thank you.

Mr. HORN. Thank you, Secretary Townsend. We appreciate you coming.

Mr. TOWNSEND. Glad to be here. Thank you.

Mr. HORN. Panel three, Commissioner Chater and Ms. Chatel. I will swear you in. If you will stand and raise your right hand.

[Witnesses sworn.]

Let the clerk note that all three witnesses affirmed. Commissioner, we are glad to see you again.

Please proceed. As you know, we have a 5-minute rule. We put your full statement in the record and then we will leave time for questions. So please proceed.

STATEMENT OF SHIRLEY S. CHATER, COMMISSIONER, SOCIAL SECURITY; AND MARY CHATEL, PRESIDENT, NATIONAL COUNCIL OF SOCIAL SECURITY MANAGEMENT ASSOCIATIONS

Ms. CHATER. Thank you, Mr. Chairman, and members of the subcommittee. I would first like to introduce Janice Warden. Janice is the Deputy Commissioner for Operations, and part of her responsibility is the management of our field office structure.

First, I want to thank you for inviting me to join you today to talk about the field office structure. It is very, very important to us that you understand what we do and how we do it, specifically SSA's current field office structure, the challenges presented by increasing service demands and shrinking resources, and also the steps that we are taking to address these challenges to ensure that the American public receives the services that we believe in.

I think we all agree that the Social Security Administration has had a very long, successful history of providing tailored public service through a network of accessible and community-based offices. This is a tradition that we want to maintain. Most of our employees provide direct service to our customers and work in our 1,299 district and branch offices located throughout the entire country.

These employees help people file applications for a variety of benefits, they disseminate public information about social security, they investigate allegations of program abuse, they respond to inquiries on almost any government service-related subject and refer people to other Federal, State, and local government assistance programs. We know that these offices are valued by the American people.

Our customers visit SSA offices during some of the most vulnerable times of their lives, and they come to us with the knowledge that personal and confidential issues will be handled with care and with privacy and understanding. For many people, there is no substitute for the personal service that SSA provides. Our clients include individuals who are not able to read, who have difficulty communicating in English, who live in inner city neighborhoods or remote rural locations without access to many transportation and communication services and many, of course, have severe disabling conditions. These clients need the personal service that we provide.

Our field office structure also includes teleservice centers which answer telephone inquiries and requests, hearing offices which take appeals of decisions, and processing centers that are staffed by employees who perform activities relating to earnings record maintenance, debt collection and benefit adjustments. Many of these employees also help out on our busiest days by answering the 800 number.

Our 10 regional offices provide supervision and direct support for SSA facilities located in their service areas. They ensure the inte-

gration of all of our service delivery operations and that includes integration with other State and local programs as well as other features unique to a particular region.

To comply with the law mandating a reduction in the Federal workforce of almost 270,000 full-time employees by 1999, SSA must reduce its staff from about 66,000 employees now to 61,000 FTEs by 1999. This is a reduction of about 7 percent.

During this period of reduction, the number of beneficiaries, however, will continue to increase significantly. But through restructuring and the increased use of technology, we believe that we can meet this challenge and provide the same high-quality service to our customers. Our restructuring and our streamlining plans, as well as our strategic management process, are discussed in detail in my written statement.

We are responding, therefore, to growing workloads and decreasing staff by concentrating as many of our resources as possible in areas that directly serve the public, whether this be in person or by telephone. I'll give you one example.

We have decided to consolidate our 10 regional offices into 5 or fewer, thereby reducing administrative staff while maintaining personnel who process claims and answer telephones. Our regional staffs will soon be reduced by at least 30 percent. Since October 1993, we have reduced staff in our regional offices by almost 15 percent, thereby preserving sufficient resources for direct services to the public. Similar reductions have been and are being made in our headquarters' staff.

In our field office structure, we will eliminate at least one level of management between the local field office manager and the regional commissioner. We're also setting specific year-by-year targets for altering our supervisor-to-employee ratio from one supervisor now for every 7 employees to 1 to 15 by the end of 1999.

I would add that we have created a redeployment program which has the potential to allow about 300 eligible employees to voluntarily move from headquarters, regional offices, and management positions to direct service positions. In order to provide continuing superior and responsive service with limited staff, I cannot stress strongly enough the importance of our 5-year, $1.1 billion investment in automation. The new intelligent workstation, local area network project is absolutely fundamental to make our business process more efficient and more effective.

In summary, Mr. Chairman, SSA has a field structure that delivers direct service and we intend not only to maintain but to elevate the high quality of service through our streamlining efforts.

Mr. HORN. I thank you.

[The prepared statement of Ms. Chater follows:]

PREPARED STATEMENT OF SHIRLEY S. CHATER, COMMISSIONER, SOCIAL SECURITY

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to discuss the field structure of the Social Security Administration (SSA). SSA faces formidable challenges in striving to improve the way we deliver service, while at the same time facing shrinking resources. I am pleased that this hearing gives me the opportunity to discuss how we can meet these challenges.

In addition to reviewing our field structure, I would like to share with you some information about our planning process so that you may more easily understand the role which the field structure plays in meeting our service delivery objectives.

Let me state at the outset that our field structure is intended to support our service delivery objectives. In all that SSA does, three fundamental objectives remain constant:

- To provide world-class service in an equitable, effective, efficient, and caring manner;
- To rebuild confidence in the Social Security program; and
- To provide a nurturing environment for employees.

Resource Constraints

Mr. Chairman, the law mandates a reduction in the Federal workforce of 272,900 full-time equivalent employees by 1999. This equates to an overall reduction of about 12 percent of the Federal workforce when compared to the number of people on duty in 1993. To meet its share of this reduction, SSA must reduce its staff from about 66,000 to about 61,000 full time equivalent employees by 1999. This is a reduction of about 7 percent when compared to 1993. In the recent past, SSA has already experienced major downsizing from about 83,000 full-time equivalent positions in Fiscal Year 1984 to a current Fiscal Year 1995 estimate of about 66,000 positions. During this same time, the number of beneficiaries served increased from about 40 million to almost 50 million—a 25 percent increase in beneficiaries served and a 22 percent decrease in full-time equivalent positions.

I believe SSA's plans to make more effective use of its staffing resources, which I will further explain later, will yield savings by 1999 that can be applied to the government-wide reduction. Redirected resources, coupled with our increasing use of technology, will permit us to keep up with growing workloads, implement recent legislative mandates, and provide the public with the level of service it deserves.

Automation Needs

To support our technological improvements, our Fiscal Year 1996 budget request includes $357 million to continue our 5-year, $1.1 billion investment in the Intelligent Workstation/Local Area Network project. In conjunction with our process reengineering efforts, this investment is a fundamental prerequisite to make our business processes more efficient, streamline administrative operations, and enhance customer service.

SSA's current systems infrastructure is a highly centralized, mainframe-based architecture that relies on very aged, "dumb" computer terminals used by frontline employees to get information to and from SSA's mainframe computers. SSA is moving towards the establishment of a truly cooperative architecture (an automated systems configuration that uses both centralized and localized processes) that will use intelligent workstations as the basic automation platform. The cooperative architecture will allow SSA to determine the optimal mode of processing for each workload and to take advantage of emerging technology in the delivery of services to the public. It will also improve the availability and timeliness of information to employees and appropriate users and help build a more reliable capability for backup and recovery in the event of a crisis.

We appreciate the support we have received thus far from the Congress for our automation initiatives, and we ask for your continued support in this regard as we seek to make full use of technological advances to help us provide world class service.

Direct Service Delivery Offices

Since there may be various understandings of what constitutes an agency's direct service delivery structure, I want to explain briefly the functions of the SSA offices which are organizationally located outside SSA headquarters. These offices can be grouped in two general categories—those which provide service to members of the public by dealing with them directly or by processing their claims and other requests for service and those which perform activities in support of SSA's mission, generally at a regional level, but which do not involve direct service delivery.

Most of our employees who provide direct service to our customers work in our 1,299 district and branch offices located throughout the country. (Branch offices are smaller field facilities which report to district offices, but which generally offer the same services as district offices.)

SSA has a long tradition of providing tailored public service through a network of accessible, community-based offices. Our field structure has to be viewed in the context of our responsibilities to the public. SSA's field offices provide a wide array of services to our customers, including processing applications for benefits, handling reports of events which affect a beneficiary's payments, processing requests for Social Security numbers, investigating allegations of unreported earnings and making appropriate corrections, and answering general inquiries. To make you aware of the

magnitude of our responsibilities, let me point out as examples of our workloads that, in Fiscal Year 1996, SSA will:

- Pay benefits to about 48 million people;
- Process more than 6 million new benefit claims;
- Process about 16 million requests for Social Security cards;
- Post about 235 million earnings items to workers' earnings records; and
- Handle about 70 million 800-number telephone calls.

District office employees disseminate public information in their communities to heighten awareness of and increase confidence in our programs. They help people file applications for a variety of benefits, investigate allegations of program abuse, respond to general inquiries on almost any subject dealing with government services, refer people to the other assistance programs or agencies, and assist the public in obtaining evidence needed to support applications for benefits.

District offices provide the American public with a setting where they can feel confident that personal and confidential issues are handled with the care and privacy that they have a right to expect. Customers often visit SSA offices at some of the most vulnerable times of their lives: when they are disabled, have just lost a loved one, are in need of assistance, or are facing a major transition in their life. For many, there is no substitute for the personal service that SSA offices provide.

District offices have long been the focal point for the integration of various services provided to the American public in communities throughout the United States. Working with other Federal, State, and local government agencies and social services organizations (sheltered workshops, hospitals, community based providers, etc.), local offices have developed alternatives for providing the public access to services without having to go to multiple locations and furnish similar information multiple times. Some of these service arrangements include:

- Establishing entitlement to Medicare benefits;
- Taking food stamp applications; and
- Making Medicaid eligibility determinations in some States.

Local offices are often the first line of defense against program fraud. Employees review evidence and are trained to detect fraudulent documentation. Through personal review of documentation and client observation, employees are often able to make determinations concerning the appropriateness of an application that would not be possible without face-to-face contact. As members of the communities in which they work, district office employees are usually the first to become aware of potential fraudulent situations. Many of the investigations that have uncovered instances of program abuse started because one local office employee alerted investigators to a problem.

A growing number of SSA's walk-in visitors do not have the means or the ability to access government services through other than direct contact. Local offices provide service to many clients who are not able to read, who have difficulty communicating in English, who live in inner-city neighborhoods or remote rural locations where they do not have access to the transportation and communication services that the general public has become accustomed to, or who have severe disabling conditions which restrict their ability to communicate. These clients need the personal service, e.g., face to face interviews, assistance in obtaining documents, and referrals to other agencies for additional services, that are available through the local office.

We also consider the following offices to be providers of direct service:

- 38 teleservice centers are staffed with employees who answer general inquiries, schedule appointments for district and branch offices, and process some workloads that do not require face-to-face contact;
- 132 hearing offices are staffed with administrative law judges and support employees who hear and process appeals of decisions;
- 9 processing centers are staffed with employees who perform activities, including telephone calls and correspondence with the public, related to earnings record maintenance, debt collection, and benefit adjustments.

Regional Office Functions

SSA's regional offices (ROB) were established to provide supervision and direct support for other SSA facilities located in their service areas. The Regional Commissioner (RC) is the senior SSA official for the geographic region that comprises the RO service area. Therefore, the RC represents the Commissioner in regional matters and is the primary spokesperson for SSA in the region. The RC has line authority for district offices in the region and provides administrative support for other SSA components and State Agencies that are not directly under the RC's supervision.

The ROs are responsible for ensuring integration of all of SSA's service delivery operations, including the network of district and branch offices, teleservice centers, and processing centers. Because of their vantage point which promotes the consider-

ation of the unique economic, geographic, and cultural needs of our diverse public, ROs have the ability to provide world class service tailored to meet regional needs by:

- Ensuring consistency in the national program while also ensuring that any needs unique to the regions are accommodated;
- Ensuring sound working relationships among all SSA components; State disability determination services; large employers; unions; medical associations and organizations; Federal, State and local agencies; regional and local media outlets; and community service organizations throughout the region;
- Interfacing with numerous other agencies (Federal, State, local, private) to ensure effective administration of income maintenance and social services activities (e.g., food stamps, Medicaid);
- Working with Members of Congress, governors, and executives from other agencies on a wide-range of regional governmental issues;
- Identifying and responding to regional or local problems (e.g., the unprecedented recovery efforts following Hurricane Andrew and the bombing of the Federal Building in Oklahoma City, issuance of timely emergency procedures in response to local disasters, and responding to fast-breaking issues in the local media):
- Developing and supporting cross-boundary partnerships with State and local governments and institutions to enhance customer service;
- Providing local offices with essential support in core areas such as training, human resources, facilities management, financial management, program operations, systems/automation support, disability administration, service delivery, security, and program integrity which meets each region's unique demographics and individual characteristics;
- Ensuring that SSA complies with court-ordered actions that require specific remedies by SSA within specific jurisdictions;
- Promoting activities devoted to rebuilding public confidence in Social Security through enhancement of public understanding and awareness of SSA's programs and activities;
- Providing legal advice; and
- Performing audits and investigating fraud.

Restructuring Field Offices

I would now like to discuss SSA's plans to restructure our field offices and the strategic reasons for restructuring. In view of our growing workloads and decreasing staff, we need to concentrate as many of our resources as possible where the public is directly served, either in person or on the telephone. Therefore, our restructuring will focus on how we will be able to provide the public with the service it deserves while faced with shrinking resources. SSA has in place a formalized process, known as Service Delivery Assessment (SDA), for assessing the need for and the location of its field offices. SSA's Regional Commissioners are required to evaluate each field office service area at least once every 5 years. In considering site locations, SSA looks at six factors: demographics, workloads, accessibility, special needs, unique service criteria, and resource considerations. The process also includes consultations with interested Members of Congress, key community leaders, and advocacy groups before final decisions are made on any proposed changes. The National Performance Review (NPR) has cited SSA as an Agency which has successfully trimmed staff while enhancing service. This was achieved through our ongoing SDA process. We plan to continue using this process to adjust and fine-tune our service delivery network.

We have decided to consolidate our 10 regional offices into 5 offices, thereby reducing administrative staff while maintaining staff who process claims or answer telephones. In addition to consolidating regional offices, we will delegate increased authority from headquarters to the regions. Putting more responsibility in the hands of those who work in close proximity to our customers will result in improved public service. As a result, Regional Commissioners will have greater responsibility for public affairs and personnel administration. Headquarters components will provide support, guidance, and technical assistance.

During the past 5 years, overall staffing in SSA's field office components, and the number of such offices, have remained relatively stable. Rather than reduce the numbers of our direct service staff, SSA has reduced staff in its regional offices by more than 15 percent since October 1993, in order to make sufficient resources available for direct service to the public. Similar reductions have been made, and will continue to be made, in headquarters staff.

In our field office structure, we will eliminate at least one level of management between the local field office manager and the Regional Commissioner. Depending

on the office size and its service area responsibilities, field office managers will report directly to an area director, who in turn will report to the Regional Commissioner, instead of to an Assistant Regional Commissioner. We have also reduced the number of area director offices by approximately 20 percent in the past year, in keeping with Agency streamlining objectives.

We are also setting specific year-by-year targets for meeting the goal of expanding the span of supervision so that the supervisor-employee ratio will increase from one-to-seven to one-to-fifteen by the end of 1999. In our smaller field offices, there will be only one level of supervision. Where there are compelling service delivery demands, there may be more than one level of supervision in the field office, such as in some large urban offices.

Most importantly, SSA has a firm commitment to provide optimum support to the offices and employees engaged in direct service to the public. To help us meet this commitment, we have implemented a Redeployment Program, which has the potential to allow about 300 eligible employees to voluntarily move from headquarters, regional office, and management positions to direct service positions throughout the country. The program provides a unique opportunity for eligible employees to make a career change to the location of their choice while helping us meet our goal of redirecting limited staff resources to where they are most needed.

SSA's Strategic Management Process

I would now like to describe our overall planning process. SSA has instituted a process of strategic management that drives decisionmaking and action. This process was created to ensure that SSA takes into account such critical strategic drivers as customer expectations and shrinking resources as it describes and works to achieve its vision of the SSA of the future. Even before the Government Performance and Results Act required Federal agencies to develop strategic plans, SSA had published a plan and established it as the central feature of a comprehensive, coordinated process by which the Agency could identify its goals and objectives for the future and chart a course of action for achieving them.

The 1991 Agency Strategic Plan (ASP) included important objectives around service delivery that led us to focus on critical service issues. It committed SSA to a number of principles, some of them specific commitments to the public in such matters as using public input to help us design service delivery systems and balancing the use of technological solutions with the need for the "human touch." Our assessment at that time of the customers' desires resulted in an operational vision of the future, a cornerstone of which was our intention to permit people to choose the method of contacting SSA that best fit their needs.

Recent efforts to obtain information directly from the public concerning their preference for service delivery confirm that convenience is important. For them, a major aspect of convenience is the ability to choose from among a variety of options for dealing with SSA, and our customer service pledge, "Putting Customers First," commits us to continuing to offer traditional access methods while working to give the public other, newer options such as facsimile machine or personal computer.

The most recent component of the strategic management system, SSA's General Business Plan, describes our overall business strategy for Fiscal Years 1996 through 1999. It explicitly describes the current state of the six service delivery interfaces now available in some measure. These six include face-to-face service in a field office, face-to-face service using third parties, telephone service through a field office, telephone service over our national 800 number, automated self-help, and service by mail. The assessment in the Business Plan makes clear that providing the full range of service-delivery interfaces is an integral part of SSA's vision of world-class service. But it also highlights the fact that, despite the availability of other modes of service delivery, an estimated 24 million people visited SSA field offices in Fiscal Year 1994.

One of SSA's critical business strategies cited in the Business Plan is that we will use business-process reengineering to enable us to deliver dramatically better customer service at a lower cost. The first reengineering effort focused on a redesign of the process by which initial disability determinations are made. In undertaking this largest process-improvement initiative ever at SSA, we rethought all of our original assumptions about how best to provide these program services. Having done so, we created an ultimate redesign that is intended to shave months off the time that claimants must wait for a disability decision. And I emphasize that such an impressive redesign calls for an expanded role for community-based field offices in the processing of disability claims for some claimants while strengthening other available interfaces depending upon the needs and desires of the disability claimant. This result supports the validity of our belief that providing personal service to cer-

tain members of the public, based upon either their preference or program need, remains of vital importance.

The reengineering strategy is now being applied to the entire SSA enterprise. The early stages of this larger effort are expected to identify significant process changes that can be implemented relatively quickly. They will also target those of our processes that require the more dramatic improvement expected from a reengineering effort, and we will be moving forward on those as they are identified. The effort should have a positive impact on both the effectiveness and efficiency of how we deliver service. Some of these impacts certainly may change the organizational particulars of our service-delivery mechanisms, though at this time we do not expect a remarkable change in the overall character of our field structure to result from the reengineering efforts.

As part of our strategic management process, we will of course continue to revalidate and ultimately refresh the vision of the future that is contained in the ASP and translated into action in our Business Plan. In doing so, we must be open to environmental circumstances, such as changing customer expectations, that argue for a changed operational scenario. Our current projection of the future SSA includes a strong community presence. We expect our field structure to accommodate increased demand for direct customer service.

Reinventing Government

For over a year now, we have been working hard to change the way we do business in support of the principles and direction of the first phase of the NPR; that is, to make the Federal Government work better and cost less. During the first phase, we developed initiatives that emphasized putting customers first, cutting red tape, and empowering employees.

We sought input from the public and our employees about providing world-class service. We established and published "Customer Service Standards" and began the process of streamlining SSA, which will lead to decentralized decisionmaking and give employees more say over the way they do their jobs. As a result, some aspects of the reengineered disability claims process will soon be implemented, procurement rules have been simplified, and all non-legislative rules are being reduced by 50 percent.

On December 19, 1994, President Clinton and Vice President Gore announced the second phase of the NPR. The emphasis of this Reinventing Government initiative will focus on what government should do, rather than how government should work.

I am pleased to tell you about some of the Reinventing Government initiatives that involve SSA:

- SSA will establish a controlled third party claims taking environment where large employers will be able to assist retiring employees in filing their Social Security claims electronically. This will result in improved service in that it will provide retirees with total benefit/health insurance considerations at one time and place.
- We will also increase the use of direct deposit. Since direct deposit is a more reliable and vastly more cost-effective method to disburse payments than checks, SSA will increase the number of recipients who are paid by direct deposit in three phases over the next four years. The first phase, already underway, is directed to all new beneficiaries who have bank accounts. The second phase will focus on all beneficiaries who have bank accounts and do not use direct deposit. The final phase will require that all beneficiaries without bank accounts select one of the electronic benefit transfer services that will be available to receive their monthly benefit payments.
- We plan to pay future beneficiaries on one of three additional dates staggered throughout the month, rather than on the third of the month, when monthly benefit payments are currently paid to Social Security beneficiaries. This will improve service to all beneficiaries by beginning to reduce the current crush of telephone calls and workload spikes that occur at the beginning of the month when payments are made.

Finally, we are looking at several telecommunications initiatives which will enhance the delivery of services to members of the public who prefer to conduct their business with SSA by telephone. For example, we are purchasing additional software which will improve 800-number response times. Although we believe that we need to continue to improve telephone service, I am happy to report that, based on its 800-number, SSA was recently rated the #1 telephone answering organization in both the public and private sectors in an independent survey conducted by Dalbar Financial Services, Inc. We are pleased to be recognized for the hard work and commitment of our employees. I will be glad to make a copy of Dalbar's report available for the record.

Conclusion

To summarize, Mr. Chairman, we believe that our current field structure delivers services to the public in a way that is responsive to their needs. Our streamlining and technology improvement plans will allow us to deliver service with even greater efficiency, despite increasing workloads. Of course, we will evaluate our field structure on a continuing basis to ensure that we continue to meet our objective of providing world class service as the public's demand for service evolves.

Mr. HORN. And we will now hear from Ms. Mary Chatel.

Am I pronouncing that right?

Ms. CHATEL. Chatel.

Mr. HORN. President, National Council of Social Security Management Associations.

Ms. CHATEL. Thank you, Mr. Chairman, members of the committee. I am president of the National Council of Social Security Management Associations. Our members manage the 1,300 field offices and 37 teleservice centers across America. Our experience in the community gives us a clear understanding of what our customers expect from SSA. We can attain world-class service if we focus on the mission and values that have made SSA a premier public service agency.

Public confidence in SSA was built largely through accessible community-based offices. We provide personalized service to our customers. We are the face of government to people. For weeks after the Oklahoma City bombing, teleservice centers were inundated with calls asking how is my claims representative, how is my service representative? We are not a nameless, faceless bureaucracy. We are people who are there to help in difficult times, during times of disability, death, retirement, illness and crisis. We must buildupon that foundation as we reinvent SSA.

Unfortunately, forces have been working against a continuation of high-quality service. Downsizing brought a disproportionate loss in front-line staff; demands for our services have risen sharply. The aging of the baby-boomers will drive the workloads higher. Our budget is not keeping pace with these demands.

In order to deal with these many challenges while improving service, we believe that SSA must implement a comprehensive restructuring plan based on a customer-focused mission. In an effort to assist in this important work, we offer our plan, SSA model agency in crisis. We ask you to consider it in your deliberations.

Our vision of the future includes enhanced community-based field offices and collocated teleservice centers providing all services to the public. Only half of SSA's employees are now located in field offices and teleservice centers. We appreciate Commissioner Chater's efforts to redeploy 30 percent of headquarters and regional office staff to the field.

Our plan proposes a 70 percent redeployment. Our plan calls for delegation of authority to the lowest level. It makes sense to grant local management the authority and accountability for budget, procurement and personnel. Besides saving money, this would eliminate the need for regional and central office shadow positions which could be redeployed to the field.

Our plan calls for state-of-the-art technology in the field. The IWS LAN computer project will give us the tools to complete most processes in field offices, and when we are linked to the DDSs and the hearings office, we will be able to process disability claims more

quickly and speed the completion of other work as well. SSA can then reallocate staff from outdated processing centers to the field.

Our plan calls for a streamlined SSA structure with only two layers between the field office and the chief operations officer, keeping decisionmaking as close to the customer as possible. We believe that SSA must have offices in communities across the United States. It is important for the Federal Government to have a local face, local hands to help in emergencies, local understanding of customs and how people communicate, local contacts with banks, employers, doctors and hospitals and local representatives involved in their school and civil organizations.

We believe that most Americans want personal service from people they trust. Even well-educated or computer-literate people want personalized service in times of grief, disability and stress. There are other ways for us to do business, but we believe that to deal with increasing workloads and decreasing resources, centering a restructured SSA in the field is the best answer. The reason is simple: SSA cannot continue to invest in components which compete for resources.

Isolated decisions to invest in remote, centralized processing facilities and mega site telephone answering and claims taking projects will make us increasingly unable to maintain a viable, full-service, local-office operation. A choice must be made. We believe the choice is clear.

In today's interactive computer age, economies of scale formerly touted to increase efficiency and productivity are questionable. Computer advances will mean that nearly every action can be completed right in the field office without any need for hand-offs to other facilities. Our vision of the SSA field facility is based on combining available tools with a range of choices for all those who call, fax, log-on or walk into our offices.

In the field, we can offer and deliver it all. And if we are truly to restore public confidence in the program, it will be through local SSA employees talking to and listening to our customers. We need to take action now to move in this direction, doing more in the field, removing unnecessary processes and eliminating structures that do not add value to the system. Taking these steps will allow SSA to provide the world-class service to which our customers are entitled.

Thank you.

[The prepared statement of Ms. Chatel follows:]

PREPARED STATEMENT OF MARY CHATEL, PRESIDENT, NATIONAL COUNCIL OF SOCIAL SECURITY MANAGEMENT ASSOCIATIONS

The National Council of Social Security Management Associations represents over 3500 SSA field office and teleservice managers and supervisors across the country. We are responsible for providing direct service in person and by telephone to all who come into and call our offices, including the more than 41 million Americans already receiving Social Security benefits, 5.3 million receiving SSI, and more than 125 million taxpayers and employers who contribute Social Security payroll taxes. We issue more than eight million Social Security numbers each year. NCSSMA has for over twenty-five years provided SSA leaders with the unfiltered voice of field management regarding how program and policy changes affect service to the public.

This hearing is intended to examine the issue of streamlining federal field offices. You have asked us to describe our Association's recommendations for maintaining and enhancing the Social Security field structure, to explain the process and ration-

ale we used in developing our proposal to restore SSA to "model agency" status, and to offer our view of the impact and status of NPR-based initiatives at SSA.

Our proposal was: drafted by a panel of six members of our Executive Committee last fall; reviewed and revised by delegates from each of the ten regional SSA field management associations; distributed for comment to our general membership and again revised to address diversity of views across the country before we could advance it as our "national" proposal. We then presented it to SSA leaders and were given opportunities to brief regional as well as national SSA officials. Before finalizing our proposal, we consulted with Paul Light, of the Hubert Humphrey Institute and Brookings Institution, and with National Academy of Public Administration President Scott Fosler and several of his colleagues to ensure that we were "on the right track" in our approach. These consultants confirmed that our ideas were sound; they provided suggestions which we have incorporated into our plan; and they encouraged us to promote our proposal at all levels.

NCSSMA's proposal to restructure SSA is our response to the following factors:

1. SSA faces political and budgetary realities which preclude solving current and future service delivery problems in the same manner it has in the past. The agency will no longer be able to obtain additional resources but must find ways to do more despite funding and staffing constraints affecting all of the federal government. Although SSA underwent a 20% staffing reduction in the 1980s and faces continually growing workloads, it will not be spared further downsizing.

2. SSA does many things well and has been considered the most widely respected federal agency throughout most of its existence. Unfortunately, forces have been working against a continuation of high quality service. Downsizing brought a disproportionate loss in frontline staff. Demands for our services, particularly in disability claims and telephone traffic, have risen sharply. The aging of the baby boomers will drive the workloads higher. We have not been able to keep pace with needed technology. Resource shortages have prevented us from working mandated continuing disability reviews and limited our efforts to investigate program fraud and abuse. Erosion in SSA's service, we believe, contributes to erosion of public confidence in Social Security.

3. Independent status for SSA provides both the opportunity and the imperative for change.

4. The current Administration and Congress have identified driving principles to assist agencies in reinvention and streamlining. We believe these are sound principles. They reflect the kind of changes we have advocated for years at SSA: identifying agency mission based on customer service and accountability to taxpayers, cutting needless red tape, eliminating duplicative layers of bureaucracy, empowering employees at the front lines, and decentralizing. Our proposal is based largely on these principles.

Currently there are several initiatives underway within SSA which are also based on these principles:

- One is the plan to reengineer our disability claims process with its backlogs, case management deficiencies, and inefficient hand-offs which result in unconscionable delays for our claimants. We support SSA's plan to streamline and speed up the process, but we are anxious to move from the planning stage to implementation.
- We understand that there are plans underway to redelegate authorities and accountability down the line. We hope this means that local field offices will be empowered so that decisions are made as close to the customer as possible, improving accuracy and responsiveness to the public.
- And, while we call for a 70% reduction in staffing components to be redeployed to the field, we appreciate Commissioner Chater's plans to reduce Central Office and Regional Office staffing by 30%, which should free up more resources to put staff and improved technology where they are most needed—in direct public service at the local level.

But the question remains, how and when will this streamlining be done?

We believe that SSA must have a comprehensive, widely published and ready-for-implementation restructuring and service delivery plan based on a customer-focused mission.

SSA does have an Agency Strategic Plan which contains some excellent ideas. It was written, however, in 1991 and was based on assumptions which have not become a reality: it assumed that SSA would remain part of HHS and we are now independent; it assumed that SSA's staffing resources would be slightly increasing rather than decreasing; and it assumed that technological tools would be in place which are not. Because the ASP has become dated, its value is limited

Recently, SSA released a General Business Plan which discusses the problems that SSA faces and points to streamlining, reengineering, and automation/continu-

ous improvement as the three key approaches SSA will use to deal with them. That plan does an excellent job of documenting SSA's need for an updated computer system as a platform for future service enhancements and productivity gains, but it fails to deal with the details: the who, what, why, where of SSA's organizational structure and service delivery mechanisms and how they fit together to form a coherent, efficient, and customer-oriented picture.

The lack of a comprehensive, up-to-date plan means that critical questions which must be tackled before successful "reinvention" can occur are left unanswered. Arbitrary numerical targets dictated by OMB or NPR, specific "customer service standards", and service delivery problems are forcing decisions to be made in isolation. In some cases emphasis on meeting those dictates "ASAP" could result in worse, not better, service to the public. The rush to create public perception of improvement in government reinvention has the potential to swamp any effort to address the hard work of real, fundamental, long-range improvement.

Two examples illustrate the impact of trying to meet these dictates at SSA:

First, in the effort to meet a mandated "supervisory ratio" (of management positions to rank-and-file employees), SSA is reducing the number of Operations Supervisors in the field. These employees work side by side with the Claims Representatives in direct service to the public. They routinely handle difficult cases and interviews personally. Yet, in order to meet the mandated target supervisory ratio quickly, SSA is rushing to reduce the numbers of these experienced, accountable individuals responsible for overseeing critical customer services—the heart of SSA's operation. This is happening before other employees are deployed to the field to help with this work and before SSA makes the move away from a command/control structure toward an environment based on teamwork and self-direction.

Second, with a single-minded approach to reaching its published "customer service standard" of answering every 800# call in five minutes or less, SSA is considering-routing 800# calls to Program Service Centers. Yet on days when those employees are assigned to answer the 800#, their regular workloads are slowed or halted, delaying payment to our customers waiting for their checks and an answer to those awaiting resolution to their problems. In many of these cases, we will need to do a critical payment or a follow-up request in the field office, creating double handling and yet not alleviating the public relations problem. Calls which involve questions or actions beyond the ability or training of Program Service Center employees must be routed to field offices in an inefficient "We'll get back to you" manner.

Moving work to where the employees currently are is an inefficient and inadequate method of work management. Why not ask instead, where and how should this work be done to further 1) customer satisfaction and agency accountability and 2) the most effective and efficient use of available resources?

Yet SSA is also considering increasing claims taking by phone in these centralized facilities, despite the fact that it makes little sense to add lengthy calls to a system which is currently unable to meet the five minute access standard when dealing with predominantly quick calls. Field offices take teleclaims each day—handled by employees who are knowledgeable about the program and the local area, and who can help with documentation and process, the claims quickly without the long distance toll charges or inefficient handoffs that occur with remote processing. With a local teleclaim, customers also have the full range of choices available. They can later choose to talk face-to-face with the SSA employee. Accountability and convenience are right in their community, an advantage especially in the handling of complex or difficulty cases.

NCSSMA members, working in both local field offices and teleservice centers, believe that it is time for a fundamental rethinking of the mission and operation of SSA's telephone service. It's time to ask "If we were going to start over, what would we do and why would we do it?" We propose a telephone system in which the 800 # customer calls a localized Teleservice Center working in concert with a geographically-linked field network of SSA and state disability officers. Calls unable to be completed by the teleservice employee would be electronically gated immediately to the location that can provide the requested information and take the needed action.

That idea and many others which evolved out of our attempt to take a comprehensive, all-things-considered, perspective on SSA's customer service needs are detailed in our reports "SSA, Model Agency in Crisis: A Call to Action." (Attached to this statement.)

In contrast, REGO 2 initiatives recently announced by SSA are limited in their scope. Having some or our social security number workloads more appropriately handled by Immigration and Naturalization Services and getting out of the attorney fee collection business are sound moves for SSA. In and of themselves, however, these recommendations do not focus on what we think reinvention should be—a bottom-up reorganization which puts the customer first.

Even further apart from true reinvention are proposals to turn to the private sector to manage SSA workloads. SSA administers its Old Age, Survivors and Disability programs on about one cent of each dollar of benefits paid. We know of no private sector concern with such low operational expenses. The higher costs of administering the SSI program drive our overall operational costs up to about two cents of every benefit dollar paid—still enviable by the private or any sector. Bureau of Labor Statistics measure SSA's productivity as six times greater than the private industry average. That, coupled with the high marks SSA continues to receive for its courteous service, makes us a competitor hard for the private sector to beat. In addition, it is not right that our customers, who have already paid for our services by paying their FICA taxes, should be encouraged or forced to pay a private concern in order to receive their benefits.

NCSSMA's proposal to restructure SSA is accused of bias in favor of maintaining and enhancing SSA's field structure. While our proposal does not leave field offices untouched—in fact it removes a layer of management there—it is true that we are biased. We are biased toward providing the type of service our customers desire and deserve. We believe that offices based in communities across the U.S. where our customers live and work can best serve their needs.

We believe that it is important for the federal government to have a local face—local hands to help in emergencies, local understanding of customs and how people communicate, local contacts with banks, post offices, state offices, doctors and hospitals, and local representatives involved in their schools, planning boards, civic organizations. We believe that personalized service from people they trust and can call on is what most Americans want. Even the well-educated or computer-literate population wants personal service in times of grief, disability and stress.

We also believe, however, that a common-sense approach to the dilemma of increasing workloads coupled with decreasing resources yields the same conclusion—that centering a restructured SSA in the field is the best answer.

The reason is simple: SSA cannot continue to invest in components which compete for resources. To the extent that SSA makes decisions to invest in remote, centralized processing facilities and mega-site telephone answering and claims-taking projects, it will become increasingly unable to maintain a viable full service local-office operation. The reality is stark. The choice must be made.

We do not believe that choice is difficult. In today's interactive computer age, economies of scale formerly touted to increase efficiency and productivity are questionable. The Interactive Workstation/Local Area Network slated for installation in field offices will mean that nearly every SSA action can be completed right in the field office, without any need for hand-offs to other facilities.

Our vision of the future SSA field facility is based on combining all the tools of the 21st century with a range of choices for all those who call, FAX, log-on, or walk in (with or without appointments) to our offices. In the field, we can offer and deliver it all. (The "You Want It? We Got It." chapter of our proposal describes our field office of the future.)

NCSSMA has developed a plan to achieve that vision. We propose:

- One Stop Shopping: Consolidate services to provide timely, accurate SSA actions in full-service field offices located in communities across the U.S. where every type of caller, claimant and beneficiary is served by accountable, competent employees.
- State of the art information technology: Put high technology and sufficient numbers of trained staff in community based offices and co-located tele-service centers across the country. Use this technology to handle nearly every SSA action to completion, protect confidential information, and ensure system security.
- Decentralization: Accelerate downsizing of centralized processing facilities, re-deploy resources to the field, and delegate authority to the front lines.
- Reorganization: Establish a Chief Operations Officer in charge of day-to-day functioning of the agency.

Create a streamlined, customer-focused and mission driven SSA structure with only two layers between the field office and Chief Operations Officer, keeping decisionmaking as close as possible to the customer.

Shift from a complex top-down hierarchical structure to a simple chain of command beginning with the front line employees who work directly with the public.

Place authority and accountability at the lowest level on the line.

Move from functional components which compete for resources to creation of administrative functions existing solely to support the operational mission.

If SSA does not take prompt, decisive action to deal with its resource, organizational, workload and service delivery problems, further deterioration in service to the American public will occur. That deterioration will lead to lessened quality and

timeliness in actions and decisions, more difficulty for the public in getting access to SSA offices, increased service complaints from customers and constituents, more media attention to service and programmatic deficiencies, and further erosion in public confidence.

Following is the outline of our proposal to restructure and streamline SSA by focusing on our customers and the field facilities where we can best serve them. We prepared it as an impetus for action, and we pledge our cooperation to SSA leaders, the Administration, and the Congress in efforts to restore SSA to model agency status. We appreciate the Subcommittee's consideration of our proposal and ask for your support.

Mr. HORN. Well, we thank you. Your proposal as submitted will be put fully in the record at this point. The Social Security Administration, Model Agency in Crisis, a Call for Action, from the National Council of Associate Security Management Associations, February 1995. I must say, speaking only for myself, you are talking the kind of language I understand. So we will certainly share that with all the Members who unfortunately are not here this morning.

Let me ask you, with reference to that plan, did Vice President Gore's NPR effort look at this plan? Have they had any reaction to it?

[NOTE.—Due to high printing costs, the above mentioned material can be found in subcommittee files.]

Ms. CHATEL. Early on we had met with Elaine Kamarek from Vice President Gore's NPC and NPR, and we have discussed it somewhat with her and we've gotten copies recently to members of the NPR, but we have not really had a chance to discuss it with them. We have been discussing it with NAPA in the very beginning and Paul Light took a look at it. Of course, with Commissioner Chater and recently we did meet with OMB's John Koskinen to discuss it, too, but we haven't really had the chance to get too much feedback yet from the NPR.

Mr. HORN. We are going to have Professor Light testify in one of our future hearings. I have been reading Thickening Government. He said this is reducing government, reducing the fat in one place and spreading it out in a leaner basis but serving people. What was his conclusion?

Ms. CHATEL. He did think that it was the right direction to go in.

Mr. HORN. Let me ask all of you to comment on this because it does involve district offices. I think the staff director, Mr. George, mentioned to you yesterday, that I was holding a hearing in Bellflower, CA on the problems of illegal immigration and we had as a case study the chairman of the board, the district attorney, and the sheriff from Santa Barbara County testify as a group as to how illegal immigration affects them in their county. It is unbelievable.

It is a county of 400,000 people, two-thirds of a congressional district. If we multiply those figures, the costs of illegal immigration in California are even higher than the Governor has projected.

It was noted by the district attorney that they had a couple of cases where they were prosecuting illegals for document fraud and they needed help from someone who could identify whether a social security card was illegally procured, illegally printed, et cetera. Apparently they sought the help of one of the local offices in Santa Barbara, Ventura County, and were denied help. I wondered, is there a policy of the agency that when law enforcement officials are seeking to know whether it's a valid social security number or not,

the agency does not cooperate with local law enforcement? What is the policy of the agency?

Ms. CHATER. Well, first, Mr. Chairman, I want to say that the Social Security Administration is very, very eager to cooperate with local and State authorities. In fact, we have a working relationship with the Attorney General of the State of California and an actual contract now to work with the State of California on fraud and fraud-related issues.

Yes, in answer to your question, we do have a policy, a regulation as part of our disclosure policy. We do not give either positive or negative information about the social security number, whether or not it's the right number for the right person, simply because of our intent to respect confidentiality and privacy.

Now, I also would say to you that, with increasing requests such as the one they're referring to, we are in the process of reevaluating that policy to see how we can both maintain privacy and confidentiality while being maximally cooperative.

Mr. HORN. This would have required a member of the staff to go into court and be shown the particular fraudulent document that was presumably a social security card and testify whether it was a fraudulent document or not. Now, is there any rule of the agency that would prohibit you from going into court as an expert witness?

Ms. CHATER. It depends so much on the individual case. I can't answer your question yes or no.

Mr. HORN. Well, this would be a case where the law enforcement agencies of the county have had an organized effort to get rid of those who are selling fraudulent Federal Government documents which they can do under California law. And they would require somebody to convince the jury by being a witness and having to say this is legitimate or this isn't legitimate.

Now, does the Social Security Administration prevent its employees from going into court when the question is of someone committing fraud in relation to your own documents?

Ms. CHATER. We would have our legal counsel advise us on every specific case. In some cases, the advice is, yes, and our employees do present testimony. In others, it is recommended against that.

Mr. HORN. When a district office, in this case, would be asked to do that, they would check with the general counsel of the agency or would they check with the regional director?

Ms. CHATER. That is correct.

Mr. HORN. With the general counsel?

Ms. CHATER. Yes.

Mr. HORN. We will get that case and lay it out and furnish it to you. I would like to know what happened.

Ms. CHATER. All right.

Mr. HORN. Is your lowest level office a district or area?

Ms. CHATER. It would have been the district office.

Mr. HORN. Did the district office check with anybody or did they just feel sorry for themselves and say no?

Ms. CHATER. I do remember writing the letter to the Santa Barbara district attorney. We did know at that time the details of the case and exactly what happened. I just don't happen to recall them today.

Mr. HORN. OK. Well, that came up and let's get it in the record. It is dated April 20, 1995, and it's to Mr. Thomas W. Steden, Jr., district attorney, county of Santa Barbara.

This is in response to your recent letter concerning the Social Security Administration, SSA, providing name and social security number mismatch information, negative verification to local law enforcement agencies upon request.

SSA disclosure regulation does not permit release of information in the situation you have described. Our policy on disclosure for law enforcement purposes was established in the late 1970's to protect the confidentiality of personal information in SSA's records. In developing our policy, we intentionally extended privacy protection to individual social security numbers, as well as to all other personal information we maintain about individuals.

Our policy also stipulated that a negative verification of an individual's social security number was a violation of the Social Security Administration's commitment to protect the privacy of individual social security records. We have, however, recognized that a reevaluation of SSA's law enforcement disclosure policy may now be needed.

Based on your request and similar requests from others, we will review the policy set out in our regulations regarding disclosures of information for law enforcement purposes. In revisiting our policy, we must also consider the use of SSA resources for nonprogram-related purposes.

As you recognize in your letter, a liberalization of our law enforcement disclosure policy does present workload implications for our agency. We must carefully consider expending staff for purposes not directly related to the social security program.

Thank you for bringing the matter to our attention. Sincerely, Shirley S. Chater, Commissioner of Social Security.

Mr. HORN. But you noted there that you did think you were going to revisit the policy.

Ms. CHATER. Yes.

Mr. HORN. I take it this is April 20, 1995. We aren't too far past that, so I take it this is under active review. I would appreciate knowing what the agency and the administration plans to do. It seems to me it's taking the taxpayers and your agency to the cleaners in terms of fraudulent documentation.

We really need to have credibility regarding social security cards. I can't think of anything more sacred, in the secular sense of that word than making sure that when someone has a social security card that is a valid card. They are not receiving access fraudulently to your funds, which are our funds, and they are not misusing it in that sense.

So we need to get at the fraudulent card business when a U.S. Senator from Wyoming and a U.S. Senator from California can walk into any place in California and buy a fraudulent social security card, I guess I wonder where your Inspector General is or where the U.S. Attorney is because that's the one I'm going to zero in on if they think this is beneath them to get into it, because they've got a job to do and this is putting the whole system in a lack of credibility, may I say.

Last year a committee of this body went up to New York and looked at Medicaid fraud and abuse. While that doesn't come under your domain, it came under the domain of the Department of which you were then a part. Hundreds of millions of dollars of fraud was going on willy-nilly. I think the citizens expect more, so I'd appreciate anything you could do to take a look at that case and we'll furnish another set of letters so you can personally review it.

Ms. CHATER. Mr. Chairman, I do want to reemphasize that we are absolutely dedicated to doing even more on the fraud initiative because we are now an independent agency.

Mr. HORN. Right.

Ms. CHATER. We will, for the first time, have our very own Inspector General. I'm committed to adding more resources to the Inspector General's Office so we can focus on fraud most specifically. But in regard to this issue, I think it's important to understand that we get many, many requests for information about social security numbers.

There could, for example, be a battered woman who has deliberately changed her social security number and we want to preserve her right to confidentiality and privacy and not have it, perhaps, come out in some law enforcement hearing or what have you. On the other hand, when the FBI calls us and tells us they're working on a particular case, we have made many exceptions to this policy to cooperate fully, hence, the need for a reevaluation, and I promise that we'll get back to you on that.

Mr. HORN. Yes. Let us know if you think that is based in a law as old as 1937 or so, or if is it just a matter of administrative regulation within the agency. I mean, I'd like to know what the roots of this are.

I've heard a lot of people give me the privacy talk and I even had a rather esteemed citizen once tell me that social security numbers were never to be used as identifiers in which case I told him that his—he had been president of three universities and two of them had used the social security numbers as an identifier. Everybody is using it as an identifier. We might as well face up to reality.

So I'd appreciate anything you would do. I commend you to properly staff the Inspector General's Office now that you are an independent agency. I think that's very important.

Well, let me yield to the gentleman from Virginia.

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

I agree with the investment in automation over the next 5 years. We know you are one of the agencies who over the next 15 years, your workload is going to increase significantly. We need to be ready in strategies and technology as we move forward. I want to applaud you for the initiative and want to encourage you to continue that.

I want to ask what the backlog is on the appeals panels at this point for individuals who are trying to get classified in terms of benefits and that kind of thing. Do you have any feel for that?

Ms. CHATER. You are asking for the number, the backlog on appeals cases——

Mr. DAVIS. Right.

Ms. CHATER [continuing]. For those who have applied for disability?

Mr. DAVIS. Yes.

Ms. CHATER. It exceeds 500,000.

Mr. DAVIS. For what time period?

Ms. CHATER. Well, that is the pending backlog today.

Mr. DAVIS. Today, what is the average time period? Do you have an answer?

Ms. CHATER. Right now it takes more than a year for us to make a decision if the request goes all the way through an appeal. But I want you to know that our reengineering process that started even before Reinventing Government will deal with the whole issue

of how to do the disability process differently, how we can work smarter, have fewer people involved and make the time to wait much shorter.

Mr. DAVIS. And at the same time get appropriate—make the right call, as they say, on these.

Ms. CHATER. Yes. We want to do it in a way that makes it more efficient, costs less, makes the decision in a much shorter period of time.

Mr. DAVIS. What are some of the strategies at this point?

Ms. CHATER. In the reengineering proposal for the disability claims process, we have started with a number of initiatives. One would be to increase the public's awareness of the criteria for filing for disability.

Mr. DAVIS. And stop the frivolous appeals?

Ms. CHATER. That is correct, so we have the right people applying at the front end, which would save agency time, fewer people participating in the decisionmaking process. At this time, we have 26 SSA and State employees involved in making the disability decisions. We plan to get that down to three or four. We plan to be customer focused in this initiative and have one or two people, the key people, taking the claim and being responsible for reporting back to the claimants. For the processes that would involve the Office of Hearings and Appeals, we would provide more and different decision writers, perhaps having an officer who can take care of the file so that ALJs don't have to do all that and they can save their time for making decisions.

Mr. DAVIS. What percentage of the claims can you handle over the telephone and what percentage would require a field office visit for additional follow-up?

Ms. WARDEN. At the present time, we generally deal with 40 to 50 percent of our claims via the telephone. Certain of our policies do require our clients to come into the offices, but that is about the level that we are right now.

Mr. DAVIS. So those calls go into a central system somewhere in the country or are those 800 calls scattered around the country?

Ms. WARDEN. It happens in two ways. Calls come into our 800 number. Our telephone representatives can then schedule appointments with the local offices. We have an automated system that allows them access to the schedules of each local office, so they can do it through that means. The local office will then get in touch with the individual at the appointed time. There are still other people who call directly into the field office telephone systems to request an appointment, and in that instance the field office itself would either take the interview or schedule it for some later time.

Mr. DAVIS. Do they sometimes just need an answer over the phone, where you don't need a follow-up visit?

Ms. WARDEN. That is correct. There are instances where information can be secured over the phone but later documentation can be sent in and that can be handled through the mail.

Mr. DAVIS. We have established a work standard of trying to answer all 800 standards within 5 minutes. Do you know what the comparable standard would be in business?

Ms. WARDEN. We have——

Mr. DAVIS. You see late night ads for the ginsu knife, mood ring, or albums, and I have called those and many times it takes longer than 5 minutes, even Ticketron outlets. I am interested in your answer. I have had different experiences.

Ms. WARDEN. We tried to identify the best in business through working with the National Performance Review team. We went out to companies such as AT&T Universal Card, those that are well recognized. What we found when we looked at their systems is that they are able to staff their operations so that they can generally answer the telephone when an individual calls.

In our instance, what we are not able to do is to really have a sufficient number of FTEs to make staff available, particularly when we have a great variance in the calling patterns of the public. There are times and days of the week when we get a very high volume of calls and other times when they are lower. So for staff to be able to answer the calls during high volume times, we would need quite a few more employees than we have currently.

Mr. DAVIS. Could you use part-time employees?

Ms. WARDEN. I am glad you asked that because we are going to be hiring some part-time employees, not as many as we would like, but enough to be able to staff during the peak period.

Mr. DAVIS. Would anybody else like to reply?

Ms. CHATER. We get so many calls at the beginning of the month, during the first week. Between 65 and 70 million calls a year are taken by Social Security. We get so many in the first week of the month because everybody receives their social security check on the third day. It reminds them that they intended to call Social Security.

One of our initiatives is to do payment cycling where we would send out some of the checks on different weeks, the last Wednesday of the month, for example, to more equitably arrange our telephone calling coming into the office.

An interesting point about customer service here is when we went out to ask our customers if they would like this, if they would accept it, et cetera, we assumed they would. What they said, however, is that they have spent a great deal of time negotiating with various agencies when to pay the mortgage, when to pay their grocery bill, when to pay their light bill, and they were very worried that sending a check at a different day of the month would upset these negotiations. So we have decided to implement this procedure only for new customers or for those who volunteer to be paid at the end of the month.

Ms. CHATEL. More important to us from what our customers are saying than the 5-minute access rate is the ability to get a complete answer or resolution to their problem the first time they call, to not have call backs or not be pushed around all over the place. We would like to see "callgating" so all calls go into the 800 number and if they need to talk to the local field office, to the disability determination service, or if their case is in the hearings office and they want to know where it is, the call can be immediately gated to that place to be resolved.

Ms. CHATER. Let me tell you about an award that we just won. There is a financial group called Dalbar Associates who did an 800 number survey. You might have read about it in Forbes, or Finan-

cial World, or USA Today. We had wide publicity. They asked all sorts of 800 numbers what they did and how they did it, and they asked customers about how the service was received. Social security was No. 1 compared to these companies that we are out there benchmarking. The only little area in which we fell down was access, but in terms of courtesy and knowledge and, most importantly, ability to anticipate questions, we took all the honors. I just wanted to share that with you.

Mr. HORN. I think that is good news for all of us. I might say 35 years ago as a member of the Senate staff, Social Security had the reputation in this city as a government agency being responsive to Congress. So you have a proud tradition. I am glad you are carrying it on.

The gentleman from Pennsylvania, Mr. Kanjorski.

Mr. KANJORSKI. Mr. Chairman, I want you to know that if the administrator were home, she would be my constituent.

I am pleased to see Ms. Chater, and I congratulate you on having become head of an independent agency which so many of the people of Pennsylvania, in my district, rely on. We are proud of what you have done and we want to help you along the way.

I was looking at Miss Chatel's study of decentralization, and, if you don't know, I have one of these six major data operations centers in the Wilkes-Barre area and I am interested in what the impact of the study would indicate. It seems to me that you are saying that the field offices should be called upon to handle more of the centralized operations and that would alleviate or reduce the work load for these data processing centers by 25 percent.

We all want to save money and reduce caseloads but it puts us in a quandary, because recently I have become aware of the fact that several Social Security field offices will be closed in my district and throughout Pennsylvania. As a matter of policy, the delegation has not taken any position to interfere with your management judgment in closing or consolidating these field offices, but I am wondering whether we should or not close them. If in fact we may end up losing data processing work, it would go to the field office. Maybe we should make an effort to keep the field office open so that it gets closer to home.

You put us on the horns of a dilemma. We don't want to interfere with your management decisions. On the other hand you are telling us that we won't have as many field offices as we have had in the past.

Ms. CHATEL. I think there are some work loads that are best done centrally. Our package is not saying close all the central operations places. A lot of the data is done very well centrally, so I think there will be a need for the Wilkes-Barre operation. But as we automate, more and more of this information can be right at our fingertips, and we can work with the information right in the field office when the person either calls or comes in or faxes or whatever, so it makes sense to us to staff the field offices first, which is where we do the direct service to the public day in and day out, and then see how these other central places can support the field.

Mr. KANJORSKI. But our problem is we are consolidating the field offices.

Ms. WARDEN. May I address that, Congressman? I would like to approach it from two perspectives, first in terms of the processing centers and what is going on there and what is likely to happen.

First of all, you should know that over the past 10 years the number of people in our large, centralized operations has been decreased by 50 percent. That is largely due to the fact that we have automated a lot of our processes. But I must let you know that even with the best of automation we still have manual fallout. For a number and variety of reasons, our programmers cannot automate some very complicated areas. Those kinds of work loads are the work loads that we find, due to economies of scale, the nature of the particular products, the training involved, et cetera, that it is best to handle in a centralized environment. Over the next few years as our automation increases, no doubt we will make a concomitant adjustment in staff.

As far as the field offices are concerned, particularly in Pennsylvania, I am very familiar with them, and the decision regarding whether or not to consolidate a field office—regardless of whether it is based upon a lot of detailed analysis, including what the future may hold for a particular geographical area in terms of demographics, in terms of likely work load—all of those issues are explored by the regional commissioner before even considering whether or not an office should be closed. So in your instance in the Commonwealth of Pennsylvania, I am aware that all of that analysis has been done, and in looking at that analysis, while no final decision has been made, I think there will be a recommendation that there be some facilities that will be consolidated.

Mr. KANJORSKI I want to say that individually as a Member of Congress I have not interfered with that. I don't think it is our judgment to do that. We want to support you on it. But in some instances that local center slated for closure represents probably a 60-mile travel to get to the next central office. That could be a difficulty for the number of senior citizens Pennsylvania has relative to the rest of the country.

My congressional district is 12th or 14th out of the 435 districts in the country in terms of median age of the population, so I am very sensitive to the social security recipient and services provided. If efficiencies are important, we want you to do that. But on the other hand, if there are efficiencies on the office level and then you put us into a dilemma, we should make the argument to keep these field offices open. There will be reward from decentralizing; then you put us into a dilemma.

We should argue to keep the field offices open because some of the decentralized work that would be occurring such as the Wilkes-Barre data processing center will be occurring in Shamokin, but if we cooperate and allow you to close Shamokin and then we find 2 years down the road that the data work is being reduced at the center and is being shipped to Philadelphia or to Harrisburg or to Williamsport, that will be very disappointing. So I wanted you to be alerted of the sensitivities and want you to take into consideration the productivity level and cost level in these centers. I think you will find that the one in my district is probably the most productive in the area.

We want to work with you. I think you are doing a great job. I am pleased, Ms. Chater, that you grew up in northeastern Pennsylvania and that you are a great addition to this new administration. Thank you.

Mr. HORN. I thank the gentleman. I can't praise you as one born in California, so I am going to start with my parochial question first. Over the past several decades this country's population centers have changed. Have Social Security field office locations been changed to reflect this? Have we adjusted based on the 1990 census in terms of your clientele? As the gentleman from Pennsylvania noted, we have shifts of population, seniors move to different climates. To what degree have those data been taken into account as to where we locate potential seniors who need service about social security as well as those already on social security?

Ms. CHATER. I would answer very generally and say, yes, we have taken those future projections and present numbers into account. We have in place a service delivery assessment program so that the responsibility of regional commissioners is to make assessments every 5 years, review a specific office to see if it is still needed, what the demographics look like, et cetera.

Ms. CHATEL. I have done this in my office. When I took the job as the manager of the office, it was a branch office, a smaller office that had been in a rural area, and the population of Rhode Island shifted such that the population was growing rapidly, our disability claims were increasing very, very rapidly, so I did go through the service delivery plan.

You look at the socioeconomic conditions in the area, how many large employers; I have the university in my district, the largest employer; you look at the population, how it has grown. I did move my office from West Warwick to Warwick and it was only moving it across the street, but it was better to be centered there and on the bus line. You look at how people can get to your office, the transportation needs. You look at how many people in your service area have phones. There are a lot of places that people do not have telephones.

Mr. HORN. You are absolutely correct, especially in rural America.

Ms. WARDEN. I would like to further comment that we do and have in the past moved our offices, as Miss Chatel has mentioned. In a few instances where the population has shifted greatly or increased greatly, we have even opened an office or two in those areas. In addition, where we see that there is a service need, particularly in a rural area, we might not establish an office, but we can establish a contact station for individuals. We have done that on reservations to serve Native Americans.

Mr. HORN. Let me move to the handling of disability claims. As I understand it, members of the Social Security Administration's field force relate to the States in which they are located by contract. At least they do in California, on the handling analysis of some of the disability claims. What is your overall experience with that system? Is there a way we should be doing it differently? Do we need to look at it State by State? What are the pluses? What are the minuses?

Ms. CHATER. We are comfortable with our State-Federal relationship. We need to continue to look at that relationship as we are doing, particularly as it involves our reengineering program with disability, and we furthermore have a way of making assessments based on performance standards, that is, do all the States meet our high quality standard for completion, for accuracy, timeliness, and so on.

As part of our reengineering design, we are bringing the State disability manager more closely into the process of redesign by creating teams so that, instead of having someone isolated from the Social Security Administration as they may have been in some places, we are having them work together on teams. Mary has, for example, for a number of years had the State disability examiner come into the Social Security office. So the one on one has taught us a lot about what they do. They have learned from us what the remaining process looks like. Our goal is to bring these two even more closely together as we continue to monitor the productivity of the States.

Mr. HORN. How much fraud are we finding with disability claims and are you properly staffed so you can go after that fraud?

Ms. CHATER. I can't give you a number, Mr. Chairman. I know that in certain spots in the United States—California, Texas, New York, Washington—we have perhaps more than in other parts of the Nation. We are targeting those areas for our fraud investigation program. We are working very, very hard in the field offices.

We strongly believe that our employees intuitively and then with experience can very objectively identify a suspicious situation. We have employees in various offices around the country reexamining based on an allegation of fraud whether or not that person should be on disability.

We are also very actively involved in recruiting people who can speak more than the English language. More than 50 percent of our new recruits in the last years are bilingual. This helps because we don't have to depend on those middlemen who come in and act as translators.

Mr. HORN. I agree, and I don't think you should ever have to depend on those middlemen or middlewomen, because I think the fraudulent claims, some are perpetuating with particular ethnic groups, boggles the mind. Since our people cannot understand what is being said, the middleman comes in and, as I understand, has the same M.D.'s sign off, the same witnesses sign off and the same claims made, and then that person is the communication link with your people, and I couldn't agree with you more; your people have been on top of this, they have discovered it, they can look at the person and eyeball them and know they don't have a disability that is being claimed, and yet that information and paper trail is going to an administrative law judge. I regret to say I am a little worried about what I hear when they either don't have the right evidence before them or else the area people haven't put it there. They are bleeding and weeping and making awards to some of these people when it is clear to anybody there is a pattern and practice of deceit to the Federal Government.

I would hope you would staff and authorize payment for your own translators here, let them do the interrogating, and then write

it down and not these middlemen who are coming in and fleecing us of billions of dollars. That bothers me, and I think we need a major investigation on this one. Are you getting those translators wherever you can and telling them not to depend on the middlemen?

Ms. CHATER. Yes. We have sent communications to the field offices to correct this problem. We are working with some community organizations that we consider to be upstanding, fine organizations who work with some claimants to help us. We have a system in place where if one particular office doesn't have a person who speaks the specific language we still find within SSA or at a university perhaps someone who can do this for us. So many, many initiatives have been put into place in the last couple of years.

Mr. HORN. It seems to me that if there is a shortage of these skills, you could handle it by telephone or video conference call.

Ms. CHATER. We do have video conferencing where an applicant can speak with someone in another place.

Ms. CHATEL. I think this is the value of the local office in the community that we do have those languages and those skills that are matching the people in the community and that works very well. Also, the relationships that we have built up with some of these community groups and advocacy groups, we know which ones are not good advocates and we have taken action to make sure that those people are no longer advocates.

I remember one person, I think it was the Portuguese language, that they had a factory that the people thought they had to go through this law firm in order to file for disability. When I became aware of it, I told the manager and he went to the law firm and that attorney was dismissed, because those people were losing money for no reason at all.

Mr. HORN. Well, the fleecing of assets by lawyers and a set of doctors knows no bounds. I think you've got to get on top of it, and when you staff your IG office and have your own Inspector General, they will need field people to file the cases with the U.S. Attorney. If the U.S. Attorney doesn't do it, we need to hear about it. They need to get off their duffs and take this seriously since there is a pattern and practice, of those checks coming in to the lawyers and the doctors and to the people that are fraudulently doing this are a little much on the Treasury.

Speaking of Treasury, let me ask you one last question. Why has Social Security requested to have separate disbursement authority, and what are your problems with relying on the Treasury's disbursement authority?

Ms. CHATER. We thought that it would be more efficient and effective to have one agency do it as opposed to two. As it is now, we provide the information to Treasury, they do the disbursing. Since we have the information and we are highly efficient, we thought we could save a layer. It is part of the streamlining process.

Mr. HORN. Have they not been efficient?

Ms. CHATER. They have been efficient. If we are closer to the decision, we can make a decision right up to the night before the check is cut. If we have to make a decision a week or 10 days or whatever it takes many of the checks, the few checks that are paid

that should not be or the amount that might be incorrect because of a calculation that we have done, we thought that that would be a savings, too.

Mr. HORN. Do you cut the tape and then send it to the Treasury——

Ms. WARDEN. We cut the tape and send it to the Treasury. As the Commissioner has indicated, there is a time interval involved during which we are not able to make adjustments, and it can be costly not only in terms of those adjustments in checks that should be less but also in terms of where the checks are directed. So with the ability to do our own disbursement we will be able to make change of addresses so the checks go to the right place so we don't get the 800 call or visitors with check problems in Mary's office. Those are the kinds of things that we are trying to avoid to be more efficient, to serve our customers better.

Mr. HORN. Speaking of checks, and your attempt to spread the payment of social security checks over a month's time and not have them all at the beginning of the month when so many are stolen. What has your process been? And what is your thinking on it?

Ms. CHATER. We have a work group in place. We are working very hard to put into place the requirements, the automation, for example, that would enable us to do that. It is one of the National Performance Review initiatives that has been accepted and lauded by the Vice President and the President.

We went out and invited our customers to comment, and they suggested to us that they didn't like to have this disruption in their life, so we are going to do it with only new claimants and any others who volunteer to have their checks at a different time of the month.

Mr. HORN. I would think where you have checks being stolen, you might see if you could educate people to change the pattern of when the post office brings their checks.

I think there is no question there is a lot of abuse. I don't know how much you see, but it is something worth reviewing. That project is in effect with new customers, but not the old ones unless they want it?

Ms. CHATER. Yes. We have touched base with the post office and with banking officials and everybody is quite pleased that we are moving in this direction, because it is an enormous work load for retailers as well as banks and Treasury.

Mr. HORN. We thank you. There might be a few questions that we will send to you. We are delighted that you would have a representative of the staff organizations at the local level. I know there are others that have expressed an interest in filing testimony. We will also take that. We will put all the documents in the record at the appropriate places and if you would like to add some things, feel free to. The record will be open for a week or two.

Now we get to panel four, the National Performance Review. Ms. Gordon, Mr. Rodriguez, if you would raise your right arm.

[Witnesses affirmed.]

Mr. HORN. The clerk will note that both witnesses affirm. We will begin.

Ms. Gordon, District Director of Customs in Miami, FL. Please make a 5-minute summary.

STATEMENT OF LYNN GORDON, DISTRICT DIRECTOR OF CUSTOMS; AND GEORGE RODRIGUEZ, AREA COORDINATOR, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. GORDON. Good morning, Mr. Chairman. I am pleased to be here this morning to discuss reinventing government and our experiences in the Miami district and the Customs Service. My long statement went into some detail on things that we have done on the national level in Customs through automation and reorganization and also with the passage of the Modernization Act, so I will go right into Miami Customs and how that is operating.

I think the whole international trade area is a really good area to look at the complexities of managing field operations. There are over 500 laws affecting international trade and hundreds of trade agreements. There are also 40 Federal agencies representing just about every department in the government that also have an impact on international trade.

Miami has more than its share of challenges for enforcement of the 500 laws. First of all, it is a major entrance point for narcotics. Last year in south Florida alone we seized over 200,000 pounds of narcotics. There are also a large portion of our shipments into south Florida that are perishable, around 40 to 50 percent. Also, the shipments come from developing countries, and with all the food stuff that comes in there is a lot of health and safety concerns.

There are embargoes with Cuba, Haiti, and other countries that really seem to work mostly in south Florida, and also there are issues like export of weapons to some of the developing programs that we need to keep careful track of.

The Miami Airport is now the No. 1 airport in the United States for the importation of international cargo, and 40 percent of the local economy is based on international trade. So everything that we do in this area has a tremendous impact on the local economy.

The Federal agencies, the county government, and the local trade community got together and decided that they wanted to establish one-stop shopping for all import issues and we established a cargo clearance center at Miami International Airport where all the Federal agencies that deal with day-to-day operations reside. This affects four different departments with the Customs Service, Food and Drug Administration, the Animal Plant Health Inspection Service, and the Fish and Wildlife. Customs is the lead agency for international cargo.

We also do lots of work for the Consumer Product Safety Commission, the Environmental Protection Agency, the IRS, the Federal Communications Agency, the National Highway Traffic Safety Administration, the Secret Service, the Alcohol, Tobacco and Firearms Administration, many agencies. It is Customs' job to coordinate these efforts.

All of the Federal agencies are linked to the same computer system which is called the automated commercial system and that sorts through all the cargo to identify the high risk shipments and separate them from the low risk shipments.

In Miami, 98 percent of all entries are filed electronically. Therefore it gives us an opportunity to use sophisticated tools to segment the shipments and sort through which shipments need to be reviewed by all other Federal agencies involved. We also have com-

plete histories of violations and we use artificial intelligence to find the areas that we need to look at.

Our system has become so proficient that we can release cargo before the plane even lands at Miami International Airport. This is a tremendous benefit to the trade, who need very fast and reliable service. Right now—we are still implementing various components of this, but right now 61 percent of all the imported transactions are released electronically with no direct involvement by a Federal agency other than the clearance through the computer. This has been a big benefit to the trade community.

I also want to talk about a change in attitude in Miami Customs. When I first got to Miami over 5 years ago, we were often reviewed by how many seizures of commercial cargo we made or how many penalties we issued. We found over time that this is not the best way to deal with the international trade community and it is certainly not the best way to do our job.

As I looked at the seizures and the cases we were developing, we found that oftentimes we were making seizures and issuing penalties for minor infractions which did not allow us to deal with the more serious violations. We have started a whole new program of educating the trade community in the laws and regulations rather than penalizing them.

We provide over 50 seminars a year to the international trading community. We sit down with them and discuss what problems they are having and explain to them the right way to do the procedures. We hear their problems, listen to their concerns and make adjustments in our procedures. We have found by sitting down with each entity, whether it is the flower importing community or individual businesses, we can solve problems and better serve our customers and better serve the businesses of America.

I see my time is up. I would like to conclude by saying that we have found in Miami dealing with our clients, the businesses and the public who we serve, really assists us in trying to make our operations run more smoothly and also provide far better service.

Thank you very much.

Mr. HORN. We thank you.

[The prepared statement of Ms. Gordon follows:]

PREPARED STATEMENT OF LYNN GORDON, DISTRICT DIRECTOR OF CUSTOMS

Mr. Chairman and distinguished Members of the Committee. I am pleased to be here this morning to discuss reinventing government and our experiences in the Miami District and the Customs Service. It has been my great pleasure to work with the National Performance Review in its efforts in reinvent the entire Federal government. I want to thank Customs Commissioner George Weise for his outstanding efforts to reinvent the Customs Service on a nationwide basis. A recent achievement in reinventing the Customs Service has come from Congress and the Administration in the passage of the Customs Modernization and Informed Compliance Act which has given my agency the opportunity to revolutionize agency procedures.

I will summarize the key elements in successfully streamlining field operations, which I have gleaned from my over 20 years throughout the Federal government, my decade with the Customs Service, and the last year I have spent working with the National Performance Review on government-wide efforts. Then I will provide some background on the role of the Customs Service and the special issues that impact operations in Miami.

Better serving the American public must be the major consideration in all federal agencies. Meeting our legislated responsibilities at the least cost is also important. But limiting the costs and burdens of those we regulate is just as important. Keeping in mind what is best for customers when we make decisions must be the overall

theme in every effort to reinvent the government. The key areas I believe fundamental to reinventing government are:

- TARGETING. With continually increasing workload and declining resources, Federal agencies must learn to channel resources in highest priority or highest risk areas.
- STREAMLINING. Federal agencies must eliminate duplicate levels of review, bring decision making down to the local level and co-locate agencies and functions by customer group to make our operations more accessible and more responsive to local communities and needs.
- PARTNERING. Agencies must learn to work in harmony with other Federal agencies, state and local governments, foreign governments, business, interest groups and citizens in an effort to better serve the public and better accomplish the important federal missions.

I will now describe the international trade system in the United States today, with the involvement of 40 federal agencies, hundreds of thousands businesses throughout the world, hundreds of other governments, and over 500 laws to enforce.

THE ROLE OF THE U.S. CUSTOMS SERVICE IN INTERNATIONAL TRADE

U.S. Customs has the leading role for forty federal regulatory agencies involved with international trade. Our principal responsibilities are:

—Protecting public health and safety by ensuring that all imported products meet the same consumer safety, food and drug, agricultural and environmental standards as domestic products. Few consumers recognize the logistics necessary to ensure that all imported merchandise on store shelves is safe.

—Enforcing trade programs and sanctions, such as embargoes, quota visas, voluntary restraint agreements, the North American Free Trade Agreement, the Caribbean Basin Initiative, the Generalized System of Preferences and Most Favored Nation status.

—Collecting more than $22 billion in duties annually.

—Maintaining a level playing field, where all importers are governed by the same rules and U.S. businesses can depend on the rules being followed.

—Protecting our borders against narcotics smuggling, illegal exports of weapons and critical technology, the importation of counterfeit products and money laundering.

—Collecting international trade statistics for the federal government.

The logistics for all these activities cannot be overestimated. The Customs Service enforces five hundred laws, yet there are remarkably few complaints.

U.S. CUSTOMS SERVICE INITIATIVES

Four hundred fifty million passengers and five hundred billion dollars in cargo enter the United States each year. Customs cannot inspect every arrival. Selectivity was the most basic and the most important concept in fulfilling our mission, and it revolutionized the way we do business. Who can forget international airport arrivals ten years ago, when every single person was stopped by Customs to have his baggage inspected? Selectivity is based on the data produced in recent surveys, which demonstrate that 99% of the traveling public is basically honest and not attempting to smuggle or evade duties. This means that the majority of passengers can claim their baggage and exit Customs with minimum inconvenience. Customs' efforts are devoted to identifying and dealing with the one percent who pose a risk. Years ago, Customs used to stop and inspect every single passenger who entered the United States. The concept of recognizing that an agency cannot do everything and must select only a small percentage may sound simplistic, but it is the single most important factor in avoiding major delays for international passengers and cargo entering the United States today. We now have Passenger Service Representatives attending to customer service issues at all the country's ports.

Customs' initial selectivity criteria featured observational techniques, traditional Customs Inspector knowledge and little notes and "cheat sheets" the Inspectors kept in their hats. Customs trained its Inspectors in quasi-psychological profiling with the belief that by asking a few basic questions and watching people's reactions, they could determine the necessary level of inspection.

The cargo system was heavily dependent on the Inspectors' prior dealings with importers and brokers and their views on who were likely to present problems. Today, the technology has become so sophisticated that selectivity includes electronic processing of criteria, a review of shippers' and manufacturers' past import-export histories and an analysis of risks associated with particular commodities and geographic locations. Customs has even moved into artificial intelligence and can

now often make determinations on who and what to inspect before the plane even lands or the ship reaches port.

Automation is clearly a major undertaking that has paid off for Customs and the international trade community. Today, about 95% of all import entries are filed electronically, with the private sector's computers interfacing with the Customs system. This is a remarkable feat, considering the millions of transactions, the number of importers, the complexity of import transactions and the country's 301 Ports of Entry. Virtually everyone involved in international trade agrees that, without the Customs Automated Commercial System (ACS), the airports and seaports would be in a logjam of paperwork and unacceptable delays. Following up the success of ACS, Customs has begun a major effort to redesign the system, making use of the latest technology, improved enforcement tools, more user friendly programs and an international trade data system that will be an important resource not only for Customs and the federal government, but for the entire country.

Cooperation among federal agencies is also key to success in international trade. ACS has become the central trade enforcement system for all agencies, which prevents unnecessary and costly duplication of effort for both the government and the private sector. Agencies now using ACS include Commerce, Agriculture, Food & Drug, Fish & Wildlife, the Federal Communications Commission, the Consumer Product Safety Commission, the Environmental Protection Administration and the Federal Maritime Commission. All federal agencies dealing with imported merchandise are now required to use Customs' ACS rather than to develop independent systems. ACS saves time and money for both the government and the private sector.

Cooperation among the Customs Services of the world is also important to ensure a smooth trade flow for U.S. exporters. The U.S. Government through the Customs Service has become instrumental in supporting the World Customs Organization (WCO) which is comprised of all the customs services around the world and which seeks to standardize and rationalize importing and exporting procedures. The WCO has developed a standard electronic customs message, accepted by the United Nations, which ensures that all businesses and governments will be able to communicate electronically. Another major achievement for the WCO was the development of the "Harmonized System," a method of categorizing the 20,000-plus commodities traded worldwide. Prior to the implementation of this system, import-export businesses had to use different systems of classifying merchandise. Imagine how difficult it must have been for exporters to use different classifications for the same product sold in different countries. Imagine how difficult it was to reconcile our trade statistics with our trading partners' when the categories captured weren't the same!

The U.S. Customs Service contracted with a consulting firm to help us develop a strategic vision of our organization. Although they basically supported the progress in automation, the consultants had some important revelations for Customs. They focused our attention on our "customers." Customs began to consider who its customers might be and what those customers might need. Key concepts developed from that effort and new thinking emerged:

- A change of focus from transaction-by-transaction processing to continuous import processing, beginning before the merchandise arrives and ending after it is released, using an audit approach: an important concept, considering the congestion at major airports, seaports and land borders.
- —Binding rulings, preclassification, and preapproval programs designed to give importers reliable guidance that Customs will stand behind.
- —Advance warning and/or solicitation of the business community's views before Customs changes existing procedures or practices.
- —Service Centers in which importers can meet with professionals familiar with all phases of Customs transactions, replacing an assembly-line method, with a series of clerks handling each segment of the process and no one person to turn to with problems.
- —Professionally trained auditors to review transactions on a company's data system, rather than rely on computer printouts produced for the benefit of the auditors.
- —Electronic payment, currently accounting for more than sixty percent of Customs' $22,000,000,000-a-year duty collections.
- —Earlier importer access to more accurate electronic information concerning the status of their imports.

These projects and programs are in varying states of completion, but Customs has made major progress in all areas and is continuing to refine and improve international trade programs.

And Customs has other customer service initiatives:

—Creation of a national Trade Ombudsman to work with importers in resolving issues;

—Participation in a Treasury Advisory Committee, authorized by law, to obtain trade community input in our decision-making;

—Establishment of a network of "client representatives" to assist every electronic filer with issues arising from paperless transactions;

—Conducting customer satisfaction surveys in major airports;

—Testing the use of customer service representatives at major airports;

—Regular communication with trade industry groups and associations;

—Working with Congress and the entire international trade community to pass legislation allowing Customs to take advantage of the latest technology and REINVENT Customs processing completely;

—REINVENTING management, organizations and procedures in every facet of Customs operations with our own reinvention team;

—Frequent PUBLIC MEETINGS to obtain input and discuss all major issues, opportunities and initiatives.

—A nationwide program of Passenger Service Representatives to assist the travelling public.

In addition, Customs has developed numerous cooperative agreements with international carriers and others to assist in preventing the smuggling of narcotics and other contraband. Customs has written agreements for mutual support with more than a thousand companies.

HOW DOES CUSTOMS KNOW IF ITS DOING ITS JOB.

Measuring results is fundamental. Customs needs to measure compliance with five hundred laws, regulations and bilateral agreements. Inspection rates are 2% or less. Selectivity, targeting and artificial intelligence through the electronic system are the bases for deciding what or who to inspect. But how can we determine whether or not we are improving compliance and detecting all the violators?

Customs has developed scientific random sampling mechanisms that measure the compliance gap. For example, in Miami, Customs selected a random sample of fifteen thousand passengers whose baggage was thoroughly inspected to determine compliance. There were 154 violations detected, which equates to about 99% compliance. On the surface, this sounds pretty good. Our analysis determined that about one-third of the violations were smuggling narcotics. Miami has more than 7.5 million international passengers a year. Simple arithmetic shows that several thousand passengers are smuggling narcotics through Miami International Airport.

On the cargo side, Customs has elected to measure compliance industry by industry (about 1200). For example, we've estimated the compliance rate for automobiles to be about 98%, while the compliance rate for auto parts is about 6956. This information enables Customs to better utilize limited resources. In FY-1996, Customs will begin a strategic trade program which hones in on the problem areas identified in specific commodities.

THE CUSTOMS SERVICE REORGANIZATION OF FIELD STRUCTURE

Commissioner of Customs George J. Weise directed a comprehensive analysis of the agency's effectiveness in light of limited resources and a changing environment: a lot had changed in the thirty years since the last reorganization. Extensive use of automation makes uniform processing much easier to achieve and allows instant dissemination of information to Customs employees and to the international trade community. For example, if an embargo is ordered or a major health risk is identified, computer keystrokes can in minutes freeze the import or export of any cargo from or to any country!

Customs current organizational structure follows the classic model on the trade side: a Headquarters, seven Regions, forty-four Districts and three hundred one Ports of Entry. The structure is designed to follow the usual chain of command where information flows up and down through each level of management. Decisions affecting local trade communities are often made in Districts or Regions. Sometimes decisions are made by Headquarters and Regions after being briefed by Districts, and none of these offices are directly involved with the specific issue or the specific importers in the Ports of Entry.

The new structure, which will be implemented by Commissioner Weise on October 1, 1995, retains the Ports of Entry, where Customs actually provides its services. Operational instructions will be provided directly from Headquarters, usually through electronic mail. The Regions and Districts will be eliminated. Twenty field offices will provide management and administrative functions, but will not be involved in day-to-day operational issues at the Ports of Entry. Port Directors will re-

ceive electronically all the information necessary to make operational decisions. They will also have the knowledge of their local situations and their decisions can be much more responsive and timely. Commissioner Weise's reorganization will also reduce headquarters by one-third. Close to a thousand positions will be saved, many of which can be directed to high priority areas in the field. The reorganization should work much better and cost less.

THE CUSTOMS MODERNIZATION AND INFORMED COMPLIANCE ACT

Congress passed the Customs Modernization and Informed Compliance Act ("Mod Act") in early FY 1994. It allows international trade to revolutionize the way business with the federal government is conducted. Customs has been operating under legislation two centuries old. Prior to the Mod Act, Customs was obliged to have direct involvement in every import transaction, of which there are millions every year. We also had to determine the duty on each transaction. The Mod Act will let Customs collect import information and customs duties on a periodic basis, perhaps monthly, and allows importers doing business in more than one place to file all their information at one location. For example, a Miami business paying $50,000 a year in duties had to file about 700,000 forms a year. Although duty was the only issue, the law required the company to prepare, and Customs to process and store, a huge mass of useless documentation. Thanks to the changes in the Mod Act, we are now receiving monthly summaries and perform on-site reviews if we have compliance concerns. This change saves the company $300,000 a year. Customs saves too and, most importantly, better meets its legislated enforcement mandate by not wasting time with unnecessary paperwork.

The Act also allows importers that do business in more than one location to file all their information in one location. For example, major importers like K-Mart, Target, or Wal-Mart may import cargo through New York, Miami, Los Angeles, Dallas, and Chicago; instead of having staff in each location and having to pay duty in each location every day, the importer may now elect to take care of all business in one location and pay duties once per month instead of daily. The Mod Act also gives Customs the legal authority to accept electronic submissions (previous legislation specified paper) and not collect information. Previous legislation required Customs to collect detailed information that it rarely needed.

Implementing the changes necessary to take full advantage of the provisions of the Mod Act for both Customs and the business community will require several years. But Congress has taken the necessary action to make this change possible.

THE MIAMI INTERNATIONAL TRADE COMMUNITY—A TRUE PARTNERSHIP

As a trade community, Miami has more than its share of problems and issues that could easily cause friction between the Federal Government and the local community. International trade is the single most important industry in Dade County, accounting for 40% of the local economy. Tourism is the second largest industry. South Florida is also the center of cocaine smuggling and 40% of cocaine interdicted nationwide is seized in Miami.

Latin America produces 70% of Miami's imported merchandise, which means that a majority of imports come from developing countries. Miami's major trading partners work in narcotics producing and transshipment countries with business systems less sophisticated than their North American, Pacific Rim or European counterparts.

A large proportion of our imports are perishables, like fruit, vegetables, flowers and fish. They require immediate processing because of Miami's hot climate. Miami also has hot political issues, like the Cuban and Haitian trade embargoes, the smuggling of weapons to support various factions in South America and money laundering. Miami is the fastest growing large trade port in the United States. It now ranks first in international air cargo and fifth in ocean cargo. Any of these issues could cause major problems and delays strongly impacting business.

But the Federal agencies, the port authorities, and the private sector work together to resolve the issues facing the entire community. The Greater Miami Chamber of Commerce has been very active in creating forums where all concerns and issues can be discussed and resolved openly. The Miami World Trade Center and the Beacon Council (funded by Dade County to promote economic development) resolve problems and provide advice, assistance and training. Special initiatives undertaken in the last few years include:

—The Dade County International Trade Plan, with specific objectives and actions involving all sectors, including the Federal Government;

—Monthly cargo meetings, open to all;

—Quarterly air passenger meetings, open to all;

—Special work groups on trade issues like Free Cuba, Mexican Trade, African Trade and New International Trade Initiatives:

—Special conferences, like Air Cargo Americas, Food Pak, Caribbean Conference and International Cargo Security;

MIAMI CUSTOMS: A CHANGE IN ATTITUDE

The Customs Service in Miami has undergone a major philosophical change. We used to view the trade community as potential violators requiring constant scrutiny. It is true that there are more narcotics seizures here than anywhere else in the country, and also true that there were frequent commercial violations. But we came to realize that 99% of the business community is honest and are being used unwittingly by drug smugglers. Although there were frequent violations in the commercial area, we found the problems were due more to lack of information than to intentional wrongdoing. We found that Miami businesses are just as concerned about illicit drugs in the community as we are. The trade were concerned about frequent delays in processing passengers and cargo and about seizures of imported merchandise, because Miami was getting a reputation as a bad place to do business.

We realized that we could help each other. Customs and other federal agencies needed better compliance in trade and health and safety rules and the Customs Service was very concerned about narcotics. The trade wanted to minimize delays in processing international cargo and passengers and to avoid damaging cargo in examinations. We developed a program in which Customs provides extensive training and assistance to members of the trade community and they, in turn, invest considerable effort and resources in improving their compliance. Customs has also established and maintained special service delivery times for those with high rates of compliance.

Miami Customs has also made a commitment to work with federal, state and local government agencies, port authorities, business associations and individual businesses. We have made the following improvements:

—The trade community, the federal agencies and the county government worked together to co-locate all the agencies that impact day-to-day international trade transactions in one building on the airport grounds that would be convenient to the trade community. Dade County built a new facility specifically for this purpose which houses Customs Service (Department of Treasury), Food and Drug Administration (Department of Health and Human Services), Animal and Plant Health Inspection Service (Department of Agriculture), and Fish and Wildlife Service (Department of Interior). Some of the space is even provided for free to the federal agencies. This provides "one stop service" for the trade community where all problems can be solved at one convenient location.

—All the above federal agencies have been connected to the Customs Service Automated Commercial System which contains 98 percent of Miami import transactions on a real time basis. Private sector importers and their brokers supply the needed information from the convenience of their own offices and the agencies can often clear the cargo for release before the plane lands or before the ship reaches dock. This reduces congestion at the port of entry and allows the importers to make logistical arrangements with certainty.

—Customs provide about fifty free, half-day seminars annually to assist the trade community in complying with laws and regulations and to respond to their concerns. Other agencies also provide compliance training on occasion and frequently the agencies provide joint training.

—Customs has established service delivery times: five minutes or less for a passenger to clear Customs; a 24-hour turnaround for the inspection of containerized cargo; a 4-hour turnaround for air cargo; a 30-minute turnaround for fully automated live entries. With prefile, many cargo shipments can be released before they even arrive.

—Customs offers 24-hour, 7-day service for perishable air cargo, which represents 40% to 50% of Miami Airport's inbound cargo business;

—Customs provide free and continuing training and support to air and sea carriers who request it, which in some cases has meant weekly or even daily support;

—Miami Customs employees and supervisors have received extensive training in professionalism, customer service, communications, cultural diversity and integrity; another extensive course covering these subjects is mandatory for all 700 Miami employees this Spring;

—Since a large part of the Miami community and travelers speak Spanish, we have recruited extensively for Spanish-speaking employees and offer Span-

ish language training on-site. About half our employees can communicate at least at the basic level of Spanish, and many are fluent;

—Federal agencies not only attend the trade community meetings but have daily contact at the working level and quarterly management meetings, hosted by Miami Customs, to discuss and resolve problems. The Federal agencies truly support one another and work effectively together;

—Federal agencies share the Customs database and the system's analytical resources, provide service to the other agencies and train their personnel in automation when necessary.

—Miami Customs staff make several hundred speeches a year to various community gatherings to explain the rules and regulations of Customs and other agencies and where to get further information;

—We make about a hundred anti-narcotics presentations at local schools, often using narcotic detector dogs to promote the drug-free message;

—We have adopted an inner-city elementary school, with many disadvantaged and high risk students, where our employees act as tutors, assist teachers, chaperon field trips and participate in all special events. Employees also contribute financially to provide holiday dinners and gifts to needy families.

Customs has become an integral part of the Miami community and actively supports the community's efforts to enhance economic development with international trade and tourism. Leaders of the trade community volubly maintain that the attitude of Customs employees has improved dramatically. In fact, the service our District provides is prominently featured in Miami's marketing campaigns. The change has in no way lessened enforcement. We find that our voluntary compliance rate has increased, our seizures of narcotics and other contraband has increased and our trade enforcement program is also having better results. With selectivity, we are able to better distinguish between the honest travelers and businesses and the violators.

CONCLUSION

Better serving the American public at a reduced cost is possible through an active strategy to reinvent the government. Sometimes the most critical part is changes to laws; sometimes regulations can be changed without changing laws. Agencies must be ever conscious of how best to serve the American public, one citizen at a time. Agencies should also look to making their field structures streamlined by empowering staff at the lowest possible levels to deal with their communities. This requires partnerships between management and labor. Partnerships with the communities that federal field offices serve are also critical to make decisions that meet the federal governments objectives as well as the local needs.

I also believe the American people are better served when agencies with the same customers are co-located, as in the Cargo Clearance Center at Miami Airport.

Mr. Chairman, this concludes my testimony. Thank you for the opportunity to present our "reinventing government" efforts in the Customs Service. I will be happy to respond to any questions from the Committee.

Mr. HORN. I must say my own experience has been, going around the world a number of times between 1970 and when I was elected in 1992, that a nicer group of people and public servants I couldn't find except those in Customs, which are terrific. I have seen them handle very tough cases with great diplomacy and everybody both at John F. Kennedy and Los Angeles International has been the epitome of what one would expect in the public service. I was just the average citizen and I must say they certainly treated me fine.

Mr. George Rodriguez, Area Coordinator, Department of Housing and Urban Development, based in Houston, TX.

Mr. RODRIQUEZ. Thank you for the opportunity to be here and to speak to you.

Let me begin by providing a bit of background information about the Houston FEB, and the efforts which have led to the establishment of the General Store and the work environment that we have at HUD, in my opinion, that has helped foster the creative atmosphere.

Over the past few years, the Houston FEB has developed a strategic plan as a means to accomplish goals and mutual support and cooperation among the agencies. This year, the FEB decided to incorporate in its goals the National Performance Review's outline for streamlining government and for providing better service to the public. Over the past few months, we have met with local officials and business leaders to explain the role of the FEB and how we might better serve the needs of the community.

During the same year, Secretary Cisneros has encouraged HUD to be more customer-oriented and responsive. Our agency has sought ways to better serve the community, including one way of putting together community empowerment teams which are composed of business and communities leaders that we meet with on a regular basis to discuss how we can streamline our regulations and better serve the communities.

At the present time, the Houston FEB has over 50 different Federal agencies serving the geographical area that includes the third largest county and the fourth largest city in the country. The Federal agencies serve a diverse population which includes the fourth largest concentration of Hispanics and Asians in the country as well as the third most popular point of arrival for immigrants in the country.

Equally important is the economic climate of Houston and Harris County in the east Texas Gulf region. First, Houston as a metro area is the seventh largest metro economy in the country with over 1.6 million workers. Small business represents 36.8 percent of the employment. In 1992 and 1995, Fortune Magazine ranked Houston second nationally as the best climate for business development.

Sometime in March of this year, the FEB's endeavors came to the attention of the NPR and proposed putting together a General Store in Houston with the FEB as the lead. At that point Mr. Fred Keyser from the Customs Service was asked to serve as the point of contact for the NPR and to coordinate the work established and the store site. The concept of the General Store would be to have a central physical site that the public could come and get information or complete transactions with any Federal agency regarding small business.

At this time, it is scheduled to open Wednesday, June 28th at the Small Business Development Center in southeast Houston. The site has been selected because the city of Houston has also located its Small Business Development Center at the same site. Additionally, the SBA has awarded the city of Houston a one-stop capital shop which is designed to provide comprehensive information on business development to potential entrepreneurs. It too is located at this very same site. And in true partnership, the city of Houston has agreed to provide the FEB the space for the General Store at a minimum cost.

The FEB and the NPR have held meetings with several business leaders and representatives of the city and the counties and small business development agencies to determine how the Federal agencies could be more helpful and what kind of information we might have at this General Store.

First was the suggestion of more communication and coordination among the local, State, and Federal agencies that deal with

small business. That was a very, very key one. Second, according to these folks that we interviewed, Federal agencies can make or break small businesses with fines and regulations. For this reason, Federal agencies must endeavor to properly inform and educate small businesses much in the same way the Customs folks are doing in Miami.

Third, and specific to the city of Houston, the U.S. General Store will complement an enhanced enterprise community zone which was awarded to the city in December 1994. The EEC is designed to specifically promote economic development in a targeted area of the city. This could be a potential boon to the city.

The General Store will also have the potential to provide information to the small rural communities that our agencies serve such as through the Department of Agriculture's rural and economic community development offices. Several local governments, including the Deep East Texas Council of Governments have established their own small one-stop business centers in their respective rural communities, and through possible linkage through networking or electronics it will be possible for the General Store to cooperate with these same centers.

A key role for HUD, of course, is going to be, and the SBA, will be through the CDBG grants that we provide.

Also, in keeping with the administration's goal for customer service, the Houston HUD office has been designated as the lead for FEB in providing outreach to the communities and the general public. Through these efforts, HUD and the FEB will provide information on Federal programs to larger segments of Houston and Harris counties.

Overall, the concept of General Store has a tremendous potential for serving the public at the grass-roots level by providing comprehensive information about business and economic development opportunities. I feel very, very strongly that this can serve as a model to other FEBs as well as to other agencies working in cooperation with one another, particularly with State and local jurisdictions.

Thank you.

Mr. HORN. We thank you.

[The prepared statement of Mr. Rodriguez follows:]

PREPARED STATEMENT OF GEORGE RODRIGUEZ, AREA COORDINATOR, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. Chairman, and members of the Subcommittee, good morning and thank you for the opportunity to be here and to speak to you about a project to which I am personally very committed, the U.S. General Store in Houston. Before I begin brief remarks, I want to express my thanks to the Houston Federal Executive Board, in particular Robert Wallis, Director of INS and Chairman of the Houston FEB, and Rob Fisher, the Executive Director of the FEB, for permitting me to represent the organization here today. I also want to express my deep appreciation to HUD Secretary Henry Cisneros who has inspired all HUD employees to be creative and to truly search for innovative ways in which to serve the public.

Let me begin by providing some background information about the Houston FEB, and the efforts which have led to the establishment of the General Store. I will also describe the work environment at HUD which has helped foster a creative atmosphere for all employees, particularly in respect to serving the public.

Over the past few years, the Houston FEB has developed a Strategic Plan as a means to accomplish common goals with mutual support and cooperation. This year, the FEB decided to incorporate into its goals the National Performance Review's (NPR) outline for streamlining government and for providing better service to the

public. Over the past few months we have met with local elected officials and with business leaders to explain the role of the FEB and how we might better serve their needs.

During this same period, Secretary Cisneros has encouraged HUD to be more customer-oriented and responsive. Our agency has sought ways to better serve communities, including establishing "Community Empowerment Teams" (CE teams) which are composed of business and community leaders. These CE teams provide our HUD offices input, comments, and reaction regarding HUD policies and actions so that we better serve the public.

At present, the Houston FEB has over 50 different federal agencies serving a geographical area that includes the 3rd largest county (Harris) and the 4th largest city (Houston) in the nation. The Houston federal agencies serve a diverse population which also includes the 4th largest concentration of Hispanics and Asians in the country; as well, Houston has become the third most popular point for arrival by immigrants to the U.S.

Equally important is the economic climate of Houston, Harris County, and the Texas Gulf Coast region. First, the Houston metro area is the 7th largest metropolitan economy in the nation with 1.6 million workers. Women are almost half of that workforce, while minorities comprise an additional 20% of the workforce. Small business represent 36.8% of the total employment. In 1992, and again in 1995, Fortune Magazine ranked Houston second nationally in "best climate for business."

Sometime in March of 1995, the FEB's endeavors came to the attention of the National Performance Review (NPR) who then proposed their participation in the General Store. Mr. Fred Keyser from the Customs Service was asked to serve as the point person in Houston for the NPR, and to coordinate the work to establish the store site. The concept of the General Store in Houston is to have a central physical site where the public can go to get information, services, or complete transactions with any federal agency. For its initial phase, it will provide information about and for small business.

At this time, it is scheduled to open on Wednesday, June 28, 1995 at the Houston Small Business Development Center (HSBC) in southeast Houston.

The site of the HSBC was selected because the City of Houston has located its small business development program there. Additionally, the Small Business Administration (SBA) has awarded the City of Houston a "One-Stop Capital Shop" which is designed to provide comprehensive information on business development to potential entrepreneurs. It too is located at this site. In a true partnership manner, the City of Houston agreed to provide the FEB office space for the General Store at a minimum cost.

The FEB and NPR have held meetings with several small business leaders, and with representatives from the City of Houston's and Harris County's small business development to determine how local federal agencies could be more helpful in assisting the growth and development of small business. These meetings provided some helpful insights and suggestions as to what information and service the General Store should provide to be most beneficial to local communities, small businesses, and citizens.

First was the suggestion for more communication and coordination between and among local, state, and federal agencies which deal with small business. It was evident the public does not want to travel to several different offices for information, but rather are looking for a one-stop shop where they can get as much information and assistance as possible.

Secondly, according to most persons interviewed, federal agencies can "make or break" small business with fines and regulations. For this reason, federal agencies must endeavor to properly inform and educate small business about their regulatory requirements, and work with them as partners, rather than as adversaries.

Third, and specific to the City of Houston, the U.S. General Store will compliment the Enhanced Enterprise Community (EEC) Zone which was awarded the City by HUD in December, 1994. The EEC is designed specifically to promote economic development in a targeted area. Because of the EEC, federal agencies will be able to provide certain regulatory waivers to persons and businesses within the EEC geographical location. This could be a potential boon to economic development for the City of Houston.

The General Store will also have the potential to provide information to small rural communities which are served by the FEB through state agencies and the Department of Agriculture's Rural Economic and Community Development Office. Several local governments, such as the City of Houston and the Deep East Texas Council of Governments, have each established their own small one-stop business centers, and it will be possible for the General Store to work in cooperation with these centers.

The key role of the local HUD Office is through the FEB on the Small & Minority Business committee. HUD is also heavily involved through the CDBG economic development programs to local communities and through the EEC awarded to the City of Houston.

Also, in keeping with the Administration's goal of customer service, the Houston HUD office has been designated the lead agency by the FEB in providing outreach to communities and the general public. With these efforts, HUD and the FEB have provided information on federal programs to large segments of the population in Houston, Harris County and southeast Texas.

Overall, the concept of the general store has a tremendous potential for serving the public at the grassroots level by providing comprehensive information about business and economic development opportunities. Both the Houston HUD office and FEB enthusiastically endorse and support the project. We believe it will be an outstanding example of partnership which the Administration fully endorses and a model for the country to embrace.

Mr. HORN. It sounds like a fascinating initiative. I notice you referred to the rules and regulations that many small businesses really don't comprehend or know about. Is the Occupational Safety and Health Administration involved in any way with this General Store?

Mr. RODRIQUEZ. Yes, sir. We sat down with several business leaders and we asked them specifically what rules, regulations, agencies are you mostly dealing with and OSHA was near the top of the list.

Mr. HORN. I am not glad to hear they are at the top of the list but they deserve to be.

Members of Congress, regardless of party, regardless of ideology, all share I think one thing. When we go to a couple of receptions in the evening we don't leave without somebody having bent our ear about the implementation of health and safety regulations with no reason sometimes, and they really have some problems here, and the more they can get in and communicate and pass that back to their Washington office to shape them up, the better it will be, because Congress obviously has not been too successful.

I now yield to the ranking member, Mrs. Maloney, the gentlewoman from New York.

Mrs. MALONEY. Thank you, Mr. Chairman. Thank you both for your testimony today. There has been considerable discussion about centralized versus decentralized control. Would each of you describe what you feel are the appropriate responsibilities of the central office?

Ms. GORDON. I think the central office should establish policy and decide what important initiatives that the agency should take on and set general guidelines. I also feel that they have a tremendous role in providing automation that links the programs to—links the programs and information and policies to the field structure.

In my own agency, we are very, very automated and our electronic system provides all the information that anyone in the field needs to know on a day-to-day basis as well as to the trade community with all the rules and regulations.

Just to give you an idea how effectively this works, if there were a severe health and safety concern that the American public needed to be protected against that dealt with imported cargo, within minutes my agency could input that information electronically and all of the 301 field operations would immediately have cargo stopped, dealing with whatever health and safety concern were es-

tablished. The same goes for embargoes or any other very, very important initiative that is established. So I do think there is a very big role in establishing national information systems as well as providing the oversight and policy document work that they so often do.

Mr. RODRIQUEZ. Let me echo what Ms. Gordon just said because I think it is very important having worked both at headquarters and in the field that there is this policy, the importance of somebody setting policy, and that role should go to the central offices. I think it is important equally that the field have input on how to better serve the community, but it is ultimately up to the central office to make those changes.

Mrs. MALONEY. The NPR has made an excellent first step in reinventing government, but I would like to ask both of you, what do you think should be the second step in this reinvention of government?

Mr. RODRIQUEZ. Let me just briefly comment in answering that of what I heard earlier this morning. I think that it is very, very important that each agency review itself depending on what its operation and what its job description is—every agency—and we are seeing that in our FEB directly. We have been trying to break our FEB down into the aspect of who provides social services to the public, which has law enforcement functions, and which one works more in regulatory efforts. And in that aspect of it I think that it becomes very important for each agency to analyze itself and how it can better serve the population in 1995.

Mrs. MALONEY. Would you like to add to that, Ms. Gordon?

Ms. GORDON. I also think that the role and importance of individual field offices who deal directly with communities cannot be understated. They are the ones that really our public responds to on a day-to-day basis, they are the ones that deal with the public, and I think that is the most important thing. I think it is important that the frontline levels make sure that they understand all the initiatives and implement all the initiatives that have been developed by the NPR and the agencies. I think that is critical.

Mrs. MALONEY. Mr. Rodriguez, I think that combining several services at a single site is an excellent idea. Can you explain why this has not happened long before this? Why didn't previous administrations take this obvious step?

Mr. RODRIQUEZ. I wouldn't venture to guess. What I have seen in some cases is the amount of territoriality that we have to overcome as bureaucracies, and I think that sometimes that that hinders our working together in cooperation. But I wouldn't know why it hasn't. It seems very, very logical to us now.

Mrs. MALONEY. Thank you very much. My time is up.

Ms. GORDON. I just thought of another answer for your previous question. I do think that there are a lot of cases where the laws themselves have to be changed. A lot of agencies are hampered by laws that require them to do certain things. My agency, for example, which was created over 200 years ago, we had a lot of laws that really restricted us and required us to do things that probably were not effective in today's operations.

We were very fortunate that Congress passed the Customs Modernization and Informed Compliance Act, which changed every-

thing and changed our entire environment, which is really allowing us to be efficient. We are working on that now but I do think that in a lot of cases changes in the enabling legislation and legislation for agencies is really important.

Mrs. MALONEY. Possibly if you brought to this committee's attention outdated regulations or rules that you feel are hampering your productivity, we could work on changing that with you.

Thank you very much, Mr. Chairman.

Mr. HORN. Thank you very much.

I just have a few questions, one that happened to come up yesterday when we were holding a field hearing, and it is an age-old question when it comes to Customs. We were concentrating on what is happening in the interior of California in terms of the Border Patrol and the Immigration and Naturalization Service. A question was raised by a Member, of why do we have a separate Customs Service and a separate Immigration and Naturalization Service and Border Patrol? Why can't both these functions be performed by the same officer at point of entry?

Do you have any feelings on that one way or the other as a person at the grass-roots dealing with the problem?

Ms. GORDON. The classic difference between Customs and Immigration is that Immigration deals with people and Customs deals with cargo.

Mr. HORN. You do very well dealing with people, as I suggested earlier in my comment, because you deal with millions of people as they come through ports of entry. But you are right in terms of your original function, and the whole government lived on your revenue for one century.

Ms. GORDON. That is exactly right. You know a lot about Customs.

Mr. HORN. I know a lot about revenue. I traced it back to Customs.

Ms. GORDON. You are absolutely right. Passenger processing is one function of Customs and we are in that only because of what the participation might carry on them.

In Miami and on the Southwest border a big fear is narcotics. I think there are a lot of ways agencies can work together. I know there is a committee going on right now between all of the border agencies that deal with passenger processing to try to find better ways to work together and streamline that process.

My environment is a little different than yours. I deal at seaports and airports, not at land borders. I think that those issues are very different.

Mr. HORN. I think they are different skills and I made that point in this discussion.

To what degree do your people, particularly in Florida, need foreign language competency to do their job effectively?

Ms. GORDON. I think that they need tremendous foreign language capabilities. I have done a lot of hiring of multilingual staff. Fifty percent of my staff in south Florida speaks Spanish at least at the basic level and about 30 percent are fluent. We are also hiring Creole speakers, which is important for our Haitian population. I think we have individuals who are fluent in about 15 languages, and I think that is very important for Customs.

Mr. HORN. I couldn't agree more and I commend you on that outreach effort.

If there are no further questions, we thank you both for coming. You have been very helpful. The staff might send you a few questions to round out the record. If you have some thoughts when you leave here, send us a letter and we will add that to the record.

We appreciate your coming here. We wish you the best on these various NPR issues. Thank you again.

With that, the meeting is adjourned. Let me thank, first, the official reporters, Marcia Stein and Donna McCalley, and we thank our counsel, Mark Uncapher and the staff director, Russell George, and Tony Polzak and Andrew Richardson have been involved. Then on the minority side we have two able staff members you might want to thank.

Mrs. MALONEY. Mark Stephenson and David McMillen.

Mr. HORN. We thank you all.

[Whereupon, at 12 p.m., the subcommittee was adjourned.]

STREAMLINING FEDERAL FIELD STRUCTURES

MONDAY, JUNE 19, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Chicago, IL.

The subcommittee met, pursuant to notice at 8:54 a.m., in the Chicago Historical Society, Clark Street at North Avenue, Chicago, IL, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Flanagan.

Staff present: Mark Uncapher, professional staff member and counsel; Mike Stoker, counsel; Wallace Hsueh, staff assistant; and David McMillan, minority professional staff.

Mr. HORN. Good morning, ladies and gentlemen, a quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order.

I am Stephen Horn, chairman of the subcommittee. To my right is the subcommittee counsel, and to his right is the vice chairman of the subcommittee, Michael Flanagan, in whose district we are delighted to be. Mr. Flanagan will be conducting most of the examinations. This is a marvelous setting in the Chicago Historical Society.

We are meeting today in Chicago to hold the seventh of our nine hearings on Making Government Work. In this session, on streamlining Federal field structures, we will be examining whether the existing Federal network of field offices is best suited for efficient delivery of services to the American public.

Close to a million Federal employees carry on the daily work of our Nation's government, serving the citizens from 30,000 field offices, of which 12,000 each have five or fewer people. These offices have sprung up group by group in response to 60 years of various assistance programs. Overlapping and conflicting agency responsibilities, programs, jurisdictions and separate offices have made ordinary citizens' contact with the Federal Government a nightmare of frustrating, even harrowing experiences. Now that many Federal programs are being cut back, maybe not all of the field offices are still needed, and possibly, they could be combined in some scheme of user-friendly clusters of related functions and services. One of our concerns is to differentiate between the field offices that directly assist people in meeting their needs and responding to their queries and concerns about particular Federal policies and the implementation of those policies. We would like to differentiate

those from the regional offices and their role in coordination with policy. So you will see questions asked here that deal with regional offices and their role and field offices and their role.

And some of the things we have come to this major regional headquarters site for are first-hand answers to several basic questions:

How should an agency go about determining its most effective field structure?

How can we improve the management of field offices?

How do we foster close inter-agency cooperation in the field?

What factors deter agency heads from changing the field structure?

With us today to help us answer these and other questions are seven Federal officials, six of them heading the Chicago based regions of their agencies. In the first of two panels, we will hear from the State Department and General Services Administration officials representing the Federal presence here. Our concluding panel consists of three regional transportation administrators and an Associate Deputy Transportation Secretary from Washington and the Army Corps of Engineers Resident Division Engineer.

We thank you for joining us. We look forward to your testimony. I will now ask the vice chairman, Mr. Flanagan for his opening statement before swearing in the witnesses.

Mr. FLANAGAN. Thank you, Mr. Chairman.

Before we begin, I would like to place the statement of Mr. Joseph Morris in the record. He served 5 years as Chief Counsel for the Office of Personnel Management and is the author of much of the legislation we will be discussing today. He was planning to be here today and he may still come.

Mr. HORN. Without objection, the statement will be printed in the record.

Mr. FLANAGAN. I am particularly pleased to have this second session of this hearing to address the streamlining of the Federal field structures here in Chicago in the fifth district and I welcome you all here today. I appreciate the great help that has been extended to us by the Chicago Historical Society and I personally thank them for use of their facility today, particularly Mr. Douglas Greenberg, who is president and director.

The scope of this hearing is among the most important of our committee's hearings on Making Government Work. Congress needs to fix the broken foundation of the current spiraling bureaucracy. I believe reforming, reorganizing and emphasizing our strengths in the existing field structures is a fundamental step in the right direction.

I note with particular interest that one of the panels today is centered around transportation infrastructure. Mr. Chairman, the Chicagoland area has always been a leader in this realm, from the time it became a railroad crossroads through the 19th century to the development of mass transit, and with streetcars around the turn of the century, to the building of what today is the world's busiest airport at O'Hare. This region is also a major center for trucking and industrial shipping, as well as many other aspects of the transportation industry such as the movement of goods and vessels through the Great Lakes. Given this backdrop, it is most

appropriate that the committee highlight transportation and infrastructure here in Chicago.

As technology changes and becomes more efficient, so should the tools the government uses to provide services to the taxpayers and to the Nation. It is our responsibility to apply the lessons learned to improve the field structure so that we can enable those who operate within that framework to perform to the best of their abilities. The obligation we have in Congress is to ensure that the field offices have all the practical advantages available to them. The challenge for Congress is to fulfill that obligation for the first time in decades. It is imperative that we identify where we have done a good job and where we need to do better. I eagerly look forward to hearing all the panelists today discuss the Federal field structures and how they can be improved.

I thank you, Mr. Chairman, for having this hearing in Chicago and letting me share this with my constituents here.

Mr. HORN. Thank you very much.

If the minority staff has opening statements for members of the minority, we will be glad to put them in at this point in the record.

Mr. MCMILLAN. Just Mrs. Collins.

Mr. HORN. OK. The statement of Mrs. Collins, the ranking member on the Committee on Government Reform and Oversight, will be put in the record without objection at this point.

[The prepared statement of Hon. Cardiss Collins follows:]

PREPARED STATEMENT OF HON. CARDISS COLLINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Thank you, Mr. Chairman, for holding this hearing on the National Performance Review in Chicago. We are proud of the work done by the 27,000 Federal workers in the Chicago area, and are pleased to have the opportunity to showcase their accomplishments.

The President's National Performance Review is developing a record of accomplishments in making government more efficient at less cost, a goal we all want. However, we don't want it at any price, and we don't want it if it comes at the expense of unfairly targeting Federal workers. Too often words like streamlining and consolidation are codewords thoughtless reductions in workers and services. If services aren't reduced, often workers pay the price.

One of the most important Federal work sites in Chicago is O'Hare International Airport. It houses the Post Office, the Customs Service, and the Federal Aviation Administration. The FAA is responsible for keeping terrorist off of the airplanes, for making sure the planes take off and land on time, and for making sure every trip is as safe as possible. That's a large responsibility. As you know, I have long been an advocate for security and safety at O'Hare. Security and safety at O'Hare cannot be compromised in the name of streamlining.

A few weeks ago Barry Krasner, President of the National Air Traffic Controllers Association and Jack Johnson, President of the Professional Airways Systems Specialists testified before this Subcommittee. They testified that over the last 15 years, air traffic has increased 30 percent. At the same time, the number of air traffic controllers has decreased. The number of air traffic control systems has increased by 65 percent over that period, and the number of system specialists to repair those systems is down 25 percent. It would be one thing if these reductions in force were the result of installing better computers, but that hasn't happened either. Whether its called streamlining, consolidation, or privatization, we cannot let these trends continue, or we will put the lives of every airline passenger at risk.

I am pleased to have Deputy Secretary Huerta here today. I am also pleased that Misters Perret, Franklin, and Gismondi have joined him at the witness table. The renovation of the Green Line is an historic project for Chicago. This is the first major renovation to the El in its 100 year history, and it will provide fast, safe, clean public transit for the citizens of Chicago. Without the cooperation of the Department of Transportation, this renovation would not have been possible.

I hope we can work together to see this investment in mass transit continue. The Intermodal Surface Transportation Efficiency Act of 1991 made it much easier for States to adjust priorities between highway construction and mass transit. Unfortunately, there has been little change in those priorities in Illinois. The State continues to spend the vast majority of its surface transportation funds on highways, to the disadvantage of urban mass transit.

This should be a warning signal to the Department of Transportation as it develops its reorganization plan. Urban mass transit is very important to Chicago, and will become increasingly important to the country as automobile congestion and pollution continue to increase. Reorganization must not eliminate the agency whose primary function is mass transit, or the bias towards highways that we have experienced in Illinois will be perpetuated.

I am also pleased to welcome Col. Craig of the Army Corps of Engineers. We are glad to have the Corps in Chicago, and we were fortunate to have them here in 1992 when the Chicago River flooded the tunnels under the Loop.

I am disappointed that the Federal government has refused to fund the Corps' participation in the Chicago Shore Line project. This project will protect against flooding along Lake Shore Drive and protect the water filtration plant. It would protect park land, the planetarium, the aquarium, and the Museum of Science and Industry.

Refusing to fund projects like this is just the kind of short sightedness that frustrates the American public. We spend millions in flood relief, but will not spend a dime to prevent the flood. This has not always been the case. Even though the last two Mississippi floods have caused considerable damage, the flood control dams along the Mississippi, most of which were built by the Army Corps of Engineers, have prevented millions of dollars of flood damage each year.

The Chicago Shore Line project would protect Chicago from high lake levels—which just a few years ago were at historic levels. I plan to work with Mayor Daley to convince the President that the decision to block the Corps' participation in this project is a mistake.

The hearing today is an important opportunity to discuss the Federal programs and services that affect the people of my District every day. It is a reminder of the important role that the Federal government plays in the life of all Americans, and the importance of preserving these services, while improving their efficiency.

Mr. HORN. Let me inform all witnesses that it is a custom of the Committee on Government Reform and Oversight to swear in all witnesses and we will do that and we will put your full statement into the record, following your introduction. Generally, we limit witnesses to a 5-minute summary. So do not read your statement, that is in the record. Give us the high points. That way we have more time for questioning. The members and staff of the committee have read those statements in advance, so that we have a basis for questioning.

If you do not mind then, if the first two witnesses will stand and raise their right hand.

[Witnesses sworn.]

Mr. HORN. Let the reporter note that both witnesses affirmed. We are delighted now to open with Mr. William Burke, the Regional Administrator for the General Services Administration. Welcome.

STATEMENT OF WILLIAM BURKE, REGIONAL ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION; AND GRETCHEN SCHUSTER, REGIONAL DIRECTOR, PASSPORT AGENCY, DEPARTMENT OF STATE

Mr. BURKE. Thank you. Good morning, Mr. Chairman, members of the subcommittee. My name is William Burke, I am the Regional Administrator for GSA. I am also the chair of the Federal Executive Board for this year. In the interest of brevity, I will condense my opening remarks.

As you know from my testimony, GSA controls about 6 million square feet of space in the Chicago metropolitan area. We own about 4 million square feet of that space and 2.7 million is leased. We have about 27,000 Federal employees from Executive agencies, and another 33,000 from the U.S. Postal Service. GSA serves these agencies, excluding the Postal Service, through our Federal buildings program, the Information Technology Service and also through our Federal Supply Service.

Because GSA has been a leader in the effort to reinvent government as per the NPR directive, we have undertaken a lot of initiatives to both reduce our staff and to implement reinvention activities here in our region.

And with that, I would be open to your questions.

[The prepared statement of Mr. Burke follows:]

PREPARED STATEMENT OF WILLIAM BURKE, REGIONAL ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION

Good Morning Mr. Chairman, and Members of the Subcommittee. My name is William Burke and I am the Regional Administrator for the General Services Administration (GSA) and the Chair of the Chicago Federal Executive Board (FEB). It is a pleasure to be here to provide the Subcommittee with information about the Federal community in the Metropolitan Chicago Area and a few of the General Services Administration's reinvention activities designed to foster interagency cooperation and service delivery.

As you may know, GSA is the business manager for the Federal government. GSA's responsibilities include the policy and operations for real property acquisition and services, telecommunications and information management, supply operations, travel and vehicle fleet management, and the disposal of real and personal property assets. GSA's mission is to improve the effectiveness of the Federal government through assuring quality work environments for its employees.

As you all know, Chicago is a dynamic city. The Chicago Metropolitan Area is the midwest's dominant financial, business, service, transportation and distribution center. The economy of metropolitan Chicago is moving away from its traditional reliance on heavy industry, but continues to be a major air, water and ground transportation hub for the nation.

The Chicago Metropolitan Area is comprised of Cook, DuPage, Kane, Lake, McHenry, and Will counties, and an area of 3,690 square miles. Census figures for 1990 reported a combined population of 7,261,000. Cook County's population stood at 5,105,000 of which 2,784,000 or 55 per cent lived in the City of Chicago.

The Federal community in the Chicago Metropolitan Area is as diverse as the region it serves. In the Chicago Metropolitan Area, GSA controls approximately 6.7 million square feet of space of which 4 million square feet of space is owned by GSA and 2.7 million square feet of space is leased by GSA. This space houses 27,069 Federal employees.

There are 140 Executive Branch agencies in Chicago with a total of 154 Executive Branch agencies in the Chicago Metropolitan Area. In addition, Judicial and Congressional offices have a substantial presence in the community. Of the Executive Branch, only one has its policy-making national headquarters in Chicago—the Railroad Retirement Board. Other Executive Branch agencies in the Chicago Region provide operations that support service to taxpayers.

The vast majority of the Federal presence in Chicago is located within the Central Business District (CBD), or its immediate environs. Chicago's zoning regulations have historically encouraged the location of Federal offices within a very compact CBD of one square mile in size. The CBD is bounded by the Chicago River to the north and west, the Eisenhower Expressway to the south and Lake Michigan on the east. The heart of the CBD is Chicago's Loop. The Loop is the location of the architecturally renowned Chicago Federal Center, which includes the Everett M. Dirksen Building, John C. Kluczynski Building, the Ralph H. Metcalfe Office Building, and the Loop Postal Station. These four buildings comprise a total of approximately 2.2 million occupiable square feet and 8,616 Federal employees.

The Mies van der Rohe-designed and inspired buildings are strongly identified with the Federal Government in Chicago and are prominent structures in the South Loop area. Each day, thousands of people visit the United States Post Office (USPS) and the offices of the Internal Revenue Service (IRS), the Social Security Adminis-

tration (SSA), the Veterans Administration (VA), the Environment Protection Agency (EPA), the Department of State, Passport Agency, and the Immigration and Naturalization Service (INS), among others.

There are an additional 26 federally occupied buildings containing approximately 2.8 million occupiable square feet of space within a one mile radius of the Federal complex in the Loop. Beyond the central city, there is 1.6 million federally occupied square feet of space in the Chicago Metropolitan Area with many employees clustered near the nation's busiest airport, Chicago O'Hare International. All together, 27,069 Federal employees provide services and enforcement in the Chicago Metropolitan Area.

The Federal community also has a number of special-purpose facilities throughout the Chicago Metropolitan Area. Within the city limits, the Bureau of Prisons' Metropolitan Correction Center is situated one block south of the Chicago Federal Center. This facility's occupancy has grown to 700 inmates.

West of the Loop, the USPS Main Post Office straddles the eight lane Eisenhower Expressway, and consists of over 2 million gross square feet, which makes it second in size only to the Pentagon among Federal government buildings.

On Chicago's South Side, the Food and Drug Administration operates a delegated laboratory facility at the Illinois Institute of Technology.

Also located in Chicago, the VA's Lakeside Medical Center and the Westside Medical Center are situated near Northwestern University and the University of Illinois hospitals. VA hospitals and patients benefit from the close relationship between the VA and these teaching hospitals.

On the grounds of Chicago O'Hare International Airport, the USPS owns an airmail facility. The U.S. Customs Service leases space at this facility as well.

Outside the city limits, the USPS owns or leases over 200 community post offices in Cook and Dupage Counties employing 33,000 workers.

In suburban Hines, the VA operates a hospital—Hines Medical Center in partnership with Loyola University.

In DuPage County, the Department of Energy funds two facilities—Argonne National Laboratory and Fermi National Accelerator Laboratory employing a total of 350 Federal employees, approximately 2,200 contract employees plus hundreds of scientists and researchers.

In Lake County, the Department of Defense has the Great Lake Naval Training Center and is disposing of Fort Sheridan. Also, the VA operates a hospital in North Chicago.

Now I would like to turn to a number of joint reinvention efforts between GSA's Great Lakes Region and other Federal agencies. As Administrator Roger Johnson stated at a June 6 hearing before this subcommittee, GSA is a leader in the effort to reinvent the Federal government. This agency has embraced the National Performance Review and is now completely focused on providing better customer service to Federal agencies at a lower cost to the taxpayer.

In the President's Management Council's Report on Federal field office structure, a number of recommendations to streamline field offices are outlined. Currently, the GSA's Great Lakes Region is implementing several activities to assist our customer agencies to co-locate and consolidate field offices and establish cooperative arrangements to meet administrative needs across departmental and agency lines. This morning I would like to share with you several ongoing activities in GSA's Great Lakes Region to achieve the goals of the PMC's Report.

As the Federal Government's real estate manager, developer, and owner, GSA's Public Building Service (PBS) has initiated a number of co-locating and consolidating projects in the Great Lakes Region. An example of GSA's efforts to reduce "overhead" costs is the Cooperative Administrative Support Unit (CASU) Program. The CASU Program is a nationwide interagency shared service network that consolidates reimbursable administrative services across agency lines. Members of the network include local Federal agency managers who voluntarily enter into agreements to achieve economies of scale and improve the quality of administrative support. The network is overseen by a National CASU Board of Directors comprised of senior-level administrative management official and receives support and assistance from GSA's Office of Workplace Initiatives in Washington, DC. Savings and costs avoided in FY 1994 alone were estimated at more than $33 million, with cumulative savings, since its inception in FY 1986, estimated at $125 million.

GSA is a charter member of the Chicago CASU and played an integral role in its establishment in early FY 1987. The Chicago CASU pioneered a number of cost-saving measures such as bundling of agencies' photocopier requirements, interagency property management, and interagency mail management. In fact, the Chicago CASU was the first to bundle agencies' photocopier requirements through a single vendor, fixed cost per copy contract which has resulted in $122,500 in savings

in FY 1994. This is the biggest money saving activity for the entire CASU Program. Also, the Chicago CASU ranked second among the 50 CASU's across the country in FY 1994 in service-subscription units with a total of 293 contracts.

Telecommuting centers and hoteling arrangements are two other examples of GSA initiating activities to reduce "overhead" costs through cooperative arrangements with other agencies to provide administrative support. Telecommuting centers are community-based interagency centers for use by Federal employees who would otherwise have to commute long distances to their primary worksites. Hoteling arrangements, also, provide fully equipped workspace and administrative support that enable the Federal employee to be productive and efficient while away from their principal duty station.

Currently, GSA's Great Lakes Region is working in conjunction with an IRS downsizing initiative to open the first major telecommuting center in the west suburbs of Chicago. Among other things, this center will provide supplemental training/conferencing facilities to Federal employees. In light of the substantial concentration of Federal employees housed in the west suburbs, we expect this center to be in great demand. We have also begun negotiations with the Federal Aviation Administration with the intent of opening a similar conference and telecommuting center near O'Hare International Airport. Such a facility will not only benefit local Federal workers, but will also be readily available to travelers through the world's busiest airport.

Similarly, Federal employees frequently travel to other Federal communities and require a temporary workplace. In response to this need, the Great Lakes Region has established hotel arrangements in Cincinnati, Chicago, and Indianapolis. In a related activity, we are working with the Federal Communication Commission (FCC) as it goes through a reorganization effort which calls for the closing of offices in a number of states and relocation of their employees to their regional headquarters in Chicago. Not only will GSA be disposing of unneeded space in Minnesota, but we will also be providing hotel space for FCC's remaining field personnel. These people will spend most of their time working outside of the office. Therefore, they will be sharing common workstations rather than using permanent office space.

The following are additional examples of GSA's ability to act as a central planner and spokesperson for our Federal communities. The Great Lakes Region surveyed its inventory for opportunities to reduce rents especially in areas affected by the depressed real estate market. As a result, GSA has obtained rent savings in excess of $3 million in downtown Chicago. In Cincinnati, GSA acted as the intermediary and agent for disposing of unneeded space for the Office of Thrift Savings (OTS). We were able to relieve OTS of its rental obligation by negotiating an agreement for the Department of Housing and Urban Development to occupy the space after needed renovations were made. This resulted in hundreds of thousands of dollars in savings for the taxpayers.

GSA is also helping agencies to consolidate field offices. In conjunction with the IRS, we are consolidating three suburban locations into one large center serving all of west suburban Chicago. This consolidation will reduce the IRS' space needs by 13,000 square feet, a reduction of 20 percent and projected savings of over $400,000 per year. We were successful in a similar, although smaller, venture in South Bend, Indiana, where we were able to recapture underutilized office space in cooperation with four separate agencies by using shared administrative support space at a significant savings to the Federal Government. In addition, we continue in our role as space provider across the Canadian border, where GSA provides housing for the U.S. Customs Service, the INS, the Border Patrol, the Department of Agriculture and others as necessary.

The Great Lakes Region continues to work cooperatively with private sector vendors and State governments, and hopes to expand this effort to local municipalities as well. One of our most successful outleasing projects, with the private sector, is the Food Court in the Ralph H. Metcalfe Federal Building. This initiative has made private sector vendors an integral part of the building, creating a mutually beneficial public/private partnership. The vendors are expanding into a market that had not been available previously, and the Federal Government has benefited from a previously untapped revenue source. We have negotiated an agreement with the Central Management Services Department of the State of Illinois to co-locate State officials with their Federal counterparts in Mt. Vernon, Illinois. This agreement now provides a standard for use throughout Illinois whenever similar joint housing needs arise. We also have worked with local officials in East St. Louis, Illinois, to provide housing for the East St. Louis Community Fund in the Melvin Price Federal Building and Courthouse.

In the area of telecommunications and information systems, GSA has many opportunities to streamline Government. In the Great Lakes Region, GSA's Information Technology Service (ITS) is introducing technology that enhances the efficiency of Government by speeding the flow of and expanding access to information. I would like to share with you today a few examples.

A desktop computer video link, successfully piloted by ITS, has been adopted by the IRS to improve communication between offices in Chicago, Kansas City, and St. Paul. The system uses a small camera attached to the top of a PC monitor to enable users talk face-to-face and exchange and work on files—on their computer screens.

Also, a new ITS-installed downlink gives Chicago-area Federal agencies a better and less-costly way to view video transmissions of training programs and conferences. The downlink at the Metcalfe Federal Building is a steerable dish that greatly surpasses reception of systems with fixed antennas. The building's conference facilities give Federal agencies a centrally located and less costly alternative to renting a commercial studio to view programming from other cities.

Through ITS's Purchase of Telecommunication Services (POTS) contract, Federal agencies are able to obtain cellular and other wireless communication equipment that makes field office operations truly mobile.

Finally, I would like to share with you a few points regarding GSA's Federal Supply Service (FSS). FSS has operated like a business since 1987 when legislation was passed to place the vast majority of the operations under "industrial funding" which requires recovery of FSS' overhead costs in providing supplies and services to Federal agencies. As a result, FSS offers its customers highly competitive prices, leading quality service, and challenging opportunities in the breadth of its product and service offerings while covering its overhead costs, lessening the need for congressional appropriations.

Reinvention activities within the Great Lakes Region FSS have resulted in increased sales of supplies by 25 percent from fiscal year 1993 to fiscal year 1994, with sales in fiscal year 1995 already above last year. FSS' customer base has doubled since FY 1992. Increased sales are an indication that Federal agencies are ending the duplication of services and focusing on their agencies' missions while GSA provides the supplies and services they want and need.

The FSS in the Great Lake Region could not accomplish these successes without engaging in partnerships with other government entities and the private sector. In the past several years, FSS has used commercial auction houses for the sale of Government fleet vehicles that have expended their cycle for Federal use. This has been a successful initiative and the number of vehicles owned and operated by other Federal agencies which are turned over to FSS for sale has grown. Another part of the fleet management success story is the implementation of alternative-fuel vehicles within the Great Lakes Region. In partnership with industry, several methanol fueling pumps were installed to provide support to 860 of Methanol-M85 vehicles in operation by 150 agency accounts in the Great Lakes Region. In addition, there are 175 ethanol vehicles in operation in the Chicago Metropolitan Area.

In partnership with the EPA, FSS has not only procured hundreds of products made from recycled materials, but employees of FSS and EPA launched an extensive effort to communicate the availability of these products to the Federal community and encourage their use. Nearly 1,000 purchasing locations within the Great Lakes Region participated in joint FSS and EPA sessions to explain the benefit to the environment of recycling and using recycled products. Just recently this effort earned FSS and EPA the honor of receiving the President's "Closing the Circle" Award.

In closing, in my role both as GSA's Regional Administrator and Chair of the FEB I have come to believe strongly in fostering interagency cooperation and partnerships through shared space use, administrative services programs, and telecommunications and information systems. I also believe GSA can offer federal agencies savings through the Federal Supply Catalogue and other services. The Federal government can achieve greater efficiency at lower costs. We need to be a creative force, building a better GSA and a more efficient Federal government. A Government that works better, yet costs the American people much less.

I hope I have given you a clearer picture of the Federal community located in the Metropolitan Chicago Area. We provide many different services to meet the needs of many different taxpayers and we are continually trying to improve these services.

This concludes my statement this morning. I would be happy to address any questions you may have or expand on any point I have made. Thank you again for this opportunity to address the subcommittee.

Mr. HORN. Thank you.

We now have Ms. Gretchen Schuster, the Regional Director for the Passport Agency of the Department of State. Ms. Schuster.

Ms. SCHUSTER. Good morning, Mr. Chairman and Congressman Flanagan.

It is a pleasure to be here to provide the subcommittee with information about Federal Executive Boards in general and the Chicago Federal Executive Board in particular.

A Presidential Memorandum of November 10, 1961, directed the establishment of Federal Executive Boards in 10 major centers of Federal population. The goals were to achieve better interagency coordination and to improve communication between government officials in Washington and in the field. The boards were to be comprised of the highest level local official of each Federal agency—civilian, military and postal—in a metropolitan area. Chicago was among the original 10 FEB locations. There are now 28. Since 1982, authority for FEB functions has been with the Office of Personnel Management.

Our Chicago FEB has 154 member agencies and serves over 60,000 employees within the 6 county metropolitan area. The members of the FEB meet quarterly to discuss and coordinate issues, such as re-engineering and customer service.

The FEB is headed by a chair, vice chair and secretary-treasurer. In addition, there is an Executive Committee of 10 members responsible for outlining the focus and policies of the FEB.

As with other FEBs, Chicago has an executive director who serves as the principal staff assistant to the chair.

As outlined in 5 CFR Part 960, FEBs provide a forum for exchange of information between Washington and the field about programs, management methods and administrative problems. And FEBs coordinate local approaches to national programs. They provide the context and contact by which resources can be shared, so joint Federal initiatives may be implemented on a broader scale and can be more effective.

A few examples of what the Chicago FEB has accomplished include the establishment of three child care centers, the hosting of regional conferences dealing with matters of importance to all Federal agencies such as cultural diversity and total quality management, the ongoing co-sponsorship with the Office of Personnel Management of Executive Forums at which agency executives discuss issues of importance such as ethics, leadership and dealing effectively with change.

The importance of an FEB has been dramatically shown in times of crisis. In January 1994, the Los Angeles FEB coordinated after-hours recruitment and training of over 1,000 voluntary Federal employees from 22 major government agencies to be immediately assigned to staff FEMA disaster assistance centers in the area of the Northridge quake.

The Oklahoma City FEB was key to the quick response shown by the Federal community following the bombing of the Alfred P. Murrah Federal Building. The FEB contacted major Federal agencies to encourage employees to donate blood; worked with GSA to coordinate available office space; kept Federal agencies updated and distributed information regarding the telecommuting sites established to help accommodate dislocated agencies and employees.

In addition, the FEB coordinated the establishment of a one-stop service center in a local mall for those affected by the bombing. At that center were FEMA, the Small Business Administration, the American Red Cross, the Social Security Administration and the Federal Employee Education and Assistance Fund.

Nationwide, FEBs have been key to disseminating information from the National Performance Review's customer service initiative. The Chicago FEB currently has a task force, comprised of representatives from the Social Security Administration, the Internal Revenue Service and the Immigration and Naturalization Service, examining what steps need to be taken to bring this cooperative effort to fruition.

In Atlanta, the Georgia Common Access application grew from the cooperative efforts of the Atlanta FEB and the State of Georgia. The work group revised 64 pages of application forms, which I am holding up here, down to an 8-page, multi-program application for needy applicants seeking assistance.

The President's Management Council has recognized the value of FEBs in improving customer service and has acknowledged the importance of their role in carrying out the initiatives proposed in the Federal field study. The PMC is currently undertaking a study of the role of funding for FEBs.

I hope that I have given you a clear picture of the Federal Executive Boards and the purposes they serve.

[The prepared statement of Ms. Schuster follows:]

PREPARED STATEMENT OF GRETCHEN SCHUSTER, REGIONAL DIRECTOR, PASSPORT AGENCY, DEPARTMENT OF STATE

Good morning Mr. Chairman and Congressman Flanagan. It is a pleasure to be here to provide the subcommittee with information about Federal Executive Boards, in general, and the Chicago Federal Executive Board, in particular.

A Presidential Memorandum of November 10, 1961, issued by President John F. Kennedy to heads of departments and agencies, directed the establishment of a Federal Executive Board, now commonly known as an FEB, in ten major centers of federal population. The goals were to achieve better interagency coordination of federal activity and to improve communication between government officials in Washington and in the field. The boards were to be comprised of the highest level local official of each federal agency—civilian, military, and postal service—in a metropolitan area. Chicago was among the ten original FEB locations, as well as Atlanta, Boston, Dallas, Denver, New York, Philadelphia, St. Louis, San Francisco, and Seattle. Subsequent Presidents added other locations. There are 28 FEBS throughout the United States.

Since their establishment, FEBS have been, at various times, under the administrative responsibility of the Civil Service Commission and its successor, the Office of Personnel Management, and the Bureau of the Budget and its successor, the Office of Management and Budget. Since June 7, 1982, authority for Federal Executive Board functions has been with the Office of Personnel Management.

Our Chicago FEB has over 154 member agencies and serves over 60,000 employees, including Postal Service employees, within the six county metropolitan area. The members of the FEB, local heads of agencies, represent the executive and legislative branches of government and meet quarterly to discuss and coordinate issues of interest, such as reengineering and customer service. The FEB is headed by a Chair, Vice Chair, and Secretary/Treasurer elected by the membership. In addition, there is an Executive Committee of ten elected members. This committee meets monthly and is responsible for outlining the focus and policies of the FEB, including recommendations on matters involving interagency coordination and action. Members of the Executive Committee serve two year terms, with the officers service one year. Former Chairs of the FEB continue to serve on the Executive Committee as Ex-officio members.

As with other FEBS, the Chicago FEB has an Executive Director, who serves as the principal staff assistant to the FEB Chair. The position does not represent an

individual agency, as do members of the board, but rather the federal community as a whole. The Chicago FEB also has a Secretary who carries the day-to-day administration of the office.

As outlined in 5 CFR Part 960, FEBS function in four general areas: to provide a forum for the exchange of information between Washington and the field about programs, management methods, and administrative problems; coordination of local approaches to national programs and such local interagency programs as may be approved by the Director of OPM; communication from Washington to the field of management initiatives and other concerns for the improvement of coordination; and referral to the national level of problems that cannot be resolved locally. FEBS provide the context and contact by which resources can be shared, joint federal initiatives can be implemented on a broader scale and can be more effective. Smaller agencies can piggyback on the programs and resources of larger agencies. Camaraderie within the federal executive community can thrive through the networking opportunities provided by the FEB.

A few examples of what the Chicago FEB has accomplished through cooperative efforts include: the continuing support of our Cooperative Administrative Support Unit, known as CASU; the establishment of three child care centers, a concept that began in the FEB's Federal Women's Program Subcommittee: the hosting of regional conferences dealing with matters of importance to all federal agencies, such as cultural diversity and total quality management; and the ongoing co-sponsorship with the Office of Personnel Management of Executive Forums, at which agency executives and their key staff network and discuss issues of importance to them, such as ethics, leadership, and dealing effectively with change. The Chicago FEB was also instrumental in minimizing the number of employees who would have become unemployed as a result of the closure of the Defense Logistics Agency and the downsizing of the Office of Personnel Management during the last year. In both instances, the number of employees displaced was drastically reduced because those affected agencies were able to work through the FEB with other members whose agencies had vacancies.

The involvement of agency heads and their employees in FEB activities is totally voluntary. The organizational structure of an FEB varies from one federal community to another in order to meet the needs of each federal community. For the Chicago FEB, the current standing committees are: The Chicago Training Council; the Equal Employment Opportunity Committee and its three subcommittees—the Hispanic Employment Program, the Federal Women's Program, and the Veterans and Persons with Disabilities; and the Minority Business Opportunity Committee. In addition, the Chicago FEB has other special committees that serve the needs of the federal community.

The importance of an FEB has been dramatically shown in times of crisis, when the need for coordination and communication is greatest. In January 1994, the Los Angeles FEB coordinated the after hours recruitment and training of 1,007 voluntary federal employees from 22 major government agencies within its jurisdiction to be immediately assigned to staff FEMA Disaster Assistance Centers in the area of the Northridge quake. These volunteers were in addition to the agency employees from HUD, IRS, and SBA who also staffed the centers providing direct benefits from their organizations. Through systems that the FEB already had in place, it helped free FEMA from the need to recruite and hire temporary staff for this function. This effort immediately reduced lines for quake victims to apply for and receive relief at no additional expense to the government.

The Oklahoma City FEB was key to the quick response shown by the federal community following the bombing of the Alfred P. Murrah Federal Building. The FEB contacted the major federal agencies in the area within hours of the bombing to encourage employees to donate blood; coordinated with the Oklahoma State Bureau of Investigations in identifying the federal agencies and offices located in the Murrah Federal Building; worked with GSA to coordinate available office space; kept federal agencies updated with information from other agencies and from Washington; provided information to the family support center and to families about relief and assistance available: distributed information regarding telecommuting sites established and available to help accommodate dislocated agencies and employees; and planned and coordinated two half-day seminars by a well known expert in workplace violence for victims, family members, and other employees. Another seminar was presented and specifically tailored for supervisors and managers. In addition, the FEB coordinated the establishment of a one stop service center in a local mall for those affected by the bombing. Those service agencies providing service at that center were FEMA, the Small Business Administration, American Red Cross, the Social Security Administration, and the Federal Employee Education and Assistance Fund.

Nationwide, FEBS have been a key to disseminating information from the National Performance Review's customer service initiative. FEBS are taking an active role in helping to facilitate the establishment of one stop customer shopping. The Chicago FEB currently has a task force, comprised of representatives from the Social Security Administration, the Internal Revenue Service, and the Immigration and Naturalization Service, examining what steps need to be taken to bring this cooperative effort to fruition.

In Atlanta, the Georgia Common Access application grew from the needs expressed by the Atlanta Project communities and from the cooperative efforts of the Atlanta FEB and the State of Georgia. The work group revised 64 pages of applications from six different federal and state agencies into a single eight page multiprogram application for needy applicants seeking assistance. Tested in Atlanta by several federal and state agencies, the pilot resulted in 90 applications for 154 programs. The work group has determined that the Georgia Common Access application could lead to intake time cost savings of $11.52 per applicant or $1,152,000.00 for every 100,000 applicants. The success of this pilot is now moving the group from paper to computerized applications, plus expanding the number of agencies and programs included. The Georgia Common Access application was presented to other FEBS at a conference held in December 1994. Currently, other nearby states are being approached by federal agencies as to the feasibility of their states to follow this model. There are also plans to present this application nationally.

In Minnesota, a "grass roots" organization formed with the support of the local FEB has become a model for others. Partnership Minnesota was formed by a small group of federal and state employees to enhance cooperation among government agencies. Their scope originally included only state and federal agencies, but has evolved to include local governments. They have pursued their mission through a series of partnership conferences, issue exploration sessions, outreach presentations, consulting services, and awards programs. Since its inception, forty-one projects have received cooperative public service awards, and more than two thousand partners from over two hundred other partnerships have received governor's commendations. It is not just another program, but a way to do business. The Federal Executive Boards are uniquely positioned to promote this type of success across the country.

The President's Management Council (PMC) has recognized the value of FEBS in improving customer service and has acknowledged the important role FEBS can play in carrying out the initiatives proposed in their federal field study. The PMC is currently undertaking a study of the role of funding for FEBS.

I hope that I have given you a clear picture of the Federal Executive Boards and the purposes they serve. FEBS are active and vital parts of their federal communities, bringing about interagency coordination and cooperation in an effective and efficient manner. This concludes my statement this morning. I would be happy to address any questions you may have. Thank you for this opportunity to address the subcommittee.

Mr. HORN. We thank you very much for your testimony.

I now yield to the gentleman from Illinois to begin the questioning.

Mr. FLANAGAN. Good morning. This hearing brings together various elements of the Federal Government on the FEB——

The REPORTER. Excuse me, Congressman, could you speak louder? We cannot hear you.

Mr. FLANAGAN. Is that better?

The REPORTER. Speak up a little, please, sir.

Mr. FLANAGAN. This morning's hearing brings us together to talk about the FEBs and streamlining government, finding ways to save money without diminishing your capacity; in fact, by enhancing it, by enabling you to work better and smarter and consequently, cheaper.

Speaker Gingrich has a wonderful anecdote. He stands and holds up a vacuum tube and a microchip. That is what we are here to find out about today and explore the things you do.

Ms. Schuster, your testimony particularly interested me, and the work that you have done so far. We will get to the videophones and other things in a minute, but just a few general questions first.

In regard to field locations, where are we with that, where are we going with it, and are we looking to reduce the number from 30,000 field offices in the Federal Government? Are we trying to reduce that number, are we headed in that direction, or are we looking to expand that number as part of the streamlining measure?

Ms. SCHUSTER. The FEBs are not directly involved in terms of what an agency would do in terms of reducing its number of sites; for example, GSA. What we do is coordinate the work of the FEB, but we do not have empowerment to make decisions for agencies.

Mr. FLANAGAN. No one suggests that you do. In the course of making these suggestions, are we suggesting fewer field locations?

Ms. SCHUSTER. I do not think we are well versed enough—our own individual agency is one issue, OK, in terms of direct service, but——

Mr. FLANAGAN. Well, tell us about GSA.

Ms. SCHUSTER. Oh, OK—no, I am not with GSA.

Mr. FLANAGAN. I am sorry.

Ms. SCHUSTER. I am Gretchen Schuster for the FEB with no cleared testimony for Passport, but my agency, for example, is one of those that serves the public directly. We already serve through a network of postal facilities, in terms of intergovernmental cooperation, and many clerks of court. So that field structure has been in place for a long time. And our one-stop shopping experiment that we are talking about with INS, SSA that I mentioned briefly, I believe, they are working on processing SS–5s for original and replacement cards of aliens and naturalized citizens, but you would be able to do that potentially at INS when you are there anyway, instead of sending the public to yet another Federal agency in terms of shopping.

Mr. FLANAGAN. The SS–5 stands for what?

Ms. SCHUSTER. Your social security application.

Mr. FLANAGAN. OK, that is the basic social security application and are you saying we have an experiment here or is that nationwide?

Ms. SCHUSTER. No, in Chicago, with INS working cooperatively with Social Security. They are actually putting a person, a Social Security person, in the INS office, so that the customer, the public, does not have to make two stops.

Mr. FLANAGAN. Very interesting. How much of that sort of cross fertilization of programs is there?

Ms. SCHUSTER. Well, we are starting small, to be accurate. And part of it is going to depend on staffing availability in the individual agencies. I think, where we see logical connections and we can prevent the public from expending more time than they already have to, we are trying to fill those niches. We are also working with—let me see, there is INS, there is Social Security and there is also IRS, because all those functions, as you are becoming a new citizen, are interwoven.

Mr. FLANAGAN. Perhaps you are not that far in thinking and planning yet, but certainly you have an eye on reducing the num-

ber of field locations by trying to centralize as much information as possible.

Ms. SCHUSTER. And to be more convenient to the public at the same time.

Mr. FLANAGAN. Correct. How are things going for GSA in that regard?

Mr. BURKE. Congressman, as far as GSA, we are certainly meeting the needs of our customer, which is the Federal community, and the things that are taking place here in this region. There have been a number of reorganizations among Federal agencies. The Office of Personnel Management is basically going to disappear and they are going to be contracting out many of their services. The IRS is going from 10 regions to 4 regions and as a result, they are looking to do more of their contact across their region through video-conferencing and other kinds of information technology services, which GSA has offered to provide them. A case in point, in this area, what is going to be the region that will be covering the Chicago metropolitan area and the upper Great Lakes States, the manager is going to be located in St. Louis, but he is going to have field officers going as far as St. Paul, MN and they are looking to maintain their interconnections and interactivity with each other through information technology services, which GSA's ITS people are going to provide them.

They are also, as a result of these moves, looking in the western suburbs to consolidate three offices into one larger office and then use hoteling or telecommuting centers for their personnel that have to be in the field, to have locations where they can come in, have computers, have a full service office equipment available to them, but yet still be able to function and perform day-to-day like they should. They look to save—and we are actually going to pay for about 40 percent of the hoteling facility because we also will be utilizing the center for other members of the Federal community. We look to save, just in that particular situation, $400,000.

Mr. FLANAGAN. One of the traditional handicaps of GSA is that you are bricks and mortar heavy. It is good to see you have an eye on reducing the amount of that.

We have been told that government managers are willing to accept streamlining suggestions on this downsizing process. But the National Performance Review also says that their goal is to eliminate 273,000 jobs. Do you think that goal has an effect on their acceptance of deciding on the jobs to be eliminated at the Federal level?

Mr. BURKE. Well, speaking for GSA, Congressman, I think that people are certainly willing to see government reduced, if in fact the reductions are about true cost-savings to the government. One of the things is that I think we have to accept that people in every instance do not necessarily equate to cost-savings, if in fact the functions that those people perform are functions that have to still be performed, and just shifting the functions elsewhere, and therefore even building up people elsewhere and losing expertise somewhere is not, you know, necessarily going to equate to a savings. But where—those areas where the reduction of people, the reduction of process and reduction of office space, all things which we in GSA certainly have undertaken, and of course a number of other

agencies have undertaken, are things that I think the Federal worker is willing to do. I think their only apprehension is at what point do we make the proper analysis that, you know, we are at the proper strength in government and the service delivery that the functions that we perform for, whether it is for Federal agencies or whether it is for the public at large, at what point are we at a proper number to deliver those services, you know, effectively.

Mr. FLANAGAN. Ms. Schuster, do you have a thought on that?

Ms. SCHUSTER. Really, that would be more of an individual agency issue and not appropriate necessarily for the FEB.

Mr. FLANAGAN. So the FEB has no view on whether the elimination of jobs will help make us more streamlined or not?

Ms. SCHUSTER. I think it is very particular to an agency.

Mr. FLANAGAN. OK.

Mr. Burke, your opening statement was rather short, and for those who are not that deeply conversant with something which I think is probably one of your crowning achievements, and that is the Cooperative Administrative Support Unit, could you expand on that a little bit, tell us how it works?

Mr. BURKE. The CASU is a collaboration of the Federal agencies to combine resources in an effort to get certain administrative services like photocopying, printing, property disposal, things of that nature done in a manner where we all provide through a contractual basis, resources to getting that service done. And we contract to have it done as a resource center. Just in the photocopying area in 1994, we had savings of about $122,000, as a result of the CASU.

Now one of the problems that is ongoing of course is that CASU requires resources and personnel. With downsizing, one of the pressures being put on CASU units is will all of us, the agencies, from a funding and a personnel standpoint, be able to provide our various components to keep it operating. Here in Chicago, the CASU almost closed up because the IRS was under pressure and they are one of the principal supporters of that in terms of personnel, was going to have to pull those personnel out, but we did get it worked out. And you know, hopefully we will be able to continue to do that and I think, you know, as you have pointed out, the CASUs have been an area where we have been able to provide efficiencies and save dollars, which certainly goes to serving government better.

Mr. FLANAGAN. Can you tell us about the videophones that you're going to be using, the face-to-face electronic communication?

Mr. BURKE. Well, GSA ran a pilot program specifically for the IRS. They are going to use the video, which allows one to communicate by voice through a video camera which is on top of the computer—the IRS is going to have this service set up in 20 locations, as I mentioned, because they are restructuring. They are going from 10 regions to 4 regions, they are going to be communicating and managing personnel across a much wider area, and what this will allow them to do, it will allow Bill Burke to talk to Congressman Flanagan, theoretically say in another location, where we can actually have documents on our computer before us, but we can actually verbally communicate about those documents or we can exchange management information.

These are some of the kinds of services that our Information Technology Service is able to provide, and some of the things that we are actually marketing to other clients that are in the same posture where they are trying to manage personnel across a wide——

Mr. FLANAGAN. By clients, you mean——

Mr. BURKE. I am talking about other governmental agencies. GSA does not, you know, per se, serve the public, we serve other governmental agencies.

Mr. FLANAGAN. Right.

Mr. BURKE. But to utilize the——

Mr. FLANAGAN. It took me 2 months to figure out when government agencies are talking about clients, what they are actually talking about. [Laughter.]

Mr. BURKE. Well, we consider our other governmental agencies certainly as our clients. We are very client focused in terms of trying to provide them services as efficiently and at as low a cost as possible. And we have a number of instances we can point to where we certainly are doing this very effectively.

Mr. FLANAGAN. Terrific.

One of the keys to customer service is having trained employees. I want to go back there for just a minute. How would you assess the current state of employee training in government, and can it be improved? I will assume it can always be improved, but how can we help?

Mr. BURKE. Well, I certainly cannot speak for the other agencies because I am not necessarily aware of exactly what their training status is, but within GSA, we certainly are promoting, you know, having highly trained and highly skilled employees, because, of course, the more skills that an employee has, the more productive they can be. And in this climate of downsizing, we are certainly looking to having employees that can perform services in more than one area. We are, in GSA, promoting, where the union partners will allow us, cross-training because of course this puts an employee in a position to do more than one job. But within the Master Agreement, we have to have the union's concurrence to allow employees to do other than what the agreement says is their specific job description. But enhancing employees' skills is invaluable to making downsizing work. Certainly part of downsizing is that we will use more technology. GSA is certainly promoting that among other Federal agencies, and other Federal agencies certainly are looking at that. So there is a different skill level that is required and there certainly is a different kind of training to make people fully able to utilize the technology that is available in the workplace. Then of course, because you are asking us to be more competitive, I think it is even more incumbent that we have highly skilled employees. We are looking to benchmark ourselves against the private sector, which we are doing. We have to have those same kind of skills that a private sector company would have in order for us to compete. And the fact is that we do have them.

Mr. FLANAGAN. Terrific.

Mr. Chairman, before I yield to you, I would like to take a minute to recognize Mr. Morris who has come in, and probably has

a few words of wisdom about FEBs, OPM generally, and a handful of other things.

Mr. Morris.

Mr. HORN. Mr. Morris, good morning. If you will raise your right hand.

[Witness sworn.]

Mr. HORN. The reporter will note that Mr. Morris affirmed.

STATEMENT OF JOSEPH MORRIS, MORRIS, RATHNAU & DE LA ROSA

Mr. MORRIS. Good morning, Mr. Chairman and Congressman Flanagan. Thank you very much for the invitation to appear here this morning and share some observations with you about streamlining government in general and in the field in particular.

Mr. Chairman, I have tendered to the subcommittee a formal statement.

Mr. HORN. It has been put in the record.

Mr. MORRIS. Thank you, sir.

Well let me summarize that and add just a few other observations.

First of all, the striking thing about the Federal workforce in America is that most of it is not in Washington, DC, and I think this subcommittee and in particular the 104th Congress in general, should be commended for recognizing that fact and for taking these hearings into the field.

Of the 2.9 million Federal employees who work within the domestic United States, only 377,000 work in Washington, DC, and its immediate environment. The rest, over 2.5 million of the Federal workforce, work out in the field. And just as a way of illustrating the significance of those numbers, let me point out that with round numbers, 100,000 Federal employees work here in the State of Illinois. There are more people employed by the U.S. Government in Illinois than in the Maryland suburbs of the District of Columbia or in the Virginia suburbs of the District of Columbia, counting even the Pentagon. So it really is in the field where the work of the Federal Government gets done. And that means that sometimes the perceptions of particularly Federal managers inside the beltway, the Washington, DC beltway, are not always the perceptions you will find from Federal managers out in the country at large, where they are living and working alongside of the citizens and taxpayers who in an ultimate sense are their clients.

That means that there is a lot of wisdom and information to be tapped from Federal managers in the field, and I am glad to see that the subcommittee is doing that.

Let me turn then to the question of Federal Executive Boards and the coordination of Federal activity in the field. I have a particular interest in Federal Executive Boards. The regulations that were adopted in August 1984 by the Office of Personnel Management attached to my statement are essentially my draftsmanship. I was the general counsel at OPM at the time in Washington, and when President Reagan and Director Devine decided at that point to strengthen the FEBs as a system for coordinating Federal activity, that assignment came down to my shop.

The Federal Executive Boards reflect the potential for the use of Federal managers at the regional and local levels across the country to do an important job of coordinating and organizing the delivery of Federal services in the field. And it is instructive, I think for you as a subcommittee, to look at how that is done in the field and distinguish key features of the way the government works in the field from the way it works in Washington, DC.

You will find, I think, and these are generalities and I am glad to explore them in detail with you if you wish—but I think you will find that government operations in the field cost less, personnel costs are less. The average GS levels of the Federal workforce in the field is less in comparable kinds of activities than they are in the Washington, DC area. You will find as a general rule overhead is less in the field, and I think most interesting of all, for purposes of the kind of streamlining that has to take place in the contemporary age, you will find Federal managers in the field much less protective of turf, much less desirous of maintaining the kinds of institutional status quo arrangements that are often so important in Washington, and are much more amenable to taking guidance from policymakers and from Congress. If you give them clear and intelligible guidance about downsizing government, whether it is privatizing, contracting out, transferring functions, reducing forces and so on, I think you will find, perhaps as a surprise to many, that Federal managers in the field will respond to a clear and intelligible guidance with alacrity, precisely because they live and work alongside of citizens and taxpayers and they understand what it means when the rubber of government hits the road in local communities.

One valuable way in which government service activity at the local level can be improved is precisely through improvements in management information systems. It sounds surprising to many who think of government computerization in terms of the massive computer operations of NASA or the Department of Defense or what they imagine lurks behind the walls of the IRS or the CIA. But the fact of the matter is often government computer activities lag way behind and you have the irony of government workers who go home to computer systems at home that are much more sophisticated and up to date than the computer systems on which they work at the office. There are a lot of reasons for that, in part it is because of some early acquisition decisions that government made where rather than risking buying off-the-shelf equipment, government agencies insisted on highly customized computer systems that ended up not being linkable to anything. But they are stuck with them, having made major investments in them, and they try to upgrade them rather than in fact making the necessary investments to get into the broad world of interlinking computers governed by agreed upon standards that the private sector, the private marketplace, has evolved over the last couple of decades.

I worked for a couple of years as the general counsel and the chief of staff of the U.S. Information Agency in Washington, a sophisticated agency, right, with hundreds of posts overseas and a parallel structure to that of the State Department, jointly sharing with the State Department the encrypted cable traffic system. I cannot tell you how many times I was involved in negotiations

overseas, including, Congressman Flanagan, in Greece, where I know you have done some work in the Army, and it was so cumbersome and so difficult to try to get documents sent from my office in headquarters to our embassy in the field, that it was actually faster—I do not know if it was cheaper, but it was certainly faster, more accurate, to have my secretary leave headquarters in Washington, go a couple of blocks away to a hotel, use the hotel fax to fax non-classified documents to me at my hotel in Athens, send somebody over from the embassy to the hotel in Athens to get those documents and take them back to the embassy to the negotiations.

Now I am told things have improved a little bit in the last few years, but still USIA and the State Department are in lockstep with largely customized kinds of equipment.

Government as a rule—we all understand there are necessary exceptions for highly unusual uses, scientific uses, defense uses, encryption needs and so forth—but just as a rule, if government relied on the same kinds of hardware and software that are available in the general marketplace and participated in the same broad common carrier networks that the general marketplace uses, then the avenues open to us for efficiencies and cost-savings and the kinds of telecommuting that Mr. Burke is describing here can become real in just the next 10 years or so.

I think, for example, that the notion that Federal workers who do statistical work, who do data processing work, who do paperwork operations might actually work from workstations in their homes through telecommuting. Think what that would mean to the government in terms of overhead savings. It is not a fantasy, that can be a reality within 10 years or so, if we begin to lay the foundations now.

Let me conclude, Mr. Chairman, with a couple of fundamental observations. By and large, my experience in working with Federal civil servants across this country over the 8 years of my time in Washington is that most Federal civil servants—and Federal managers in particular—are hungry for guidance from policymakers and from Congress. Most of the waste that we find in government is not the result of decisions that have been made by civil servants. Most of it is the result of decisions frankly that have been made by Congress and senior policymakers.

The real key to reducing government and reducing government waste is to get the missions of government right. The real key to increasing the respect and prestige that American citizens have for the Federal civil service is to get the missions of government right. If government is doing things it cannot accomplish, if it is doing things it should not accomplish, then it is no surprise that it does not do them well, that it is expensive and that people do not respect the folks who are assigned to do that work. But if you in Congress and in the White House and the top levels of the executive branch get the missions right, get the functions right, get the government programs right, I think we will all be surprised and pleased to find that Federal civil servants, especially managers in the field, want to be partners with Congress and with executive branch management in doing what is necessary to get the job done, whether it is privatization, whether it is contracting out, whether it is reduction in force or transfers of function. I think that with

clear and intelligible guidance, Federal managers in the field are an asset to the Federal Government. The real job is yours, the real job is that of Congress, to get the definitions of government right.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Morris follows:]

PREPARED STATEMENT OF JOSEPH MORRIS[1], MORRIS, RATHNAU & DE LA ROSA

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to appear before you to discuss the streamlining of Federal operations and the improvement of the coordination of Federal activity in the field. I bring what may be an unusual perspective to your deliberations. For eight years under President Reagan I was a senior official of the Federal Government in Washington. One of the hats I wore during my Washington service was of direct relevance to management of the farflung Federal establishment: I served for nearly five years (longer than anyone else in history) as the General Counsel of the United States Office of Personnel Management—that is, as the chief lawyer for the U.S. Civil Service System. Permit me, then, a few observations that may be helpful to you as you explore various approaches to reorganizing and downsizing the United States Government.

I offer today four key points:

First, Congress has to remember that most of the Government of the United States is not to be found inside the Washington Beltway. Most of it is out here in America.

Second, more of it ought to be out here. If the Federal Government took better advantage of the opportunities created by the revolutions of the computer age, it could be.

Third, more of it ought to be coordinated out here, where it's closer to the people and it costs less. Through the judicious use of such mechanisms as the Federal Executive Boards and reliance on Federal managers in the field, it could be.

Fourth, there ought to be less of it altogether. And you may be surprised to find out that the Federal workforce out here in America is a lot more sympathetic to the goals of streamlining and reducing government than is the bureaucracy you encounter in Washington.

THE IMPORTANCE OF FIELD OPERATIONS

It is essential at the outset to recognize that most Federal activity indeed takes place "in the field"—that is, not inside the Washington Beltway, where government operations have hitherto been most visible to Congress and the national news media, but out in the 50 States, where they are most visible to the American people.

An eye-opening measure of that reality can be found in the geography of the Federal workforce. At the end of Fiscal Year 1993 (the most recent year for which data are currently available to me) total civilian Federal employment stood at 3,042,878[2] with 2,927,930 working within the United States (rather than at duty stations abroad). Of these, 377,816 (only 12.4% of the total) worked in the Washington, D.C., metropolitan area, while 2,550,114 (fully 83.8%) worked elsewhere in America. It is worth noting, in passing, that more Federal employees (106,163) worked in Illinois than in either Washington's Maryland suburbs (77,957), home to myriad Federal agencies including the National Institutes of Health, or in the capital's Virginia suburbs (85,458), home to such major Federal installations as the Pentagon itself.

So the 104th Congress in general, and this Subcommittee in particular, are to be commended for your fundamental awareness that the great bulk of Federal business, and the vast majority of the Government's interactions with citizens and taxpayers, occurs outside of Washington, D.C.

That inevitably means that the greater part of streamlining Federal activity must also take place in the field. I welcome, therefore, this opportunity to share a few observations with you, based upon both my eight years of service as a senior executive of the Federal Government in Washington, D.C., and my experience as a lawyer and citizen dealing with the Government in Chicago and throughout the country.

[1] A copy of my biographical sketch is attached to this statement as Annex A.

[2] The source of all workforce data cited is: U.S. Office of Personnel Management, MONTHLY REPORT OF FEDERAL CIVILIAN EMPLOYMENT (SF 113–A 1993). These data include the U.S. Postal Service and exclude the Central Intelligence Agency, the Defense Intelligence Agency, and that National Security Agency.

INFORMATION TECHNOLOGY

It is striking how much of the ongoing revolution in computer technology and information management has passed the government by. Although some agencies, particularly in defense and scientific fields, are perennially on the cutting edge of such advances, much of the work-a-day business of government lags far behind. This can even be true in as sensitive a field as the conduct of our country's foreign relations. When I was the Chief of Staff and General Counsel of the United States Information Agency in 1986 and 1987, I was struck by how antiquated the Agency's word processing, electronic-mail, and communications systems were then. They had been designed for compatibility with parallel systems in use by the Department of State—and the two agencies have remained in backward lockstep ever since. I recall numerous instances when, in traveling around the country or the world on official business, I found it faster, sometimes by days, to have materials walked from my office in Washington, D.C., to a nearby hotel or friendly private office and sent to my hotel in a foreign city by an early facsimile system, rather than to depend on direct transmission of the document from USIA headquarters to the embassy or post where I had traveled for conferences or negotiations. Of course, this worked only for non-classified documents; for classified materials I was at the mercy of the diplomatic establishment's slow and clumsy encrypted cable system. Things have improved in the intervening eight years, I am told—but not by much.

Department by department, agency by agency across the land, it is often the case that Federal workers go home to personal computer and communications systems that are faster, cheaper, more sophisticated, and more useful than the ones on which they work at the office. The reasons vary, but they certainly include a government-sector bias toward custom-designed systems that quickly become outdated and often have great difficulty in communicating with other systems. The private marketplace, by contrast, has moved fluidly through generations of computer systems, allowing participants to adapt to significant advancements without having to scrap existing investments in technology. This has been accomplished through the simple expedients of industry agreement upon basic standards; consumer insistence on systems that can be easily expanded and upgraded without total replacement; and the development of network tools that allow for easy link-ups of varying systems and rapid translations of computer languages. Thus Mac users and IBM-clone operators on the Internet have less difficulty in communicating with each other than do employees of the Departments of Justice and Defense.

As Congress goes about systematically exploring the improvement of Federal information management systems, I suggest that you look to the private marketplace not only for models of design but for actual hardware, software, and network elements of the system. The goal should be the achievement of a worldwide Federal workplace that uses computer systems that are identical to those found in the business and homes of America and that, when operating on networks, rely to the fullest extent possible on the same common carriers that knit the rest of America together. Of course there will be exceptions for truly unusual defense and scientific systems and for communications that must be kept inviolably secure; but those exceptions will be rare. As in many fields, so it is in information technology: The United States Government has much to learn from the American people.

Among the advantages of a government that is technologically sophisticated are the following: The elimination of paperwork; faster generation of more accurate information needed by policy-makers and the public; and, perhaps most important of all, the ability of the Government to transfer more and more work away from Washington, D.C., and to the field, through telecommuting and otherwise, where the personnel and overhead costs of government are much less than they are in Washington, D.C., and where ordinary citizens find it much more convenient to have access to the government programs that affect their lives.

FEDERAL EXECUTIVE BOARDS

A useful but little known tool of government management in the field is the system of regional and local Federal Executive Boards (FEBs). From an early time Federal executives in major metropolitan areas around the country found it useful to meet from time to time, on informal bases, to discuss common problems affecting government operations and the delivery of Federal services in their areas. In 1961 President Kennedy formalized these consultative processes with the issuance of a memorandum directing the heads of Federal departments and agencies to encourage and coordinate them. In 1984, when I was the General Counsel of the United States Office of Personnel Management (OPM), President Reagan and Donald J. Devine, then the Director of OPM, decided to strengthen the FEBs and to regularize their operation. The result was the clear assignment to OPM of authority to oversee the

FEBs and the promulgation by OPM of regulations, that I drafted, for their organization and operation.[3]

The FEBs serve a number of functions. Some of them go to the quality of life within the Federal workplace and thus represent sound management of the kind that one finds in any large business structure. Others allow them carry out desirable activities that cut across agency lines, but with a minimum of workplace disruption: An excellent case in point is the Combined Federal Campaign, the Federal sector's annual charity drive, supported to the tune of nearly $200,000,000 per year by generous Federal employees out of their own pockets.[4] Still others involve coordination of response by the entire Federal community in a particular locale to emergencies and disasters, natural or otherwise: A dramatic illustration has been the role of the Oklahoma City FEB as the focal point of Federal activity in meeting human needs and finding ways to continue government operations in the wake of the recent terrorist bombing of the Federal center there.

Over and above the specific functions that FEBs routinely carry out, they contribute to the sound management of the Federal Government in two crucial ways that often go overlooked.

First, by bringing local heads of Federal agencies to a common table from time to time, they reinforce on a working level the vital constitutional principle of the unitary executive. This means that agencies as diverse as the Passport Office, the Federal Highway Administration, the Internal Revenue Service, the Social Security System, and the Army Corps of Engineers are all part of the same business operation. They have the same chief executive, the President, the same board of directors, the Congress, and the same owners, the people.

Second, the interaction and coordination that FEBs foster allow for real opportunities for the achievement of efficiencies and economies of operation. Local government managers often find out about ways to save money—for example, through space-sharing, service-sharing, and other forms of cooperation—from their peers in other agencies. My experience has shown me that, given clear goals and groundrules and otherwise left to their own devices, local Federal managers are deeply conscientious and quite capable of finding ways to streamline operations, improve operational efficiency, and save serious money. Indeed, with all due respect to the institution of which you are apart, and recognizing the profound changes to which that institution in its 104th meeting is committed, I have found over the years that more government waste has occurred as results of political deals made in, and mandates imposed by, Congress than by bureaucratic foolishness in the field. Put another way, when the time comes for serious practical cost-cutting, you will often learn more from Federal managers in the field than from their superiors in Washington. And if you allow them to be candid in their advice, they will tell you that one key way to cut costs is to treat local government operations as independent cost centers and let them go at it without legislative micromanagement of the cost-cutting process. You will also find, by the way, the Federal managers in the field are much less wedded to the preservation of turf and bureaucratic empires than are their superiors inside the Beltway. When and if you give the orders to transfer functions, carry out reductions in force, contract out, and privatize, you will be surprised at the willingness and the competence with which those orders are carried out in the field. You will find much more resistance to them in Washington than here in the "real world", where Federal managers live and work side by side with taxpayers.

REDUCING GOVERNMENT

It is my experience that most Federal managers and workers subscribe deeply to the principles of democracy. They see themselves as civil servants in the highest sense: Professionals ready to carry out faithfully the legitimate instructions of those whom the people from time to time place in authority. This means that, given clear and intelligible direction and measurable standards of performance, they will exe-

[3] Those regulations are codified at 5 CFR Part 960, §§960.101 et seq. A copy of them is attached to this statement as Annex B.

[4] The Combined Federal Campaign, to be sure, has its problems, most serious among them the corruption over the last two decades of the charity drive by the presence in it of political organizations, lobbying groups, litigation outfits, and advocacy bodies that have diluted the CFC's traditional emphasis on support of the direct provision health and welfare services to needy people. Under the chairmanship of your colleague John Mica, your sister subcommittee on Civil Service of the House Committee on Government Reform and Oversight, has undertaken a top-to-bottom review of this issue with an eye toward restoring the CFC to its original mission. I was privileged to testify on this subject before that Subcommittee on June 7th in Washington. Regardless of the imperfections in the CFC, and despite the burdens imposed upon them by political and advocacy organizations, the fact remains that local FEBs have been highly efficient and motivated organizers of the charity drive each year in communities across America.

cute the commands that Congress and the President give them. The challenge lies in making sure that the directions are clear and intelligible, that the standards of performance are measurable.

Recent decades have seen a steady erosion in the respect and prestige that formerly pertained to Federal service. I submit that this is not because of any heightened incidence of corruption in the Federal workforce, which remains a group of public services with a remarkable record of honesty and integrity. Nor is it because of any development of a culture of incompetence of the kind that has, indeed, afflicted some public services at other levels. Rather, it is because we as a nation—and your predecessors in Congress—have assigned numerous functions to the Federal Government that it was never designed to carry out and that it has been unable to execute.

The real challenge in "reinventing government" is not in making the mechanics, the techniques, and the bureaucratic routines of government all work better. That can all be done, by the way, and I encourage Congress and the President to consult the real experts—local Federal managers—on how to do it. But the fundamental problem in reinventing government is in redefining government: That is, in reestablishing government's limits and deciding, as a people, what functions we want the Federal Government to perform and what functions we want to have reserved to the States or to the people, respectively. This is not an assignment for civil servants. It is the job of Congress.

Mr. HORN. Well, that was very eloquently stated and I could not agree with you more when you talked about the need to buy off the shelf, and not have these elaborate bids that are dreamed up, in the Pentagon in particular.

It came to mind that 2 years ago, I was in an Air Force plane going from Washington to San Francisco with a delegation and I wanted to hear the results of the Base Closure Commission. There was a telephone in this Air Force plane that comes out of the wing that has Air Force One, et cetera, at Andrews Air Force Base. The only problems was you have got to sit there the whole time holding and saying "roger, over," and then they can talk. I mean this is crazy. This is now the 20th century, the 1990's, and the Air Force still has equipment like that on the President's Air Force wing. It boggles the mind how far behind government communications is when the average small business has invested in computers and cellular telephones. But you have hit a responsive cord.

Go ahead, Mr. Flanagan.

Mr. FLANAGAN. I just wanted to observe that the Federal employees and managers are a resource as well as the front line worker, the folks that do the best job, and because they are a resource and because they have made great strides on the FEB, policymakers have come to Chicago to find out what experimental and exciting things are now going on here so we can go back and spread the word across the Nation and make policy for it.

It is essential that we hear your excellent observations and I appreciate your coming today.

Mr. MORRIS. You are welcome, thank you.

Mr. FLANAGAN. Mr. Chairman, I yield.

Mr. HORN. Well, I thank the gentleman.

I just have a few questions. In your experience, not only as a member of the Federal Executive Board—and please stay with us, Mr. Morris, because I want your views on this too—but in your role as a regional director, I am interested in what you see as the opportunities for regional directors for greater use of the Federal Executive Board. And if we could do that, what are the types of things you think those Federal Executive Boards ought to be doing that they are not doing? It must have come to you as you have sat in

meetings there, my heavens, why do we not do this, this and this. What is the this, this and this?

Ms. SCHUSTER. May I respond?

Mr. HORN. Whatever you would like.

Ms. SCHUSTER. OK. I have only 5 years in Federal service and the rest of my career in the private sector, and one of the things that I did notice coming in, very clearly, is the openness of Federal Executive Boards. A comment was made by one of the speakers in terms of how well we work together in the field, and I think that is very true. I think, that the group—it is a welcoming group, eager to do cooperative kinds of things. We are adding to our plate as we can, because a lot of us are being downsized simultaneously and that does have an impact in terms of what is possible and what is not possible. But our committee structure is such that we are doing a lot of things and promoting a lot of things at the same time. We might not be the doer of everything because it is not cost-efficient or effective. We have one director and one secretary in terms of the FEB. The agencies share, take upon themselves a lot of the things that we do cooperatively, such as employee of the year. Right now in particular, in the Federal sector, the employees do need some good things to look forward to as downsizing is being talked about all the time.

Other kinds of things like the training council, which is one committee of the FEB, that shares opportunities and shares knowledge, so that people are not functioning in isolation, and we are not all individual businesses. When I came into the Federal sector, I very naively thought that the Federal sector was the Federal sector, not realizing all the differences between agencies, et cetera. I think, the comment was made by Mr. Flanagan in terms of how well the field does respond and how eager we are.

Mr. HORN. Please outline, since they have not had the privilege of reading all your testimony, what is the committee structure of the local FEB, what committees do you have?

Ms. SCHUSTER. What committees? I have a chart in my pile of papers. We have for example the training committee, we have an EEO committee which has three subcommittees.

Mr. HORN. Equal employment opportunity.

Ms. SCHUSTER. Yes. A Hispanic subcommittee, a woman's program subcommittee and veterans' and persons with disabilities subcommittee. And they will do a lot of joint programming. All the agencies can participate, so we are not reinventing the wheel by agency.

We have ad hoc kinds of committees also that deal with stuff like the employee of the year luncheon. Our committee structure—I am trying to think of additional ones from my chart here—the Chicago training council, I believe I am right—thank you. Emergency release relay system, which when there was a flood, if you will recall, from the Chicago River, had some impact on us; a community service committee; employee of the year committee; savings bonds committee; a lot of the cross functional things that we do; and then, we have a program committee in terms of what do the member agencies need or want to learn about, and a lot of the NPR stuff has been covered by meetings of the Federal Executive Board.

Mr. HORN. If we might, can we put that chart in the record at this point so we have a complete exhibit?

Ms. SCHUSTER. Certainly.

[NOTE.—Due to high printing costs, the chart referred to above can be found in subcommittee files.]

Mr. HORN. Do those committees keep minutes of their activities and they are filed at the Federal Executive Board?

Ms. SCHUSTER. Yes.

Mr. HORN. What I would like for the record then is to have the staff get the minutes for the last 2 years or so, so we can get an idea of what a real Federal Executive Board does in a particular region.

Ms. SCHUSTER. We would be delighted.

[NOTE.—Due to high printing costs, the above mentioned material may be found in subcommittee files.]

Mr. HORN. I am interested in this question. To what degree has there ever been on this Executive Board or any others that you know about, this question, how can we as Federal agencies in the midwest, operating with regional directors in Chicago, bring together our services in a way that will be more accessible to the typical citizen? You mentioned some interesting things that I did not know about in your own agency. I heard use of the post office.

Ms. SCHUSTER. Oh, yes.

Mr. HORN. My passport is about 9 years old, so I have not had to deal with your agency recently. They do a fine job when I have dealt with them, but I am just curious, what is the role of the post office now with the Passport Agency, and is IRS involved? I like what I hear about IRS and INS and Social Security area offices. We ought to be able to get increasingly to the citizen one-stop service in some of these offices, especially with the illegal population. Chicago has, I do not know how many tens of thousands of illegal aliens here. I come from a State where there are at least 2 million illegal aliens in four congressional districts due to that, taken from the midwest of course. So I am very interested in how we service clientele. [Laughter.]

I just wanted to see if Mr. Flanagan was there.

Ms. SCHUSTER. Just informationally in relation to passports, the post offices and the clerks of court help a lot of people stay in their own communities and not trek to downtown Chicago from out of State, and our staff is quite small; in terms of the number of issuances, which is over 300,000 in this region annually. If we did not have that network, the American public would be greatly inconvenienced. The acceptance facilities, to answer your question, funnel the applications to us. They see the person, in person, first of all, they see if there are any discrepancies in terms of your illegal alien question, if one's accent or speech, for instance, does not match what they are saying on the application. They verify identity with drivers licenses and make that kind of notation, so we have that coming in. And it has been done by someone in the person's own community.

Mr. HORN. So this is handled by a government official who verifies that the person before them and the photo are identical?

Ms. SCHUSTER. They do that also, yes.

Mr. HORN. Is there any thumb print taken?

Ms. SCHUSTER. No.

Mr. HORN. So a passport strictly has the photo, not a thumb print?

Ms. SCHUSTER. Right. And we are working on digitizing the photos, hopefully within the next year, so that those passports that have been tampered with in terms of attempts to photo substitute, that will not be an issue any more.

Mr. HORN. Well, I commend you on that because we are about 20 years behind in this area because people have not had the guts to face up to it. And that is not your problem, that is the problem of four Presidents of the United States that did not have the guts to face up to it, not to mention a few in Congress. But I think that is changing and I am glad to hear that effort is going on.

But again, getting back to what I think is the fundamental question, what thoughts do some of you have, maybe some of your colleagues who cannot testify here because we did not invite them today, about what else the FEBs could do, the Federal Executive Board, that would have a broader context? All the things you are doing are fine and good and I am glad to see them, but the broader context of how we better serve the American people involves perhaps more cooperation, more coordination. It would mean tripping over the turf boundaries in the field as well as in Washington. But I would like to see more of that group activity encouraged by Washington management. We can deal with them, in a way, but that is what I am fishing for. What are those ideas people have brought up that you feel you cannot do that ought to be done?

Ms. SCHUSTER. Certainly with no intention to sound supercilious, I think the good ideas do get acted on in the field. I think historically we have proven that.

Mr. HORN. Well give me a few more good ideas besides the one you have mentioned.

Ms. SCHUSTER. OK. The agencies that I mentioned earlier, in terms of they have established troubleshooters in each agency to deal with technical problems, to resolve them so that there is a context, for example. Social Security has actually posted an individual at an INS office. So there is a lot of that kind of cross pollination going on.

Mr. HORN. Well, that is good. Because we have the case certainly in some of the illegal alien communities or recent refuge scam communities, where people are coming in with translators, for example, out of the group, and we do not have a translator on behalf of the taxpayers in the room, and these people are just operating con games with MDs and leading lawyers in cahoots and scamming millions of dollars out of the Federal Government on SSI, for example. So we need coordination between Social Security, INS, and Passport, if a passport was involved because there is fraudulent evidence in that area. This is what interests me on this type of cooperation, because you all have a piece of the puzzle and you all need to get together to try to put a stop to it. And certainly when it comes to getting our own translation services out of either universities or Army language schools, if they are in the area. We need to have somebody that can communicate the question and not just give the pat answer because nobody in the room understands some Southeast Asian language. That is exactly what has hap-

pened in California to the tunes of tens of millions if not hundreds of millions of dollars. The only way I know to stop it is to reach out and get the technical assistance you need, bring in more people from that community into training, working for, shall we say, the taxpayers' side.

Mr. BURKE. Mr. Chairman, Gretchen may have touched on it just a little bit, the FEB this year did, as a part of an NPR initiative agree among the appropriate agencies, Social Security, INS, Passport, IRS—I forgot the others—and then they are also going to bring in the State—they put together a task force about trying to establish like a one-stop shop, and I think while they have not fully fleshed that out at this point in time, I think that what will come from that will give them a chance to discuss what they see as the points that they can go forward with collaboratively and where they probably need to work out further, flesh out some issues like there was some discussion about why they could not have access to each others' computers, you know, some sort of very hard core policy issues that need to still be worked out. But I would certainly see, coming from not only this FEB but others that are looking at some of the similar kinds of things, especially one-stop shop where they also will be coordinating with State agencies like where it is appropriate, you know, a lot of immigrants getting public assistance or other kinds of services, so they can cross reference information and this task force is trying to wrestle with that and come out with a model that they can implement, you know, even as a pilot to see how it works. And from that probably some of the more substantive things will grow from that.

Mr. HORN. That is interesting. Has the task force or the FEB sat down with the leadership of Cook County and Chicago and the leadership of the State of Illinois, for example, with the Director of Social Welfare, the Sheriff from the criminal justice side, State Attorney General, so forth?

Mr. BURKE. I do not want you to quote me as exactly correct, they have done some of that. Exactly which agencies, I cannot say, but INS has certainly stated that it has been collaborating with other law enforcement agencies and since it is part of this task force, it would bring that expertise to a broader basis. And the Illinois State Police, and the city of Chicago have been involved in that. But people like Social Security have been collaborating with the State——

Mr. HORN. Have or have not?

Mr. BURKE. No, have.

Mr. HORN. Have.

Mr. BURKE. Been trying to collaborate with the State. So I think from the preliminary discussions we have had, this was in the FEB about creating this one-stop shop idea, that the initiative to bring States, local, and city agencies, where appropriate, into that process, that that was all part of what the FEB intend to do. It has only been a couple of months since they first met, so I am unable to tell you exactly where they stand, because they have not given us their first report back yet on that.

Mr. HORN. Well, I commend you for that effort and I hope that it is followed up. I will give you an example of what can happen. Last Monday, Mr. Flanagan and I were in Bellflower, CA, in the

glorious 38th district, which happens to be my district, and we had a very interesting panel from Santa Barbara, which is a 2-hour drive north. The district attorney mentioned a very interesting situation where they had caught a number of people that were fraudulently manufacturing Federal documents. They needed a representative from the Social Security district office or area office, the one closest to the people in their area, to testify in court on it. They refused. And it just so happened that Mr. Flanagan and I happened to have the Social Security Commissioner scheduled for a hearing in Washington on Tuesday, within 24 hours of that. She is a very able person. And we put it to her, how come one of the offices at the grassroots is refusing to cooperate with the local district attorney and sheriff to jail these people that are taking millions, hundreds of millions of dollars out of the Federal pocket, billions out of California alone, and so she is looking into that. I can assure you that is going to be looked into long and hard by Congress and we will not put up with much procrastination on the subject, about 30 days worth. We want to know how come. And what are we doing to encourage that cooperation at the local level with legitimate law officials, in this case the DA and the Sheriff were both in the room, as well as the chairman of the board of supervisors.

I see examples like that happening all over America, and the question is what are we doing about it. And I will tell you, the taxpayers are fed up with their money going down the drain in rat holes of various welfare programs, especially based on fraud. And while it is not as extensive as the average citizen thinks, it is extensive enough for us to be outraged as public officials, be we in the executive branch or the legislative branch.

So that is what I am thinking of in reaching out to the Sheriff of Cook County, the Attorney General of Illinois. We had the Attorney General of the State of California at that hearing, and the Secretary of State and they did a very interesting thing—we cannot take credit for it—but within 24 hours, they had issued a statement that they were creating a joint task force on illegal immigration voting in California, which is also a major problem. It probably is in Illinois too. So there are these efforts. I realize resurrection day does not occur every day in Chicago, but it is starting to occur in California and that is what bothers me, with a State that has had unbelievably honest elections since 1910, we now face some of this nonsense.

Mr. FLANAGAN. Ours are unbelievably honest.

Mr. HORN. You said that with a smile, may the record note.

I believe some agency must be directly responsible for continually assessing where coordination or consolidation should take place. It should not be the National Performance Review, it should be the Federal Executive Board or OMB or some other agency. In other words, one with some permanency. Should Congress give the FEB or OMB more responsibility to pursue these ideas? Mr. Morris, I would like to hear from you in general, do you think the FEBs are doing what you thought they would do when you drafted that particular regulation?

Mr. MORRIS. Mr. Chairman, I will see if I can handle all the pitches you and my colleagues on the panel here have thrown.

It is no surprise, I think, that much of the traditional activity of the FEBs has been in kind of the health and welfare variety—bomb drives, running the combined Federal campaign, and responding to emergencies like the Oklahoma City tragedy, the Chicago flood and so on, because that is what Washington has let them do. And the last question put on the table is a really important one because the direction as to how to use these tools has got to come from above, or at least the freedom to use the tools has got to come from above.

Obviously I cannot tell you what precisely goes on in the Chicago Federal community these days because I have been out of government for awhile, but I can speak to what kinds of indicators you can look for. And let me put four on the table.

One is precisely whether or not local Federal community leadership has put together a system to make contact with the government user-friendly to citizens. The case of the person who walks into the Social Security office with a Social Security problem and says to a clerk, "by the way, where do I get my passport," that citizen should not be met with the response, "Well, you idiot, you are in the completely wrong agency and I have not the slightest idea where you go for that." That response should be met with either "You go up to the third floor," or "I am sorry, I do not know where you go, but I can tell you where you can find out." Every Federal employee who is dealing with the public in every locale across the country ought to be, one hopes will be, informed of where to direct citizens with questions about where to obtain other services.

The second factor is using the local Federal leadership community as a way for early warnings about resources that are going to be needed or going to become available. You do not want an agency that knows it is going to have, for example, new space requirements dealing with GSA to find, to lease, to build new space, when some other local agency knows but has not told people yet, that it is going to be downsizing or withdrawing from some office space or other space is going to become available. So the question to ask is, is there information sharing going on about known and foreseeable resource needs, whether they are human or material or space or whatever, so that agencies can, in effect, tradeoff or share them.

The third question is, is there coordination on the use of available supplies that one agency may have in abundance or surplus but does not need. Federal law provides for interagency transfers and interagency, in effect interagency acquisitions or purchases, but it is under-utilized, in part because managers in the field do not feel that they have the authority from Washington to make those more effective transfers of resources between and among agencies in the field, because of traditional lines of accounting for them. But the law, as it stands, allows that to be done and executive branch management needs to encourage that.

Mr. HORN. I want to stop right there. That is a very interesting point, and I want the staff to follow up with that to see to what extent it has been done and why we have not encouraged more of that. So I think you make a very good point.

Mr. MORRIS. A fourth factor is in the area of coordination of let us call it law enforcement. And here, let me note first of all, most agencies and departments of government have an inspector general or equivalent, operating of course out of headquarters in Washing-

ton. Most IG operations have two sides, a management review side and an investigations side. In some agencies, they speak to each other, in other agencies they are quite insulated, depending on the mission and culture and so on of the respective agencies.

An interesting test of how well the kind of coordination you are concerned about is going on at the local level is whether or not it is under the aegis of the FEB or otherwise, there is at the regional or local level an inter-IG consultative body, of the local representatives of the HHS IG and the HUD IG and the VA IG and the Postal Inspectors and so forth—are they talking to each other. That is not necessarily going to be under the control of the Federal Executive Board, although it could be, depending on how it is structured.

And there is one other thing, in defense particularly of the FEBs, that needs to be put on the table here, and that is in every judicial district, Federal judicial district, around the Nation, there is one 800-pound law enforcement gorilla and that is the U.S. attorney, who is viewed not only by the Federal community, but also by the State and local law enforcement community, as the person at the center of law enforcement activity in that area. The Attorney General thinks—and not just Attorney General Reno, but her predecessors, Attorney General Barr, Attorney General Thornberg, Attorney General Meese, Attorney General Smith, all think that in every Federal judicial district, the U.S. attorney is presiding over something called the Federal Law Enforcement Coordinating Council, the FLECC. Normally there is one in every district and the U.S. attorney is the chairman of it. And in theory, the members of that are the local heads of the FBI and the INS and DEA; that is, the Justice Department agencies, law enforcement agencies; Secret Service and the Treasury Department law enforcement agencies; the major IGs with law enforcement responsibilities, and then precisely the State attorney general, the State's attorney or district attorney of the local governments, local counties within the Federal judicial district, the local county sheriffs, the local police departments and so forth.

It will be no surprise to you, first of all in some districts, the FLECCs are very active, effective operations; in other districts the FLECCs are purely nominal or non-existent. In some places, the coordination between Federal, State and local law enforcement agencies is very tight and very effective and sometimes it is not. Sometimes when it is not, it is not an accident. Let me be candid and let me tell you that there are parts of the country where the FBI and the U.S. attorneys do not trust a particular law enforcement agency and they may have good reason not to trust a local law enforcement agency. But in other places, they ought to trust the local law enforcement agency, ought to work with the local law enforcement agency and greater cooperation in fact ought to obtain.

But it will not be a surprise to you to find out that the FEBs, the people who are heads of agencies like GSA and OPM and so forth, give a pretty wide berth to the law enforcement folks who really have quite a culture and organizational structure of their own, but I encourage you to look into the FLECC level of coordination.

Mr. HORN. That is an excellent suggestion and we have not done that and I think we need to systematically pursue it in relation to field operations.

Let me ask the two regional directors, have you had particular cases where you have either seen fraud or abuse or whatever, that you have taken to the U.S. attorney or your staffs within your regions have taken to the local U.S. attorney, that that U.S. attorney has not acted upon, in the last 5 years?

Mr. BURKE. No.

Mr. HORN. Well have you taken any cases to the U.S. attorney in the last 5 years?

Mr. BURKE. Mr. Chairman, in GSA under the Federal Supply Service, we purchase supplies sometimes from manufacturers, they have specific specifications they are supposed to meet for the product that they are providing us. Our IG investigative arm, on a continual basis, in conjunction with our quality assurance people, when the quality assurance people find a situation where they feel specifications are not being met or, a regulation is being broken, our IG undertakes an investigation to substantiate what in fact has transpired. They also are proactive in certain situations where there is potential for fraud in the purchasing system. They undertake investigations and in any instance where there is either a violation of the regulations or in fact outright fraud, they take these cases to the U.S. attorney—I cannot give you the dollar amount—they have recovered hundreds of thousands and millions of dollars. Sometimes it is outright fraud, other times it has been an erroneous misinterpretation of a regulation, specification or some regulation was missed. They do this all the time. In terms of a coordinating council, I do not know how they interact with the other IGs, but our IG is constantly involved with the U.S. attorney.

Mr. HORN. This is your regional IG?

Mr. BURKE. Yes. This occurs across the country.

Mr. HORN. Right. I just want to take the region as an example.

Ms. Schuster, how about in the case of the Passport Agency, have there been fraudulent document cases or anything like that in the last 5 years?

Ms. SCHUSTER. Well, we do deal very cooperatively with law enforcement. Of course, Diplomatic Security, which is part of the State Department, also has a presence in Chicago, so they handle a lot of our fraud work related to non-citizens attempting to get passports. But we also work cooperatively with other law enforcement folks in terms of, say, Customs, people who are legitimate citizens but may be attempting to do something that is not so legitimate. There is a lot of cross fertilization.

Mr. HORN. Well, what I want the staff to follow up with you and your staff is to what degree in the last 5 years have any cases been taken to the U.S. attorney, that they have refused to prosecute. I am interested in the degree to which some U.S. attorneys do not cooperate with other Federal agencies. I do not know what the situation is here, I just want to see the evidence, and on what basis did they turn it around. Was it the lawyer's view that it was de minimis and not important or they just do not want to bother with it or they do not have enough staff, et cetera? We held a hearing in the previous Congress on the allocation of resources to various

U.S. attorneys around the country. It is clear the Justice Department has failed—I have seen 11 Attorney Generals, so there have been a lot of them, and that was just four administrations—but they have failed for about 30 or 40 years to reallocate some of these resources that are off in Wyoming or Montana or someplace that Senator Elmonte put there 40 years ago. And they have not quite faced up to that.

Now I have not looked at that recently, but it was a rather revealing hearing, that our Democratic colleagues held when they were in the majority. We need to follow up on that and see what, if anything, has happened, because it is important that they have the proper tools to go into court and represent properly the interests of the Federal Government, namely the taxpayers.

OK, I have one last question and then we are going to, I regret to say, have to close it off with this panel.

Mr. Burke, you said that in the cooperation with unions on job descriptions, there was some difficulty if it was not in the job description. Now in the State of California when we write a personnel plan, at least in the universities, it is common for us to put at the end of a personnel description, "such other duties as may be reasonably assigned." Is that not done in the Federal Government?

Mr. BURKE. Well, Congressman, I cannot say specifically, but under the current Master Agreement that we have, we of course have been in partnership with both of the national unions under GSA, one we are no longer in partnership with, so we are certainly evolved from our Master Agreement. Anything that is considered a change of work circumstance, which means that if a person was doing cross training, that is a change of work circumstance, we have to have the approval of the union.

Mr. HORN. Do you get the approval of the union?

Mr. BURKE. Well most often, we have been, but right along through now, it has been a little tougher recently. We feel that we will get that worked out. But it is not automatic that we just can do, devoid of those agreements.

Mr. HORN. We need the staff to look into that when we are talking about cross training, giving employees opportunities to learn other things that would help them with advancement, this kind of thing. We need to be sure that, because management did not have the guts to say no when that contract came up, that they later suffer with it, or your predecessors did not have the guts to say no. So those bother me. Usually the top executives do not even know what has been given away, because they do not pay attention to the matter. But a lot has been given away.

Last point, Mr. Burke, I have high regard for the Federal Protective Service based on my experiences in California, they are overworked, undermanned, et cetera. What is the situation in this region for GSA's people in this area?

Mr. BURKE. Congressman, we are certainly under the strength that they were some years ago, as there has been attrition and FPOs have not been replaced. Until the Oklahoma City situation, within GSA, there was certainly differences of opinion as to whether or not we actually should have FPOs or could all of these activities be contracted out. Of course, that is now being re-examined as part of the Justice Department's study into what is proper security

for a Federal building. When that study is completed we will try to implement their recommendations.

Mr. HORN. Well, maybe you have heard, this subcommittee did hold a hearing on the matter in Washington, and it was very clear that through the end of the Reagan administration, the Bush administration and now the Clinton administration, GSA has illegally reduced manpower, human resources, in this area from 1,100, which was the target as I remember—am I correct on that?

Mr. BURKE. A thousand.

Mr. HORN. A thousand? Down to 406, if I remember correctly. And that is in direct violation of a congressional statute. So we would hope they would get with it and start building up that force. I know the one in California is stretched very thin, and they have done a marvelous job despite that. But it is just a matter of them giving up some high priorities to meet the needs of other high priorities and they should not be caught in that particular thing.

Mr. BURKE. Well, as I said, Mr. Chairman, that is being looked at. I certainly cannot tell you—I am not in a position, as the chief policy person for my agency, to say what the exact outcome will be. The policy is that GSA will act on the recommendations of the task force in terms of what they recommend as the appropriate security should be for Federal buildings. So you should be getting something definitive about what GSA will be doing shortly after that report comes back.

Mr. HORN. Well, we hope they will carry out the law, which we are all sworn to uphold.

Mr. BURKE. Mr. Chairman, I am sure they will. [Laughter.]

Mr. HORN. I think they might. [Laughter.]

If they do not want to see me or Mr. Flanagan. So I hope they will act rapidly, shall we say.

Mr. BURKE. If I might, Mr. Chairman, I would like to just comment a moment—you brought up a policy and oversight issue, and since that is GSA's responsibility, I did want to share with you that as space, given up for any reason, becomes available by an agency unexpectedly, we work with that agency and look to backfill it through other sources.

Mr. HORN. Yes.

Mr. BURKE. And as a result of the downsizing that is taking place, GSA is actively working with agencies, trying to see in advance what their downsizing plans are going to be. You are aware that Administrator Johnson has frozen all additional leasing activity; for that matter, all building activity is frozen, awaiting the passage of the rescission bill. Part of that is so we do not go into any new leasing activities or new activities that will create new space requirements when others will be losing space requirements. But we are, you know, maybe behind the curve doing it, but we are actively fulfilling our role as policy and oversight, as was mandated, separated that from operations and created a policy and oversight organization of about I think 1,000 people to specifically make sure that the things that should be overseen from a governmental standpoint, that that is being done and it is separated from policy—I mean from operations.

Mr. HORN. Now this is a national group of 1,000 or this is a regional group?

Mr. BURKE. National.

Mr. HORN. And what do we call that group?

Mr. BURKE. Policy and oversight.

Mr. HORN. And these were pulled out of existing functions?

Mr. BURKE. Before, policy and oversight was combined within GSA. It has been determined that it was not a good premise to have policy and oversight and operations together, so operations, while still under GSA umbrella, will be totally separate and they will be setting the policy and oversight regs and implementing and enforcing them. The operational people will be working strictly on operations, but of course under the appropriate regulations.

Mr. HORN. Well, what it sounds like is you have created an internal audit unit on program and policy to see (a) what are the policies, and (b) are they being implemented, something that an Inspector General might do. I take it this is created outside of the Office of the Inspector General.

Mr. BURKE. It is.

Mr. HORN. Reporting to whom?

Mr. BURKE. Reports directly to the Administrator.

Mr. HORN. Is that a recent creation?

Mr. BURKE. Yes, it was mandated by OMB in this last budget submission to Congress.

Mr. HORN. Budget submission for fiscal year 1996 or 1997?

Mr. BURKE. 1995—1996, 1996.

Mr. HORN. 1996. OK, that will not take effect until October 1, if it is in that budget submission.

Mr. BURKE. 1996.

Mr. HORN. And goes through September 30, 1996. Or is it in place now?

Mr. BURKE. Well, no, it has been identified—the people have been identified and it is being put in place but it may not be official until they start to operate under that umbrella.

Mr. HORN. Let us have the staff take a look at that and advise the committee on how it is working or how it is intended to work.

Well, we thank each of you three, it has been immensely helpful. Mr. Morris, we are delighted Mr. Flanagan happened to run into you as you contributed greatly to this hearing. I wish both of the Regional Directors well, both in your individual capacities as well as your Federal Executive Board capacities. Thank you very much for sharing that information with us.

[Recess.]

Mr. HORN. Gentlemen, if you will all stand and raise your right hand.

[Witnesses sworn.]

Mr. HORN. The reporter will note that all six affirmed.

We will begin with Col. Richard Craig, the Commander and Division Engineer for the North Central Division, Army Corps of Engineers. Welcome, Colonel.

STATEMENT OF COL. RICHARD CRAIG, COMMANDER AND DIVISION ENGINEER, NORTH CENTRAL DIVISION, ARMY CORPS OF ENGINEERS, ACCOMPANIED BY LT. COMDR. ROBERT SLOCKBOWER, COMMANDER, CHICAGO DISTRICT; MICHAEL HUERTA, ASSOCIATE DEPUTY SECRETARY AND DIRECTOR, OFFICE OF INTERMODALISM, DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY KENNETH PERRET, REGIONAL ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION; GARRONE FRANKLIN, REGIONAL ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION; AND DONALD GISMONDI, DEPUTY REGIONAL ADMINISTRATOR, FEDERAL TRANSIT ADMINISTRATION

Colonel CRAIG. Mr. Chairman and members of the subcommittee, I am Col. Richard W. Craig, Commander of the North Central Division of the U.S. Army Corps of Engineers. Thank you for the opportunity to appear before this hearing concerning streamlining of Federal field offices. With me this morning is Lt. Col. Robert Slockbower, Commander of the Chicago district. My remarks will provide background information on the Corps as an Army command, and as requested in your letter of invitation, an overview of the Corps' regional operations and a description of distribution of authority within the Corps.

The Corps of Engineers is a major command of the U.S. Army with two primary missions, which are military construction and civil works water resources development. The Corps military mission involves planning, designing and military construction improvements in the Army and the Air Force's domestic and overseas infrastructure. The Corps conducts civil works projects related activities of planning, design, construction, operation and maintenance activities for deep-draft and inland navigation, flood damage reduction and related purposes.

The Corps also provides engineering and construction support on a reimbursable basis under the Support for Others program. Support is provided overseas in support of U.S. foreign policy as well as within the United States to other Department of Defense and Federal agencies and State and local governments.

Corps activities are performed through its division and district structure. There are 13 Corps divisions and 41 districts.

The four primary functions of divisions offices, as approved by the Secretary of the Army in October are command and control, regional interface, program management and quality assurance.

The North Central Division area of operations includes all or part of 12 States and 87 congressional districts in the Great Lakes and Upper Mississippi River watersheds. My headquarters is located in Chicago and there are five districts within the division located in Buffalo, Detroit, Chicago, Rock Island and St. Paul.

The North Central Division executes principally civil works projects. However, we also have some military missions in the Defense Environmental Restoration Program at Formerly Used Defense Sites. About two-thirds of the North Central Division civil works budget is for the operation and maintenance of 900 miles of navigable waterways, 72 commercial harbors and channels, 42 commercial locks and 16 flood control reservoirs. The remaining third

of our budget is for planning, engineering, design and construction of new water resource projects.

As I indicated earlier, one of the primary roles of a Corps of Engineers division office is regional interface with other Federal agencies, State governments and special interest groups with geographically broad constituencies. North Central Division interacts with the States on a regional level through the Great Lakes Commission and the Upper Mississippi River Basin Association. There are three major reasons for regional interagency coordination—to effect coordination required by law, such as the National Environmental Policy Act; to resolve issues that arise at specific projects which cannot be resolved at the district level; and to work with agency and partners to identify common goals that transcend district boundaries.

An example of regional goal setting is the Upper Mississippi River Environmental Management Program where interagency partnerships are forged to develop habitat projects for the Upper Mississippi River. Another example is the Corps and EPA efforts to share the responsibility for regulating under Section 404 of the Clean Water Act of 1977, while avoiding overlapping or duplicative activities.

We also coordinate at the regional level to provide engineering and construction services to other Federal agencies on a reimbursable basis under our Support for Others Program. Within the North Central Division, our districts are presently accomplishing work for EPA, Federal Aviation Administration, Farmers Home Administration, Economic Development Administration, Federal Emergency Management Agency and other agencies. North Central Division's area of operations covers parts of 5 of the 10 standard Federal regions. Geographic proximity of Federal agencies, even in this age of instantaneous electronic and video communications, promote sharing of capabilities through face-to-face relationships, which are critical to providing quality service, and putting customers first.

Putting customers first leads to the topic of partnering, which is a National Performance Review initiative. Since the mid-1980's, we have been recognized by both the public and private sector as leading the way in partnering. Last month, North Central Region hosted a Regional Partnering Conference here in Chicago attended by about 50 representatives from Federal and State agencies, cities, counties, tribal governments, associations, environmental groups and industry. From the results of a customer survey, it was recognized that the Corps provides quality products. However, we received low ratings for providing timely services and for cost of products. The Army's initiatives to eliminate multiple, time-consuming levels of review and delegations of authority will improve the timeliness of our services and reduce the cost of doing business.

In the area of emergency operations, the interagency cooperation between the North Central Division and FEMA is particularly noteworthy. In 1992, we responded to FEMA's request for assistance for the Chicago underground tunnel flood. The Corps also responded to FEMA's request for assistance with the midwest flood of 1993, for example, by providing millions of gallons of potable water to citizens in Des Moines, IA after their water treatment

plant was inundated. On the first and second of this month, I was in North Dakota with Mr. James Lee Witt, the FEMA Director, regarding disaster response activities at Devil's Lake, ND.

Since 1994, the Corps has been engaged in a restructuring process. This process is part of the NPR initiatives which seek to streamline the Federal Government. Our focus is not on closing offices, but rather on a four-part process which redefines the roles of our levels of command; re-examines missions; streamlines processes; and analyzes savings. Our recently approved organizational roles are characterized by downward empowerment and streamlining of the project review process. A key change has been to establish that there be only one level of technical review; namely, at the districts, and one level of policy review; namely, at the headquarters in Washington. The Corps will reduce the time from the inceptions of project planning to construction, resulting in a cost savings to taxpayers. Quality assurance procedures instituted by divisions will ensure that practices are in place to ensure that projects are technically sound.

Consistent with powering down, the Assistant Secretary of the Army for Civil Works has delegated to divisions decisionmaking authority for selected project implementation and also delegated signature authority for certain project cooperation agreements. These delegations have in some cases reduced the time required to design and construct small projects by more than 50 percent.

We are restructuring, downsizing, empowering people by delegating authority, and we are cutting red tape by reducing levels of project review and putting customers first through partnering.

This concludes my statement, Mr. Chairman. Thank you.

[The prepared statement of Colonel Craig follows:]

PREPARED STATEMENT OF COL. RICHARD CRAIG, COMMANDER AND DIVISION ENGINEER, NORTH CENTRAL DIVISION, ARMY CORPS OF ENGINEERS

Mr. Chairman and members of the subcommittee, I am COL Richard W. Craig, Commander of the North Central Division of the U.S. Army Corps of Engineers. Thank you for the opportunity to appear before you at this hearing concerning streamlining of Federal Field Offices. With me this morning is LTC Robert Slockbower, Commander of the Chicago District. My remarks will provide background information on the Corps as an Army command, and as requested in your letter of invitation, an overview of Corps of Engineers regional operations and a description of the distribution of authority within the Corps.

Background

The Corps of Engineers is a Major Command of the United States Army with two primary missions, which are military construction and civil works water resources development. The Corps military mission involves planning, designing and executing military construction improvements in the Army's and Air Force's domestic and overseas infrastructure. The Corps conducts civil works project related activities of planning, design, construction, operations and maintenance activities for deep-draft and inland navigation, flood damage reduction, and related purposes. The Chief of Engineers executes Army policies as determined by three members of the Army Secretariat—the Assistant Secretary for Research, Development and Acquisition; the Assistant Secretary for Civil Works; and the Assistant Secretary for Installations, Logistics, and Environment.

In support of execution of the Corps military and civil works missions, Corps policies relating to Research and Development (R&D) are transmitted from Washington Headquarters directly to the four major Corps R&D laboratories in Hanover, New Hampshire; Alexandria, Virginia; Champaign, Illinois; and Vicksburg, Mississippi. These laboratories receive direct funding for the R&D activities through Headquarters, and also perform special reimbursable civil works and military construction R&D projects for Corps divisions and districts.

The Corps also provides engineering and construction support on a reimbursable basis under the Support for Others program. Support is provided overseas in support of U.S. Foreign Policy, as well as within the United States to other Department of Defense agencies; civilian agencies, including Federal, State and local governments; U.S. firms working overseas; and others.

Regional Operations

Almost all Corps activities are performed through its division and district structure. There are 13 Corps divisions and 41 districts. As the Corps is an Army Major Command, its divisions are known as Major Subordinate Commands. The division commanders report directly to the Chief of Engineers. Submitted as enclosures to my prepared statement, are a map defining Corps civil works division and district boundaries and a similar map for military construction.

The four primary functions of division offices, as approved by the Secretary of the Army last October are 1) command and control, 2) regional interface, 3) program management, and 4) quality assurance. Accordingly, divisions are responsible for ensuring that district programs are producing quality products on time and within budget.

The North Central Division area of operations includes all or part of 12 states and 87 Congressional Districts in the Great Lakes, Upper Mississippi River and Souris-Red-Rainy River watersheds. My headquarters is located here in Chicago. There are five districts within the division, and headquarters located in Buffalo, Detroit, Chicago, Rock Island, and St. Paul.

District commanders are directly responsible to their division commander. The district offices and their project field sites perform through in-house labor or manage through contracts the planning, design, construction, and operation and maintenance of Corps civil works facilities, carry out the regulatory program, perform real estate acquisition, and design and construct military facilities if they have a military mission.

The North Central Division executes principally civil works projects. However, we also have some military missions in the Defense Environmental Restoration Program at Formerly Used Defense Sites and in Corps Mobilization Master Planning. About two-thirds of the North Central Division civil works budget is for the operation and maintenance of 900 miles of navigable waterways, 72 commercial channels and harbors, 42 commercial locks and 16 flood control reservoirs. The remaining third of our budget is for planning, engineering, design and construction of new water resource projects, such as the construction of the O'Hare Reservoir and design of the McCook Reservoir which are part of the Chicago Underflow Plan, known as CUP. As I indicated earlier, one of the primary roles of a Corps of Engineers division office is regional interface with other Federal agencies, State governments, and special interests groups with geographically broad constituencies. North Central Division interacts with the States on the regional level through the Great Lakes Commission and the Upper Mississippi River Basin Association. We have had a long-standing role working with the Environmental Protection Agency's (EPA) Great Lakes Program Office.

There are three major reasons for regional interagency coordination—1) to effect coordination required by law, such as the National Environmental Policy Act and the Fish and Wildlife Coordination Act; 2) to resolve issues that arise at specific projects which cannot be resolved at the district level, such as disagreements about regulatory or policy interpretation; and 3) to work with other agencies, partners and others to identity common goal that transcend district boundaries and develop ways to meet these goals together. The latter is clearly a most fruitful type of agency coordination and requires a substantial effort. An example of regional goal-setting is the Upper Mississippi River Environmental Management Program, where interagency partnerships are forged to develop habitat projects for the Upper Mississippi River. Another example is the Corps and EPA efforts to share the responsibility for regulating under Section 404 of the Clean Water Act of 1977, as amended, while avoiding overlapping or duplicative activities. Through continued coordination, North Central Division and the three EPA regions of the Great Lakes have developed regional dredged material testing guidance for this basin. Regional coordination with other agencies enables the Corps to identify partnership opportunities, such as those developing at Indiana and Ashtabula Harbors, where the interests of navigation and environmental remediation have merged.

We also coordinate at the regional level to provide engineering and construction services to other Federal agencies on a reimbursable basis under our Support For Others program. Within the North Central Division, our districts are presently accomplishing work for EPA, Federal Aviation Administration, Farmers Home Administration, Economic Development Administration, Public Health Service, Federal

Emergency Management Agency (FEMA), National Park Service, Immigration and Naturalization, Department of Housing and Urban Development, and the Coast Guard.

North Central Division's area of operations covers parts of five of the ten standard Federal regions. Geographic proximity of Federal agencies, even in this age of instantaneous electronic communications and video-teleconferencing, promotes productive sharing of capabilities through face-to-face working relationships which are critical to our providing quality service and "putting customers first".

Putting customers first leads to the topic of Partnering which is a National Performance Review (NPR) initiative. Since the mid-80's, when the Corps of Engineers initiated partnering agreements with construction contractors, we have been recognized by both the public and private sector as leading the way in partnering. Corps partnering efforts have now broadened to regional interagency agreements, agreements with architect-engineering firms, and labor-management agreements.

Last month, North Central Division hosted a Regional Partnering Conference here in Chicago attended by about 50 representatives from Federal and State agencies, cities, counties, tribal government, associations, environmental groups, and industry. From the results of a customer survey, formal presentations by our partners and informal discussions, it is clear to me that, although there are some things we do well, there are other things that we must do better, and we will. The customer survey recognized that the Corps provides quality products. However, of note, were low ratings for providing timely services and for cost of products. Army's initiatives to eliminate multiple, time-consuming levels of review and delegation of authority will improve the timeliness of our services and reduce the cost of doing business. I might add that similar regional partnering conferences are being hosted by the other Corps divisions.

Another area of important regional coordination is that of dredging and dredged material management. An Interagency Working Group on the Dredging Process was formed by the Secretary of Transportation in 1993. Secretary Pena's report was released last December. One of the report's recommendations is the establishment of national and regional dredging issue resolution teams to promote consistency and provide a forum for conflict resolution and elevation of unresolved issues. The report places a major emphasis on the dredged material management process and on beneficial use of dredged material. Corps divisions and districts are developing dredged material management plans and participating with non-Federal sponsors in projects for the environmentally beneficial use of dredged material. The establishment of interagency issue resolution teams and the dredged material management process will be a significant step toward the continuing maintenance of the nation's harbors and channels for the benefit of commercial navigation and the economy.

In the area of emergency operations, the interagency cooperation between the North Central Division and the FEMA is particularly noteworthy. In 1992, we responded to FEMA's request for assistance for the Chicago underground tunnel flood. The North Central Division had primary responsibility for the plugging and dewatering operations that were necessary after the Chicago River leaked into the City of Chicago's vast underground freight tunnel system. Water filled the tunnels and then the basements of many loop buildings, crippled the city's public mass transit system and threatened to close a major expressway. The Corps also responded to FEMA's requests for assistance with the Midwest Flood of 1993, for example, by providing millions of gallons of potable water to the citizens of Des Moines, Iowa, after their water treatment plant was inundated. In both cases, the Corps/FEMA effort resulted in successful emergency operations for post flood recovery. On the 1st and 2nd of this month, I was in North Dakota with Mr. James Lee Witt, FEMA Director, regarding disaster response activities at Devil's Lake, North Dakota.

In another regional cooperation effort, on March 13th of this year, I signed an Ecosystem Charter for the Great Lakes-St. Lawrence River Basin, a good faith international agreement to better manage the basin environment. This basin extends over three Corps districts. In signing the charter, over 100 agencies active in this region agreed to bring together their authorities and budgetary resources in order to further protect the Great Lakes and the St. Lawrence River.

Another dimension of the Corps mission is the Corps regulatory program, where we evaluate requests not covered by general permits to build structures or discharge materials into the nation's waterways or wetlands. There are many examples of Corps division and district cooperation with EPA and State and local governments in the management of activities in the Nation's wetlands. Locally, on March 3rd of this year, the Chicago District and DuPage County, Illinois, announced the issuance of a general permit, under section 404 of the Clean Water Act, authorizing the County to make decisions involving wetland resources within its boundaries, thereby reducing duplication of regulatory review. Under the DuPage County Storm

Water and Floodplain Ordinance, the County was independently reviewing the same issues for work in wetland areas as the Chicago District. Now the DuPage County's Department of Environmental Concerns will review section 404 permits in accordance with the general permit, and the District will perform an oversight role in the process.

Distribution of Authority

Since May 1994, the Corps has been engaged in a restructuring process. This process is part of the NPR initiatives which seek to reinvent and streamline the Federal government. Our restructuring focus is not on closing offices, but rather on a four part process which 1) redefines the roles of our various levels of command; 2) reexamines missions; 3) streamlines business processes; and 4) analyzes potential savings. Our recently approved organizational roles are characterized by downward empowerment and streamlining of the civil works project review process. A key change made possible through the clarification of roles at each organizational level has been to establish that there be only one level of technical review, namely at the districts, and one level for policy review, namely at headquarters. Administrative decisions on seeking authorization and budgeting for projects have been, and will continue to be, made at the Washington level. The streamlining of our review processes, to be fully implemented by October 1, 1995, will significantly change Corps roles and business processes consistent with NPR goals of improving business practices, putting customers first, empowering employees to get results, and getting back to basics. Districts, which are closest to our customers and our non-Federal sponsors, will be empowered and accountable for the quality of projects and for delivering them on time and on budget. The Corps will reduce the time it takes from the inception of project planning to construction resulting in a cost savings for taxpayers. Quality assurance procedures instituted by divisions will insure that districts have standard practices in place to insure that projects are technically sound. Corps headquarters will ensure that processes are in place to ensure that projects are developed in compliance with Federal laws and policies.

Consistent with powering down, the Assistant Secretary of the Army for Civil Works has delegated to divisions decision making authority for selected project implementation in our Continuing Authorities Program and the Upper Mississippi River Environmental Management Program. He has also delegated signature authority to district commanders for certain project cooperation agreements. These delegations have in some cases reduced the time required to plan and design small projects by more than 50%.

Within my division, district commanders have delegated authority to approve many project implementation documents, such as plans and specifications for construction associated with the operation and maintenance of existing projects. This delegated authority not only empowers employees, but also provides better service to our customers and stakeholders.

Conclusion

In summary, consistent with the spirit and intent of the NPR and Reinventing Government II, the Corps of Engineers and its North Central Division have redefined their organizational roles and responsibilities. We are restructuring, downsizing, and empowering people by delegating authority; and we are cutting red tape by reducing levels of project review and putting customers first through partnering. This concludes my statement, Mr. Chairman. Thank you.

Mr. HORN. Thank you. I now call on the Honorable Michael P. Huerta, Associate Deputy Secretary and Director, Office of Intermodalism, Department of Transportation. Mr. Huerta.

Mr. HUERTA. Good morning, Mr. Chairman and Congressman Flanagan. I am Mike Huerta, Associate Deputy Secretary at the Department of Transportation, and Director of its office of Intermodalism. With me are three administrators, who direct DOT field offices in the Chicago area. They are, to my left, Jerry Franklin, Regional Administrator of the Federal Aviation Administration; Kenneth Perret, acting Regional Administrator, Federal Highway Administration, to my right; and to his right, Mr. Donald Gismondi, Deputy Regional Administrator of the Federal Transit Administration. We would like to thank you for the opportunity to participate in this hearing on streamlining Federal field offices,

and I would particularly like to thank the subcommittee for allowing me to place this discussion within the context of DOT's proposal to undertake a fundamental reorganization that would consolidate 10 operating administrations into just 3.

Let me begin by noting that the Chicago DOT offices not present at the hearing today include six additional DOT administrations. That is a long list and it represents some important facts.

First, that Chicago is a key transportation hub for this Nation, both passengers, and cargo.

And second, that DOT performs many essential functions to ensure that this system delivers the service that our economy needs with the safety our citizens demand. This work requires an extensive field structure. About 71,000 civilian and military DOT employees—more than 70 percent of the work force—work outside the Capital beltway. And they have reason to be proud of their contributions to the world's best transportation system.

We believe we have done a good job, but of course that does not mean that we cannot do a lot better. We have reduced our work force, streamlined our procedures and regulations and focused better on what our customers really need. We have made a good start, but we propose to go much further and that means removing the obstacles to better performance that are inherent in the basic structure of the department itself.

When DOT was established in 1967, it was organized along the lines of the large business conglomerates of the 1960's, a holding company of what has now become 10 distinct operating administrations. This old structure is costly to operate, and it hinders our ability to develop creative partnerships and to make strategic transportation investments, and to fashion innovative financing mechanisms.

Corporate America, when faced with a drive for efficiency and customer service that swept through in the 1980's and earlier in the 1990's, made fundamental changes. Companies restructured, downsized and they provided higher levels of service. And now we in the Federal Government are facing up to the same realities.

Last December, to kick off the second phase of the National Performance Review, Secretary Pena joined President Clinton and Vice President Gore to announce a historic modernization of the Department of Transportation.

On April 6, we sent to Congress the Department of Transportation Reorganization Act of 1995. For the record, I would like to submit copies of this proposal, which is designated in the House as H.R. 1440. Through this proposal, we would restructure the Department to focus on its core missions of infrastructure investment, safety and national defense, by consolidating DOT's 10 agencies into 3—a new Intermodal Transportation Administration that would integrate all of our surface transportation and civilian maritime functions; a revamped Federal Aviation Administration and the U.S. Coast Guard. The restructuring would accomplish three results; first, it repositions us to help develop the transportation system of the 21st century, one which promotes intermodal transportation.

Second, it promotes one-stop shopping to help us serve our customers better. The fragmentation and duplication that we have

today creates inconsistencies and a lack of coordination, and that wastes time and it frustrates our customers and our partners.

And third, this reorganization helps us find ways to responsibly and strategically reduce DOT's size, making it cost less. Over 5 years, the reorganization would save more than $1.5 billion in personnel costs alone, while improving service.

As the Washington Post indicated in its coverage of the reorganization announcement, Secretary Pena views this as a bipartisan proposal; that is why three former DOT Secretaries have all endorsed it.

Along with our reorganization proposal, we submitted a set of principles for the reform of transportation funding programs, which I would also like to submit for the record, if I might.

Mr. HORN. We will put the reorganization plan in the record at this point.

Mr. HUERTA. Thank you.

[The information referred to follows:]

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590
April 4, 1995

The Honorable Al Gore
President of the Senate
Washington, D.C. 20510

DEAR MR. PRESIDENT:

Enclosed for the consideration of Congress is a proposal

To amend title 49, United States Code (Transportation), to simplify and improve the organization of the Department of Transportation, and for other purposes.

Both the Administration and Congress are now engaged in a fundamental reassessment of the means by which the federal government fulfills its responsibilities to the American people. President Clinton initiated the National Performance Review (NPR) soon after taking office, and it has already produced substantial downsizing and performance gains at the Department of Transportation (DOT). Efforts to reduce annual deficits have also put increasing pressure on the Department to find ways to do more with less.

It has become dear that the most fundamental barrier to implementing broad-based, flexible, and well balanced transportation policy and programs is the outmoded division of authority among the different modes of transportation. The Department was originally created as a holding company for existing agencies, inducing the Federal Highway Administration, the Coast Guard, and the Federal Aviation Administration. Over time, new organizations have been created or grafted onto this structure, so DOT now includes nine separate agencies, plus the Bureau of Transportation Statistics. This brings with it tremendous redundancy, particularly in administrative and headquarters activities targeted by the NPR for substantial streamlining. Further, it means a high degree of complexity and potential confusion for our customers—in industry, state and local government, and the public at large—who now must go to many separate offices for different services and programs. Organizational change is also essential as we implement our ambitious goals for downsizing of the Department.

We propose in the enclosed legislation to consolidate the Department into three major areas. First, all surface and maritime activities (other than Coast Guard and the Saint Lawrence Seaway Development Corporation (SLSDC)) would be combined in a single Intermodal Transportation Administration (ITA). Second, the Federal Aviation Administration would continue its safety and security functions, incorporating also commercial space activities now housed within the Office of the Secretary. Third is the Coast Guard—a military service that transfers to the Navy upon declaration of war or when the President directs, and which has a distinct set of functions. No change in the Coast Guard's current status or activities is proposed, except for transfer of bridge-related functions to the ITA.

The SLSDC is already a wholly owned government corporation and would be made a free-standing entity, eliminating an additional management layer. A revision to the current Advisory Board overseeing the Corporation will be proposed to give that entity a more effective governance structure.

Our proposal would establish the new ITA organization effective October 1, 1995, to begin gradually taking over the responsibilities of the six modal administrations. These agencies—the Federal Highway Administration, the National Highway Traffic Safety Administration, the Federal Transit Administration, the Federal Railroad Administration, the Maritime Administration, and the Research and Special Programs Administration—would be authorized through the end of Fiscal Year 1996. Taking the one-year process by which the Department was originally created in 1966–67 as a precedent, it is anticipated that transfers of authority, duties, and Washington-based personnel would be complete before the beginning of Fiscal Year 1997. Formal integration of field operations would take place in FY 1997.

In addition to consolidation, the Department will continue its aggressive efforts to achieve savings in each of the DOT's component organizations. This spring, the Coast Guard will present me their recommendations for streamlining that result from a detailed review of their organization and operations. The Coast Guard plans to reduce about 4,000 positions during the period from FY 1993 through FY 1999, without reducing core services. The FAA recently announced a major internal reorganization to streamline and rationalize its structure into six lines of business. Additional administrative streamlining will be identified as the ITA is formed out of six of our existing operating administrations: the mandate for this exercise being a fifty-percent reduction in total administrative headcount. In addition, we intend to implement a substantial downsizing and reorganization of the Office of the Secretary to reduce administrative overhead and, consistent with NPR principles, to eliminate duplicative review and coordination activities.

In developing the Fiscal Year 1996 budget request, we also saw a need to reduce the burden of complex mode-by-mode and program-by-program categorical limitations on funding eligibility. These restrictions interfere with states' and localities' freedom to select the most needed projects for their communities. We developed concepts to overcome many of these limits and shift programmatic choices from Washington to the funding recipients. These proposals go beyond the organizational changes set forth in the enclosed legislation. We have begun a dialogue with Congress on how to achieve these goals and intend at an appropriate time following consultation to propose legislation implementing these specific new funding concepts.

This proposal calls for the first systematic reorganization of the Department of Transportation in almost 30 years, and I urge its rapid enactment. Virtually every Secretary of Transportation since the creation of DOT has called for reorganization to create a truly unified Department. The challenge created by the combination of growing transportation demand and tightening federal budgets means that we cannot defer action any longer. The proposed reorganization is essential to prepare the Department for the twenty-first century.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to providing this proposal for the consideration of Congress, and that its enactment would be in accord with the program of the President.

Sincerely,

FEDERICO PENA

Enclosure

Mr. HUERTA. We believe our proposed restructuring is fundamental to the question of organizing our field offices. However, to ensure a thoughtful and orderly restructuring process, our immediate focus would be in working out the transition issues at DOT headquarters. Assuming that Congress approves our reorganization plan, implementation of headquarters consolidation would begin next fiscal year. Details of the field structure would be worked out during that time as we are transitioning to the revised structure as a natural outgrowth of unification would begin in fiscal year 1997.

Of course, we have a lot of ideas of the results we would like to see. We intend to combine the concepts of one-stop shopping in close proximity to our principal customers. We want to move away from the hierarchical field structure and drastically reduce the number of managers, supervisors and checkers. We need more front line employees in the field who work directly with our State and local partners and provide services directly to our customers.

Today, in Chicago and throughout the country, you can find many examples of cooperation among the field organizations at DOT and other Federal agencies that streamline operations and improve delivery. We can talk about those more in the question and answer period. In DOT's case, this work would be a lot easier with dramatic results to both customers and taxpayers through the restructuring that we have proposed.

That concludes my opening remarks. My colleagues and I would all be pleased to answer your questions today.

[The prepared statement of Mr. Huerta follows:]

PREPARED STATEMENT OF MICHAEL HUERTA, ASSOCIATE DEPUTY SECRETARY AND DIRECTOR, OFFICE OF INTERMODALISM, DEPARTMENT OF TRANSPORTATION

Good morning. Mr. Chairman and members of the Subcommittee, I am Michael Huerta, Associate Deputy Secretary of the Department of Transportation and the Director of its Office of Intermodalism. With me are three administrators who direct DOT field offices in the Chicago area: Mr. Garrome Franklin, Regional Administrator, Federal Aviation Administration (FAA); Mr. Kenneth Perret, Acting Regional Administrator, Federal Highway Administration (FHWA), and Mr. Donald Gismondi, Deputy Regional Administrator, Federal Transit Administration (FTA). We'd like to thank you for the opportunity to participate in this hearing on streamlining Federal field offices. I would particularly like to thank the Subcommittee for allowing me to place this discussion within the context of DOT's proposal to undertake a fundamental reorganization that would consolidate ten operating administrations into just three.

Let me begin by noting the Chicago-area DOT offices not present at the hearing today. They include the regional offices of the National Highway Traffic Safety Administration (NHTSA), the Federal Railroad Administration (FRA), the Maritime Administration (MARAD), the Office of the Inspector General (OIG), the regional Hazardous Materials Enforcement office of the Research and Special Programs Administration (RSPA), and the Marine Safety Office and Lake Michigan facilities of the U.S. Coast Guard. That is a long list, and it reflects some important facts.

First, that Chicago is a key transportation hub for this nation, both for passengers and cargo. The intensity of Chicago's surface, air and water transportation activity speaks to the reality of a national transportation system. The smooth functioning of Chicago's transportation facilities is critically important for the reliable flow of transportation service in this country—as almost any airline passenger or railroad shipper could tell you.

Second, that DOT performs many essential functions to ensure that this transportation system delivers the service our economy needs with the safety our citizens demand. These functions require a particularly extensive field structure. DOT's grantmaking, safety and national defense activities occur predominantly outside of Washington, D.C. About 71,000 civilian and military DOT employees—more than 70 percent of the workforce—work in air traffic control towers, onboard coastal patrol vessels, in field offices where they deliver programs to fund infrastructure and safety improvements, in harbors where they maintain military reserve cargo ships, or on-site where they perform pipeline, railroad and truck safety inspections.

Americans have moved farther, gone faster and made more progress in our time than any other country on earth, and DOT employees can be proud of their contribution to the world's best transportation system. By and large, we think we've done a good job, but that doesn't mean we can't do a lot better.

A primary force to improve DOT has been the challenge of the Vice President's National Performance Review—to create a government that works better and cost less. Carrying forward the Administration's commitment to positive change, we've reduced our civilian work force by more than seven percent to date, saving more the $260 million per year in personnel cost alone. At the same time, we improved customer service through automation, by streamlining procedures and regulations, and by focusing on what our customers really need. It's been a good start, but only a start. Last December, to kick off the second phase of NPR, Secretary Pena joined President Clinton and Vice President Gore to announce a historic modernization of the Department of Transportation. On April 6, we sent to Congress the Department of Transportation Reorganization Act of 1995. It was introduced by request by Representative Mineta as H.R. 1440 and by Senator Hollins as S. 703. This legislative proposal would allow DOT to reformulate itself to address more directly the de-

mands of a transportation system that continually grows busier, more complex and more interconnected.

Importance of Transportation

We begin with the premise that transportation affects each of us every day and all day long.

Americans are very demanding when it comes to personal mobility. According to DOT's Bureau of Transportation Statistics, one-sixth of the expenditures of a typical household are spent on transportation, second only to housing. On average, each American makes nearly a thousand trips per year, covering about 15,000 miles annually.

Although we are very demanding of transportation for our personal mobility, we are just as demanding, if not more so, when it comes to the movement of freight. To that end, the deregulation of the trucking and railroad industries in the 1980s has led to dramatic improvements in how freight is moved in the United States. Today, some of our most competitive companies operate factories that run on only 15 minutes of inventory, or utilize inventory and control systems based on cash register sales—innovations that could never have occurred without reliable and efficient transportation. The marketplace is significantly shaping technological change, management innovation, and the characteristics of high quality door-to-door intermodal transportation.

Future Transportation Challenges

Safe and efficient transportation systems are critical to our economic security and our quality of life. Despite the advances we have made over the last few years, as we look to the future, we must acknowledge that transportation does have its problems.

- We face rapidly-growing travel demand that's outstripping capacity, and will continue to do so—for example, peak hour travel under congested condition now exceeds 70 percent.
- We see increasing needs for efficiency despite the progress we've already made—for example, by larger numbers of businesses that literally seek to make our national transportation infrastructure part of their assembly line.
- We continue as a nation to grow. The Bureau of the Census estimates that by 2020, only 25 years away, 60 million more Americans—and the goods needed to support them—will be competing for space on our transportation system.

While we face these increasing demands on the transportation system, we also must confront the reality that Federal funding for transportation will most likely decline, as we in the Administration and the Congress continue our efforts to reduce the Nation's budget deficit. We cannot assume that funding will continue our efforts to reduce the Nation's budget deficit. We cannot assume that funding will continue at current levels.

Seeing these challenges, the Administration has developed a program that looks responsibly at ways to reduce transportation expenditures, without reducing the Federal commitment to transportation. We propose to fundamentally restructure Federal transportation institutions to respond to the challenges we face. Just as private industry has had to restructure, downsize and provide higher levels of service, government must do the same.

Restructuring

Since January, I have chaired several agency task forces to design and implement a new DOT organization. We have worked to restructure the Department to focus on its core missions of infrastructure investment, safety and national defense. The resulting proposal—H.R. 1440—would significantly unify and redefine DOT's existing operating administrations. This unification will drive subsequent field office organization.

When DOT was established in 1967, it was organized as a loose confederation of what has now become 10 distinct operating administrations. We now have multiple agencies with overlapping concerns. This old structure is costly to operate, and hinders our ability to develop creative partnerships, to make strategic transportation investments, and to fashion innovative financing mechanisms.

In order to cope with declining resources, DOT has to spend less money on running itself in order to maximize the dollars going to transportation. Our proposed reorganization would address that by consolidating DOT's 10 agencies into just three:

X a new Intermodal Transportation Administration that would integrate all of our surface transportation and civilian maritime functions,

X a revamped Federal Aviation Administration, and

X the U.S. Coast Guard.

Consolidating our operating agencies also enables us to streamline the Office of the Secretary of Transportation, to make it smaller and to focus it on strategic planning and policy. Through these steps, our proposal achieves three key results:

First, in repositions DOT to help develop the transportation system of the 21st century—one that promotes intermodalism: using the most efficient form of transportation to move people and goods and to interconnect modes into a seamless transportation system. This is essential if we're going to make the most of our existing transportation infrastructure in an era of limited new construction. It is also, quite obviously, what people want: a focus on the total trip—the door-to-door journey from, say, Massachusetts to Idaho, whether for an individual or a piece of cargo. The transportation segments may work well individually, but they work best when they work well together.

Second, it will help us to serve our customers better. Today, for instance, although we have a DOT office—the Federal Highway Administration—in every state capital, information about other DOT programs and agencies is not available at this location. A shipper concerned with intermodal freight issues might have to deal with up to six different DOT agencies. The public sponsor of a local, federally-funded transportation project may face different rules and procedures—intended to accomplish the same goal—depending on which DOT administration is providing the funds. This fragmentation and duplication creates inconsistencies and a lack of coordination that wastes time and frustrates our customer and our partners.

Under our reorganization proposal, the Intermodal Transportation Administration will implement DOT's research, safety and investment programs in all surface transportation areas—highways, motor carriers, transit, railroads, pipelines and hazardous materials—as well as DOT's civilian maritime an bridge administration programs. Our intent is not simply to combine existing modal administrations, but to reinvent the delivery of their essential federal programs to make a government that works better. Our customers will see greater consistency and responsiveness from DOT staff, more emphasis on technical assistance, less on administrative oversight.

Third, this reorganization helps us find the ways to responsibly and strategically reduce DOT's size—to make it cost less. It eliminates the duplication and incompatibility that comes from having 10 separate agencies—each with its own personnel office, its own procurement department, etc. This will help us meet our commitment to reduce DOT's workforce 12 percent by Fiscal Year 1999—and achieve a 50 percent cut in back-office administrative staff—while we maintain the necessary front-line work force to serve our customers. Over five years, the reorganization would save more than $1.5 billion in personnel costs alone while improving service.

As you know, we've also submitted legislation for the creation of a new government corporation for air traffic control services. I understand the Subcommittee discussed this proposal at its June 6 hearing. We believe this proposal offers us the opportunity to bring an entrepreneurial spirit to an important government function—without in any way compromising how the public is served and protected.

Along with our reorganization proposal, we submitted a set of principles for the reform of transportation funding programs. We propose to consolidate the more than 30 infrastructure funding programs, simplify their requirements, and increase the flexibility and authority for states and localities to determine which projects should receive federal funding. We think these principles should begin a dialogue that will ultimately lead to legislation.

We believe that our proposal makes it easier for our partners in transportation to manage the funding reductions included in the budget proposals before Congress. Simply stated, there is no way to achieve the savings that Congress would like to see without them. Without significant organizational streamlining, our customers will have to face wholesale reductions in grant and aid programs for transportation.

Planning to implement change

With H.R. 1440, the Department of Transportation has proposed fundamental changes that would unify many distinct operating administrations. As noted earlier, each administration has a separate and extensive field structure. However, to ensure a thoughtful and orderly restructuring process, our immediate focus is on working out transition issues at DOT headquarters. Assuming that Congress approves our reorganization plan, implementation of headquarters consolidation would begin next fiscal year. Details of the ITA field structure will be worked through during that time, and the transition to a revised field structure, as a natural outgrowth of the unification, would begin in Fiscal Year 1997.

Of course, we have some ideas for the results we'd like to see. One primary focus of our field restructuring efforts needs to be improving customer service. We need more front-line employees in the field working directly with our state and local part-

ners and providing services directly to our customers. Our reorganization will combine the concepts of one-stop shopping and close proximity to out primary customers.

Currently, DOT has almost 1,700 field facilities. Of these, 1140 are operational offices such as air traffic control towers and Coast Guard search and rescue stations. These facilities are already located where the customer needs the service, so we do not anticipate a great deal of consolidation or relocation. Another 235 facilities are conducting research consumer-based safety activities such as highway and railroad safety inspections. Although these programs are not prime candidates for relocation, they are the kind of small offices that could benefit from consolidated administrative services as well as technology and telecommuting opportunities.

This leaves around 300 DOT field facilities—about half of which are regional and state offices for our grant programs, and half are technical and administrative support offices—ripe for restructuring. Our goal is to move away from a hierarchical field structure and drastically reduce the numbers of managers, supervisors, and checkers.

We intend to focus our initial restructuring efforts in large metropolitan areas with many large, multi-functional federal offices—not just DOT offices—since this is where the bigger payoffs will come. Metropolitan Federal Executive Boards (FEBs) can play a key role in this effort, and we need to make them an integral part of all our restructuring efforts. FEBs can be especially effective in planning how to leverage federal resources in a particular geographic location.

Since a major goal of restructuring is creating better partnerships with state and local organizations, it may make more sense for restructured field offices to be co-located with state and local government offices, rather than with other federal offices. For instance, FHWA's division offices are located in each state capital near the respective state departments of transportation.

We may also reap significant restructuring benefits by establishing operational hubs—centers which house the operational portions of a variety of programs that deal with the same or similar customers. For example, we could establish an operational hub to interact directly with state and local grantees under a variety of federal programs—just as a single bank provides loans for college, car or home improvement—or establish an office as a home base for federal inspectors in a particular region.

Current field office initiatives

Restructuring field offices will also build upon innovations already undertaken by the different operating administrations. These efforts exemplify the NPR strategy for improving field structure, as described in a January 1995 President's Management Council report. The study outlines three concepts as guides for improving service and reducing costs: horizontal streamlining, grouping similar programs at single locations; vertical streamlining, minimizing management layers between headquarters and service delivery locations, and optimum use of information technology, such as computers, telephones, faxes, etc.

Many of the following initiatives exemplify extensive cooperation among different operating administrations. Efforts such as consolidating many of these organizations into an Intermodal Transportation Administration would accelerate greatly the pace of such improvements.

Horizontal Streamlining.

Sharing staff resources. With the division in each state supported by nine regional offices, the Federal Highway Administration has a significantly large field presence than the Federal Transit Administration, which operates from 10 regional offices. Faced with the staff constraints and extra distances, the FTA has occasionally utilized FHWA employees to oversee federally-funded projects. On behalf of FTA's Chicago-based regional office, FHWA division staff have performed construction inspections for FTA-funded bus maintenance facilities in Michigan and Wisconsin.

Streamlinig environmental permits. In April 1994, FHWA's Chicago regional office signed a region-wide agreement with federal environmental resource agencies to merge NEPA, the environmental review process for a transportation project, with Section 404, the permit process required by the Army Corp of Engineers for any particular project that would dredge or fill a waterway. As a result, environmental reviews in Indiana, Michigan, Illinois, Ohio, Wisconsin and Minnesota will be more coordinated and projects will face fewer unnecessary delays. Such agreements are being implemented through out the country.

Joint transportation planning. The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the Clean Air Act Amendments of 1990 (CAAA) require cooperation among the FHWA, FTA, and EPA. ISTEA established virtually identical

planning and programming requirements for metropolitan highway and transit programs, which led the two DOT agencies to issue joint planning regulations, instead of separate sets of rules. In practice, more than half of field office planning activities involve direct coordination or joint action between FHWA and FTA.

FTA's mainframe computer. The FTA regional offices can review and approve grant applications—from customers who may be located hundreds of miles away—without the delays of handling paper documents.

Safety management systems. ISTEA requires states to develop and implement a highway safety management system. In this region, FHWA and NHTSA field staff work cooperatively with each state to develop their systems. Employees of both operating administrations belong to the steering committees of each statewide effort.

Vertical streamlining.

Performance partnerships. Key to empowering field staff is the recognition that conditions can vary greatly between localities, i.e., one size does not fit all. Employees closest to the customer are best positioned to match federal program goals with the local particularities—when given the chance. These federal goals are often pursued with a blunt instrument—categorical requirements that a certain percentage of money will flow to a specific type of project or size of geographic area. This focus on categories, rather than need, can frustrate state and local partners who seek more flexibility to address their own priorities. Using our unified funding proposal as context, DOT staff has met with performance measurement experts and transportation customers to develop more refined ways to protect the federal interest. These would focus on outcomes, as measured against agreed-upon performance standards, rather than inputs such as dollars spent.

Redefining roles. Congress, via ISTEA and its predecessor, the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA), began to move the FHWA role away from direct and daily oversight of State transportation partners toward increased reliance on local assurances of meeting federal requirements. Taking its cue from the legislation, the FHWA field organization has evolved to where, today, the role of the regional office is dramatically different than it was ten years ago. Regional offices have become centers for technical expertise, program assistance and inter-agency coordination instead of an additional layer of project oversight between headquarters and the division offices. This has increased the program responsibilities of the division offices, who are closest to the customer—the recipients of the federal aid programs.

Optimum use of information technology.

Electronic Grants Management. Both the Federal Highway and Federal Transit Administrations have streamlined their grant programs using computer technology.

The FTA has established a pilot program to streamline its grant making and management process through paperless electronic transactions between the agency and its grantees. Utilizing a modem and a toll-free phone number, a local transit agency can submit grant applications and certifications from a local computer station directly to the FTA's mainframe computer. The FTA regional offices can review and approve grant applications—from customers who may be located hundreds of miles away—without the delays of handling paper documents.

Five of the six State DOTs in FHWA's Great Lakes region utilize the agency's electronic voucher system for reimbursements of expenditures associated with the federal grant programs. This enables a state DOT to electronically transmit payment requests and supporting information directly to FHWA. All approvals and disbursements of funds are handled electronically, without transferring paper documents. An electronic data interchange feature permits the state agency to review the status of outstanding payments.

Telecommuting. This tool allows employees to work one or more days per week at home or at a telecommuting facility—an office with a shared work station more convenient to the employee's home. To ensure long-term success, a center requires a variety of users, whose employers provide the necessary financial support via fees. When telecommuting becomes an established practice among its employees, the employer finds cost savings from the decreased need for central office space. Instead, a smaller "virtual office"—a suite of shared work stations—can accommodate the intermittent needs of telecommuting employees on their days in the central office. Meanwhile, neighborhooods-based telecommuting centers could provide increased convenience for customers seeking person-to-person contact.

The Federal Highway Administration has encouraged states to initiate or expand telecommuting programs. For instance, FHWA funded an initiative by the California Department of Transportation to establish neighborhood-based telecommuting cen-

ters. Federal agencies and workers themselves, however, are just beginning to realize the potential of telecommuting.

On a pilot basis, the General Services Administration has established telecommuting centers for federal employees in Washington, D.C., Los Angeles (in response to the Northridge earthquake), Seattle and, most recently, in Oklahoma City. DOT employees have been among the most active users of these facilities. Now, DOT and GSA are co-chairing a study to explore public/private telecommuting centers. DOT has established an internal multi-modal task force to assist this effort.

Information Technology Pilot. A pilot project proposed by the Federal Railroad Administration promises to increase the productivity of its safety inspectors, dramatically decrease their paperwork, and increase prospects for telecommuting. The project, to be implemented in one of FRA's eight regions, would test the use of new notebook computers to capture inspection and work measurement data. FRA inspectors would have immediate access to previous inspection data, as well as the ability to transmit reports electronically to regional and D.C. offices, thus avoiding the need to come into the office to complete and transmit paperwork. The project would allow safety inspectors to take full advantage of telecommuting opportunities. Indeed, FRA management will encourage all field safety inspectors to work out of their homes and eliminate the need for regional offices.

Conclusion

The goals of DOT field restructuring will be the same as for the organization overall: to promote intermodalism, to provide better services for all of our customers, and to save the taxpayers money. That concludes my prepared remarks. Together with my DOT colleagues, we would be pleased to answer any questions you might have.

Mr. HORN. Thank you very much and I now ask the gentleman from Illinois, Mr. Flanagan to question the witnesses.

Mr. FLANAGAN. Thank you, Mr. Chairman.

Mr. Huerta, during the course of our Making Government Work hearings that we are having, that we are nearing the end of with this stop in Chicago and tomorrow in Washington, the Department of Transportation has been praised regularly as having avoided multiplicitous layers of bureaucracy, many levels of decisionmakers and a streamlined ability to accomplish the job without having an inordinate management layer structure. I heard in your concluding remarks that you need more personnel. Trusting the fact that you are not trying to create multiplicitous layers of personnel, in which areas do you require additional personnel?

Mr. HUERTA. I think what we are talking about is more a redeployment of resources as opposed to adding additional layers. What we would like to see is more personnel on the front lines, dealing with our customers and our partners in industry and in government, who provide transportation to you and to me.

There is a need, we believe, to ensure that policies are coordinated in the field, which is what the setting up of the Intermodal Transportation Administration would be all about. And some of the things that we are looking to fix, for example, let us say you deal with intermodal freight issues—Chicago does an awful lot of that in terms of moving shipping containers from truck to rail, sometimes from rail to rail and often in Chicago it takes place by moving them in truck in between. Many connect to ports on both coasts of the United States.

Well, if you are in the intermodal freight business, you will have to deal with up to six different DOT agencies for regulatory questions as well as for possible financial assistance and the list goes on from there. We believe that it makes sense to provide all those services to you in an integrated fashion in a one-stop shop and that

those stops should be located close to where you, the customer, are. So it is really a redeployment of resources.

Mr. FLANAGAN. Has the Department established a process for decisionmaking, or have you made the decision, perhaps, about the field structure for the proposed Intermodal Transportation Administration?

Mr. HUERTA. We have not made final decisions on the proposed field structure because we think that something that should precede it should be re-engineering all of the processes, to use the business jargon of the 1990's. But basically, we have made the proposal for how the agency would be put together and what functions would be in each of the three parts of the agency. Now what we need to do, and we are doing it as we speak, we need to go through the process of translating that into how do we do our work differently. For example, we do not need 30 different grant programs, each with its own personnel, its own forms, its own procedures and generally its own offices. Instead, what we need is a coordinated grants window that you could go to and take advantage of a wide variety of financial assistance programs. At the same time, our partners at the State and local level should have more flexibility to use the funds that they have at their disposal.

We think that we need to complete this process of re-engineering before we are in a position to finally define what the field structure would look like, but the principles that I talked about at the end of my prepared statement of being close to the customer and at the same time eliminating layers and delegating decisionmaking, those sorts of things, are what we are looking to achieve.

Mr. FLANAGAN. Certainly consolidation would be a portion of that.

Mr. HUERTA. Absolutely.

Mr. FLANAGAN. The 1991 Intermodal Surface Transportation Act gives localities greater flexibility in planning and spending Federal transportation funds. How do you see IST changing the role of DOT's field offices?

Mr. HUERTA. Actually, ISTEA has changed it quite a bit up until now. One of the things that Mr. Perret and Mr. Gismondi could talk about would be the increased flexibility that we have seen in the use of Federal funds has resulted in greater need to coordinate our modal offices so that we can be more responsive to customers, flexing highway money over for transit purposes. In some areas of the country, we actually flex it back the other way as well. But also intermodal projects themselves, which combine funds from many sources, require very close cooperation.

The net effect of all of this is that we cannot simply look at a mode of transportation as an end unto itself. We have to look at what our partners need, what States, what MPOs, what transportation providers want is mobility, they really do not care how they get it in many instances. That means that we have to adopt that mindset. And ISTEA pushed us in that direction and in fact I think it is fair to say that here in the Chicago area and throughout the country, we have a number of examples of working closely together.

Mr. HORN. I was going to ask how that resonates down to Chicago.

Mr. PERRET. We cooperate on many different activities between FHWA and FTA primarily. In the early development of the planning process and the environmental processes, we have joint regulations that were developed by the two agencies in cooperation with each other, that give us standardized ways of doing both the planning and the environmental processing for projects. So we have our staff at the regional level coordinate very closely on these matters. We make joint reviews of the metropolitan planning organizations to provide technical expertise to them, to provide guidance on how to make sure they process and do their planning according to qualifying regulations that qualify them for Federal funds. We do joint certifications of those MPOs and then we do reviews of air quality issues to make sure that there is conformity in the planning process with the State air quality planner.

Those are some of the primary areas we cooperate on.

Mr. GISMONDI. To personalize a little bit, I worked locally for State highway DOT one time and have been with FTA for about 15 years. Up until 1991, we did not have very much coordination or need to coordinate with the Federal Highway Administration. Since that time it is really a daily basis, it is daily by phone, it is daily in meetings, it is daily in front of MPOs, and a lot of letters that go out now to metropolitan planning organizations are signed jointly by FTA and FHWA and we rely heavily on electronic, E-mail, that type of stuff to put these letters together.

So besides what has been mentioned in the area of planning and clean air and transportation improvement programs and flexed funding, the flex funding decision is made locally to the division office of FHWA and becomes FTA's money if the money is coming from the highway side or the transit side. FTA only has a regional office in our six States, so we, instead of just coordinating with FHWA's regional office we also deal with each of the six division offices in each of our six States. But it is literally every day.

Mr. FLANAGAN. Well, the configuration of DOT's field office headquarters operation here in the Chicagoland area is spread out among Canal Street, East Monroe Street, Olympia Fields, Des Plaines, West Chicago and other locations. Does this unduly restrict whatever coordination efforts you need to make amongst yourselves or have the videophones out of GSA trickled down to you?

Mr. PERRET. The location has not hindered cooperation. Mainly—I have only been in the area about 1½ years, Don has been here longer than I have. We are trying to kind of go back in history as to why we are located where we are. We are co-located with the National Highway Traffic Safety Administration, NHTSA is in Olympia Fields with us. We kind of resolved it to the fact that it is because the customers and partners that we serve are a little bit different. We deal primarily with our division offices which are located in each of the State capitals in the Great Lakes area in the six States, plus the State departments of transportation. And so we have access very readily to the interstate highway system to make those field visits and contacts with our primary partners and customers. The coordination we do with Don and FTA here in the Chicago area can be done by phone, as he mentioned, by fax, by E-

mail. So just the fact that we have 35 miles between us does not hinder our coordination.

Mr. FLANAGAN. Do you have a field coordinating group, a formal structure, or is your coordination less formal, by phone and fax?

Mr. PERRET. We have formal agreements with FTA on certain issues that we do have joint responsibilities under law to do. So we have some formal agreements and then as Don says, that just sets the framework. Ours is really just a—you know, as DOT partners and co-agencies, we cooperate on a daily basis.

Mr. FLANAGAN. If I may be permitted a commentary, that is very Chicago. We go to the formal meetings and we all coordinate there. When we go back, we pick up the phone and we get the job done. I have great respect for that.

Mr. GISMONDI. One more thing—there is a formal DOT Intermodal Working Group that meets quarterly bringing in FAA, et cetera all together. Different modes will host it, FTA will host it one time, FHWA will host it, we will go to Homewood, we will go to Des Plaines. I can say how we are downtown, the Federal Transit Administration. Just as FAA is near the airport, we figured we had better be near our customers, which are the Chicago Transit Authority, et cetera, and also that is where all the transit is. So it is logical for us to be there just as it is logical for Federal Highway to be somewhere else.

Mr. FLANAGAN. We did this with the earlier panel, so we will do it here, too. Would you define a customer for us?

Mr. GISMONDI. Our customers—FTA makes individual grants to primarily public transit agencies, cities and States. Out of our Chicago office, we have 25 people and we made 180 grants to 80 some grantees last year—$607 million and they go to small towns like Lima, OH, and Kankakee, IL, and also big metropolitan areas such as Chicago, Cleveland, Detroit and Minneapolis. Our customers are both in providing the funds to the transit agencies and their providing the service to their customers, which is all part, shall we say, of the circle of life for the person who gets on the bus in Akron, OH.

Mr. FLANAGAN. So the clients are Federal agencies and the customers are local governments, right? It took awhile to get that.

Mr. PERRET. It depends on the culture, you know, everybody we deal with is a customer, everybody we have a transaction with. We consider our partners to be the State DOTs because obviously it is a federally assisted State program, so the State DOTs are our primary partners or customers and then working through them with the MPOs and local governments, who sometimes sponsor the projects, but they are all generally funneled through the State DOTs as far as FHWA's programs.

Mr. FLANAGAN. Well, having a field coordinating group, do you have lower level task forces, if you will, working that kind of issues in an effort to have any streamlining through this, or have you found that multiplicitous unnecessary?

Mr. GISMONDI. On an ad hoc basis, like when the planning first came up, we all were scratching our heads how we were going to implement it. So it was not just the chiefs that were in the meetings, it was the end users too, the people who were going to do it. So to answer your question, yes, certainly when there is a new pol-

icy coming out of Washington, regional administrators talking to each other is not as important as the two people who write the report.

Mr. FLANAGAN. Exactly.

Mr. GISMONDI. So we do that often, ad hoc—and really often.

Mr. FLANAGAN. It is commendable to always have an eye on accomplishing the task rather than preparing a pretty report. I think that is more important at the regional level than not.

A couple of questions for the Corps of Engineers. In your testimony, you state that authorization of budget decisions are made in Washington while district offices have had more authority for projects delegated to them. How has reinvention changed the role of the division offices?

Colonel CRAIG. The four items which I indicated center around the division role of command and control, regional interface, program management and quality assurance, are all coming out of what the Corps is doing under the restructuring program. What we are attempting to do there is, as we indicated, power down. The Assistant Secretary for Civil Works, in approaching the restructuring, developed a matrix of roles and missions and then called people from the field—not just the senior people—but people from the field, a diverse group from the standpoint of job levels, and they reviewed those roles and missions and said these things are being done in Washington, these things are being done at division, these things are done at districts. Here is where we think those things should be done. And basically that was a power down process. As a result of that, then he formed two task forces; one centering around what the structure of the division should look like; and the second, revising the primary role of the division which had been technical review. The district would provide a product, we would review it for technical and policy compliance, headquarters would review it and it went on from there for multi-levels of review. And one thing that we thought was essential in restructuring was to eliminate that bulky, costly process. And so that is where we are. And so the role of the division has come to a quality assurance role where the district produces the product, works with the locals closer than they had before on the production of that product, and instead of seeing that the Ts are crossed and the Is are dotted, we are looking to see if they are maintaining quality while they are doing that. So the role of the division has evolved. That is in response to your question.

Mr. FLANAGAN. Yes. I did not know that the Corps of Engineers was a MACOM until I read your testimony. The very nature of a Major Army Command is command and control, coordination with an eye focused on fast accomplishment. Do you believe that there are any lessons learned that can be exported out of the Corps into government generally, taking UCMJ out of the picture?

Colonel CRAIG. I understand. I am smiling because we in the military services, those who were in the military at the end of——

Mr. FLANAGAN. The Army Corps is in a unique position to do things that the infantry and air corps do not do in a civilian environment and an integral portion of the day-to-day operation of the Federal Government as opposed to a strictly military role.

Colonel CRAIG. That is correct. The military officers as part of the Corps, we believe that we have been in an institution of the armed services that had significant challenges coming out of the Vietnam era, an institution we believe the Nation is very proud of today. That has been a long hard road and there has been tremendous leadership, learning, in that process for all of us who were young officers and now reaching senior officers, and we believe that we brought some of that with us when we go to the Corps and we can apply that.

So to get to your specific question as to what we have done, I think accountability is probably the most important thing that is coming out of this restructuring process. The technical review is very important; it is important to taxpayers who cost-share products that we reduce the time and reduce the cost; but what we have is an accountability system now where we are, I believe, more proactive when problems arise that have grown up for a long time in the past. We are now recognizing those problems earlier, using the automated systems that we have and the ability to be able to track. So I would say that the lesson that I would pass on to other agencies is to simply use the automated systems, use the leadership techniques that you have to be proactive in identifying the bureaucracy problems and solve them before they slow you down and make you so cumbersome.

Mr. FLANAGAN. I think the Corps' external coordination as well as its own internal coordination, it's hierarchical structure, has been laudable from all that I have heard and seen as well.

For example, the extent of delegation of environmental regulatory authority to local communities, local counties—how involved did Washington get in that decision, or was that decision made at the division level?

Colonel CRAIG. Well, I would first commend the District Command, Colonel Slockbower, who is sitting with me because it really comes out of the district's ideas. I guess the best way to say was that we did not encumber him from making those changes. I believe I am right in saying that this is the first time that we have done this at county level. What we are talking about is in the 404 permit processing, where we now have DuPage County, who does their homework on what to do with permits quite similar to what the Corps does. We recognized that and said there is no reason for both of us to do that. So we let DuPage County do it. We review that process to ensure that there is nothing unique about that that would have a negative impact on us, and then we make that happen. We have been making success through the years with States on this. The States of Minnesota and Wisconsin, out of my St. Paul district, have instituted over the last couple of years a process where a lot of permits for wharfs, docks, small levees and things like that went through the same multiple process. Every agency had to do its review. We now have in those States an ability for the State department of natural resources people to do that legwork, so to speak, and we review that process, instead of doing it also, and we accept what they have, unless there is something unique that raises the issue to us. And in fact, in the State of Minnesota, we have gone so far that if I was an individual trying to get a permit, instead of walking into all these offices picking up all

the forms, we now have it down to one form that the State and Federal Government both share.

Now I am not going to sit here and tell you all this is great and wonderful. We are making steps to making it better and easier and more interagency coordinated.

Mr. FLANAGAN. Understanding the Army to the limited extent I do, having only been 5 years in field artillery, I will ask you——

Colonel CRAIG. We will not hold that against you.

Mr. FLANAGAN. I am very happy for that. The command and control that would go on with the delegation of such authority and the consequences to be paid if that authority is not exercised well, is an awesome achievement and it is an incredible thing to delegate that authority down. What structures, criterias or levels of control do you have that you have imposed upon the division level to utilize in their decisionmaking process now that they have the authority?

Colonel CRAIG. I have documents that have been the result of these open process diverse groups that give me outlines of how my division will maintain quality while it does the review at lower levels. I have been working with that now for a few months and I will turn in to my headquarters on the 21st of this month, on how we will implement that guidance. They will give that back to me on 1 October. That is when we will no longer be involved in tech review.

The documentation of it is flexible enough for me to do a number of things and I believe for the districts to do a number of things. We are really going to have to grow and experience this process before I think we finalize how we maintain quality assurance from the division standpoint, which is my primary thing to hold onto. The Corps is very proud of its history of not having dam failures. Although levees were topped in the 1993 flood along the Mississippi, they exceeded in every case the design for those levees. So, we are very proud that technically we have been very efficient, but we have been very cumbersome getting there. What we want to do is hold onto that. I believe there is flexibility to make that happen. We have some adjustments on how we approach it. You do not have to see everything that is produced by the district to make a decision on what is a quality product. That is going to take education and training of members of my staff whose role is really changing.

Mr. FLANAGAN. That is education and training up and down. Once you put a structure in place to have these decisions made at a local level and you have trained and qualified people making those decisions, it is, I believe, a responsibility at the higher level to trust and to oversee, make sure it happens right, but not have to micromanage it and see every decision as it comes back up the chain. And that requires self-restraint in upper management's ability and the cost savings that comes with that self-imposed self restraint, and I think that is integral to the process that you set out.

Colonel CRAIG. If I would just add to your comment, trust is a very key word here. I concur with you. And the Assistant Secretary, Dr. John Zirschky and the chief of engineers, Lt. Gen. Arthur Williams have been out in the field, holding town hall meetings with people, explaining what we are trying to do and in get-

ting through that gap, just the trust between my division headquarters and the district that the district can provide a product without division crossing all the Ts, is tremendous. But in that process, Dr. Zirschky, who is the Assistant Secretary, had an open fax line for anybody in the Corps to respond on anything that we were providing for them to read about what was going on, to make any comments or questions. One of the comments that he points out that he received was "If we are going to do it this way, we have to have some time to learn how to do it in the district because we have always had somebody looking over our shoulder, and we have to now grow into the fact that we are going to have to produce that ourselves." I think you are right on target.

Mr. FLANAGAN. One last question. For the shoreline project here in Chicago, the cost/benefit ratio is $5.3 for every $1 spent. You mentioned in your testimony that budgeting was primarily the responsibility of Washington and it certainly is. But how does the division get involved in establishing priorities such as for the shoreline project? And I ask this in light of the testimony you gave also on the water treatment plant in Des Moines being expensive and FEMA having to be involved and everything else, as it was flooded and was a—not a threat—but a concern as well for Chicago with the shoreline project.

Colonel CRAIG. The Des Moines project is different from the Chicago shoreline in the sense that Des Moines was in the middle of a crisis.

Mr. FLANAGAN. Yeah, it was an emergency and this shoreline project seeks to avoid similar emergencies.

Colonel CRAIG. And so we, operating under our authorities under FEMA could step right in, do it immediately with the money available. Chicago's shoreline is more of a prevention as opposed to resolving—reacting to a specific crisis. So therefore, it must go through the appropriations system and the appropriate authorities to allow us to do that. We in the division really do not determine a priority on whether we would do Chicago shoreline as opposed to someone else's shoreline. Those things are pretty much dictated by subcommittees of Appropriations and authorities that are associated with that, the administration, and OMB's submittal of their budget relative to what they would do with that particular project. I might add to that——

Mr. FLANAGAN. Well, we certainly receive a priority list from the Army Corps and my question is what impact do you have on that at the division level?

Colonel CRAIG. Well, if we have the authorities and we have the appropriations, we will do the project. We will not evaluate that against any other type of priority. If the appropriations and authorities come with that project, then we would do that project.

Mr. FLANAGAN. I thank the panel and I yield back.

Mr. HORN. I thank the gentleman for that group of questions and very interesting answers.

Let me continue with the Corps before I move to transportation. My first question is just for background. Colonel Craig, does your particular division include all of the Great Lakes or is there something being left out?

Colonel CRAIG. No, sir, I have all the Great Lakes and the tributaries that flow into the Great Lakes and the Upper Mississippi River.

Mr. HORN. OK, so we can get coordination between the Lake Erie, and the Lake Michigan States?

Colonel CRAIG. Absolutely. And there is one additional to that, sir. It is an international aspect. I am the U.S. chair of three boards under the International Joint Commission for lake levels across all the lakes and I appear before the International Joint Commission twice a year to discuss lake levels.

Mr. HORN. Is that also involved in the St. Lawrence Seaway?

Colonel CRAIG. That is correct, sir.

Mr. HORN. OK, very good. It has come up on various votes within the Transportation and Infrastructure Committee, that we have a difference among States on their policy in relation to pollution of the Great Lakes area. I want to make sure—do you know if the Environmental Protection Agency has a similar regional organization that includes all the Great Lakes?

Colonel CRAIG. I was not sure whether it was two or three, I believe it is three EPA regions that cover the Great Lakes.

Mr. HORN. I see. So conceivably they could talk to each other between the two regions.

OK, another thing, when I was 10 years of age in 1941, on my first visit to Chicago, I remember, we first took the train from Los Angeles to Chicago, then a wild taxi ride to catch the other train in order to get to Washington, DC, the Capitol Limited on the Baltimore and Ohio. And I remember after the Second World War, I think it was Mr. Young, an industrialist that had these wonderful ads of cattle or something in a car that said that cattle can go across country without making the transfer in Chicago, but the passengers could not. Where are we on that? Have we solved that problem so that we do not have to take wild taxi drives in order to get a trip to Washington?

Mr. HUERTA. Mr. Chairman, I can try to answer that question. The answer is Chicago unfortunately does not work as well on a rail-to-rail interchange as all of us would like to see. On passenger travel, if you are traveling on Amtrak, yes, you can get completely across the country on Amtrak. However,——

Mr. HORN. You avoid Chicago.

Mr. HUERTA. By avoiding Chicago, perhaps. Actually I think there is a train that does come through Chicago and continue on, but I would need to double-check on that for you.

Mr. HORN. OK, it is interesting, because I frankly have not checked out whether that has happened, and so conceivably they have connected in the southern part of Chicago and then keep going?

Mr. HUERTA. I will double-check on that for you just to make certain.

However, on freight trains, that interchange still is often required, where let us say that you are shipping containers east of Chicago from your home region, the ports of Los Angeles and Long Beach, that often requires a transfer to another railroad and often that requires what is called the dreaded rubber-tire interchange where every one of those containers must be off-loaded from the

train, put on a truck chassis and moved across town to another rail yard and moved on from there. And that is a difficulty that we have in terms of making funding available for rail infrastructure. It is not specifically called out as an allowable use in ISTEA, and so therefore, these are some of the issues and problems that we need to work with that our restructuring is intended to address.

Mr. HORN. Well, let me just say—I was going to say it when I got to you, but let me say it now—I am 100 percent for the intermodal emphasis that you are establishing in the Department of Transportation. I think that is long overdue and I would commend you for training to make these connections, regardless of mode of transportation, which are so essential for the free flow of commerce in our country, and I think, as I have mentioned to both Mr. Shuster and Mr. Mineta when we get to ISTEA, we need to have a big section in there on intermodalism right at the beginning. They never quite got to that I take it. I mean, it is in there in parts in projects such as the Alameda corridor, but there needs to be a real emphasis on that, to make these connections throughout the country.

Let me get back to the Corps just a minute because I was interested in your testimony that you looked at various processes that are improving the timetable by which the Corps acts on those processes. As I remember, we did have testimony before the Transportation and Infrastructure Committee in the case of one permit and it slips me now whether that was an environmental permit or a dredging permit which might have involved the environment, where they said three of Colonel Slockbower's predecessors started from ground zero to look at that particular permit. And there went 6 years. That shocked me because I regard the Corps as one of the most efficient agencies in the Federal Government, to find out that the district engineer in Chicago had to start from ground zero with each one of them. Have we solved it so that district engineers can solve the problem in 2 years? Are there any problems we cannot solve in 2 years? If so, I would like to know about it, because I think that is an extra long time.

Colonel CRAIG. I concur you on your estimate of time, and the short answer to have we solved; not all, we are making progress. And let me explain it this way. We have permits that require—we measure ourselves and my headquarters measures us on whether we complete within 60 days. And that is happening for the most part. We have other permits that we have to complete within 120 days and quarterly I have to defend where we are on that, so we have accountability rules and in fact, Colonel Slockbower has to explain to me if he misses that, as does any other district commander. So I think we have made significant improvement in this area.

Where we are having problems is exactly where you hit. When you have controversial issues where you need some guidance on those issues in order for the district commander to make a reasonable decision, that can draw out. We do not use 6 years. What we are getting into is a list for over 2 years. And the Secretary personally reviews that list and so he is holding everybody accountable also.

But there are issues out there today that realistically can take that long. Dredging is a particular one because of the massive amount of dredging per year on rivers and on the lakes, and you have to have a place to put that, even if it is clean material. And so what you are doing is balancing that permit against a number of very strong constituents within local communities, and those are not easily resolved problems.

Mr. HORN. That also includes the need to cooperate with the EPA, I assume.

Colonel CRAIG. That is correct, multiple Federal agencies, State agencies and local agencies, and especially the more complex they are. And in fact, EPA is very much in line on most permits.

Mr. HORN. I would like at this point in the record a list of all permits in your division that have not been approved within 1 year from filing, just so we can use it as an illustration. That would be very helpful.

Colonel CRAIG. OK.

[The information referred to follows:]

TWO-YEAR OLD PERMIT ACTIONS

(ONE ACTION)

1. Applicant: Wisconsin Bureau of Aeronautics, P.O. Box 7914, Madison, WI 53707
Action: Proposal to expand the Superior, Wisconsin, airport. Processing of the permit application has stopped pending the completion of Endangered Species coordination with the State of Wisconsin. The Corps will resume processing of the application when the required coordination has been completed by the state. District: St. Paul

ONE-YEAR OLD PERMIT ACTIONS

(TOTAL OF 8 ACTIONS)

1. Applicant: Village of Franklin Park, 9500 West Belmont, Franklin Park, IL 60131
Action: Proposal to line about 3 acres of stream channel in Silver Creek. Waiting for promised data from a new consultant who was brought in for the project in May of 1995. District: Chicago

2. Applicant: Leyden Township, 10200 Grand Avenue, Franklin Park, IL 60131
Action: Proposal to line about 3 acres of stream channel in Silver Creek. Waiting for promised data from a new consultant who was brought in for the project in May of 1995. Actions 1 and 2 are same project but require separate actions because of dual jurisdictions. District: Chicago

3. Applicant: TOPE Corporation, 15160 South New Avenue, Lockport, IL 60441
Action: Project to excavate and fill 17.38 acres of wetlands. The Corps is waiting for the applicant to submit a complete plan for the proposed project. Once a complete plan is received, the Corps will process the application and perform an evaluation of the proposal. District: Chicago

4. Applicant: Porter County Drainage Board, 204 East Lincolnway, Valparaiso, IN 46383
Action: After-the-fact application involving the unauthorized side-casting of excavated material into a wetland. The applicant took several years to finally submit a completed application to the district. The applicant has been unwilling to develop a plan for mitigating the action which impacted a sensitive salmon stream. The district is presently negotiating with the individual and anticipates that an agreement will be reached within the next two months. District: Detroit

5. Applicant: Charles Nebel, 212 1st Avenue South, Escanaba, MI 49829
Action: A Corps supplied wetland delineation was ignored and unauthorized construction occurred which resulted in a house being constructed partially in wetlands. Resolution of the action is currently on hold because the applicant has not supplied data to the Michigan State Historical Preservation Officer (SHPO). The Michigan SHPO needs the data to perform its required review. Additional action cannot be taken to issue a permit until the SHPO completes its review of the project. In order

to get things moving, the district plans to make a site visit to the project site in 1995, collect the necessary data, and supply the data to the SHPO so that cultural coordination can be completed. Once the SHPO completes its review, processing of the permit action will be resumed. District: Detroit

6. Applicant: Gene Kasten, 6425 Lakeshore Drive, West Olive, MI 49460

Action: Individual performed unauthorized work associated with placing hydraulic dredge material in Lake Michigan. The prospective applicant had originally applied for a permit but performed the work without waiting to get the permit. The district is currently negotiating with the prospective applicant to satisfactorily resolve the situation. District: Detroit

7. Applicant: Whispering Pines Golf Course, Box 332, Cadott, WI 54727

Action: After-the-fact permit action for the unauthorized clearing and grading of 9.5 acres of wetland associated with the expansion of a golf course. Resolution of the permit action is on hold while the applicant locates a suitable mitigation site and develops a plan to mitigate the damage which occurred during the filling. Once the district receives a mitigation plan, the proposal will be evaluated as action on the permit action is resumed. District: St. Paul

8. Applicant: David Searles, 3850 County Hwy D, Wisconsin Rapids, WI 54494

Action: After-the-fact permit action for the unauthorized construction of cranberry beds in a 28-acre wetland area. Final resolution of the permit action is on hold while the applicant locates a suitable mitigation site and develops a mitigation plan. Once the district receives a mitigation plan, processing of the permit action will resume as the plan is evaluated. District: St. Paul

Mr. HORN. Colonel Craig, do you have any of the 100 year flood projects where—we have a situation that when the Corps reviewed them in the last 5 or 10 years, a particular water system and dam system, public works, did not make the 100 year test? Are there any of those in your area or division?

Colonel CRAIG. I am going to need to clarify your question a little bit, sir. We design a lot of flood control projects to 100 years, but not all flood control projects are there. The local sponsor may desire something a lot less than that, that is affordable, and that we can provide, and in some cases we do that.

Mr. HORN. Well, let me give you an example. It just happens to be in my congressional district. The Los Angeles River system, I thought 30 years ago, 35 years ago when I was assistant to one of the four leaders in the Senate and we poured all the cement we could conceivably purchase into the Los Angeles River to make it safe, so that it did not overflow its sides into the thousands of homes on both sides of that river. Lo and behold, several years ago, the Corps said wait a minute, we have done a retest at our Vicksburg facility and we have looked at some recent flood damage in the early 1980's, 1982 as I remember, and the Los Angeles River system in the heart of what is now the second largest city in America that system does not meet the Corps' standard of surviving a 100 year event. Now that means that the Corps, the State of California, and in this case the county of Los Angeles as the local partner, have to upgrade that facility in a certain time period, to make sure it is safe for thousands of people. These are low income people of all races and ethnicity, whose homes are primarily affected along this river. You cannot replace that affordable housing. So obviously it is of high concern to all of us who represent those districts. There are about, I would say, six or seven Members of Congress along that 20 mile stretch of river below the city hall of Los Angeles.

So I was curious if you have any similar situations like that in your particular division, the North Central Division.

Colonel CRAIG. In North Central Division, we have situations that have evolved where we in fact did put a flood control project

into an area, at the time did in fact controlled a 100-year flood. However, hydrology changes, development, housing development changes, structural development in the area, many things that can impact on the hydrology and that fact can actually reduce what you have. Bridges and things like that were placed in since we were there.

I cannot tell you right now that I have those situations within my division. I suspect there are some, and I believe we have probably corrected some when the locals have come forth with concerns, but whether it still provides 100-year flood protection or not, if nothing else, for insurance purposes. So we have responded I believe when we have been asked, but I do not believe we have a mechanism that would go out and find those situations.

Mr. HORN. Well, obviously the next question relates to the first question, which is if you have to upgrade a system to the 100 year standard and you do not complete it at least at the halfway mark, then the flood insurance ax of the Federal Emergency Management Agency comes down. All of those people along both sides of the river had mandatory flood insurance imposed on them, which destroys the value of their house, and which destroys their opportunity to sell their house because nobody wants to buy it with that ax hung over it. And I was just curious, do you have any situations where FEMA is involved on flood insurance in your division that has scared the living daylights out of people?

Colonel CRAIG. In the process of determining the flood plain and the insurance requirements for the flood plain, FEMA is a player, but to get to the point that I think you are specifically making as to whether FEMA has raised an issue or we have raised anything that says the area is no longer in the flood plain, to my knowledge, we have not.

Mr. HORN. OK, well, when you check back at your division offices, I would appreciate knowing if there are any projects like that where they did meet the needs, the Corps and the local partner; suddenly, the standard is upgraded. You have the difficulty with driving—well, I will put it this way; it will wreck as many homes as the first atomic bomb did on Hiroshima, and that is thousands of homes that will be absolutely obliterated and the people with them, in the sense of having to leave Los Angeles because you cannot find any affordable housing there compared to what they are in right now.

So that concerns me.

Colonel CRAIG. Yes, sir.

Mr. FLANAGAN. If I can take just 1 second. There are certainly flood plans that are not completed yet, I know that the Des Plaines River in my district is one, perhaps Colonel Slockbower would like to address that. This is one that has been ongoing for a great deal of time and close to two decades now have been spent trying to solve that insurance crisis and all that goes with it. I understand there are overriding problems with it, and I do not think we have come to closure on whether the Des Plaines River will flood or not, and when it does, if it does, or how it does. And that I think has a lot to do with this question, as it relates to the Los Angeles River, but certainly in the Chicagoland area and I would imagine elsewhere in your very large water region as well.

Mr. HORN. Now let me ask, first, Colonel Craig, in terms of the divisions of the Corps, I know in the restructuring, there are obviously local pressures on local district offices and the division office. Given our modern methods of communication, and particularly in the military, despite that airplane I cited earlier—we will let the Army show what they can do technologically. Do we really need division offices or should we not simply have the policy standards in Washington and then deal with district offices directly, who could deal with the State governments, the city governments, the county governments, with whomever they have to deal? Can we decentralize further and take a layer out in between?

Colonel CRAIG. I think that is an excellent question and you may know, Mr. Chairman, that there have been two reorganization plans before the current restructuring. One of those reorganization plans did not eliminate the divisions, but reduced the number of divisions.

Let me give you, from a personal perspective of a person who was a district commander in the St. Paul district within this division, moved directly from the district command to the division command without going someplace else before, so I had a unique view when I came in. I had a pretty parochial district view that we do not really need the division, we can go to the headquarters and they will do more of what divisions do.

Now having been 1½ years at the division commander level, I do not believe I have been brainwashed, but I believe that I have come to the conclusion that there is a significant role for the divisions. I think it does center around quality assurance and I think it centers around the regional interface. I think Washington to the districts is too big a step. Not only from the standpoint of those comments that I have already made, but I think as a translator. Dr. Zirschky, the Assistant Secretary of the Army for Civil Works, I think put it in the proper perspective when we were discussing this one time. He said the districts are very close to the local communities, and I think that is good. They are fighting for their local communities. Washington is very close to Washington and they have a completely different view on local interests. We play a very significant role, I believe, at the division level of bringing that together.

Mr. HORN. Well, that is very eloquently stated. It reminds me of my own flaw, my friend who smiles was a great career Assistant Secretary for Management in what was once called the Department of Health, Education and Welfare, and he said where you stand is based on where you sit. I think that will apply throughout the Federal Government, shall we say.

Mr. Secretary, I ask you that question and your three regional administrators here. Feel free to talk. Once you are before a congressional committee, they cannot gag you. [Laughter.]

And remember, you are under oath. [Laughter.]

Why do we not start with the regional directors and then we will see what the Secretary has to say—who is going to Montana for their new assignment? [Laughter.]

Mr. GISMONDI. Again, as I stated earlier, the Federal Transit Administration has 10 regional offices.

Mr. HORN. Right.

Mr. GISMONDI. And we function as a field office. In fact, most of our coordination is with the Federal Highway Administration Division offices. Our customers are directly out there. When you look at us as a regional office, we are the field office. That kind of answers your question if you get rid of the regional offices, there is nothing. So we are already streamlined—that's the net effect.

Mr. HORN. Well, let me ask you, Mr. Gismondi, who do you interact with primarily, local officials or Federal officials?

Mr. GISMONDI. Oh, local officials.

Mr. HORN. Well, what percent of your time do you spend on that?

Mr. GISMONDI. Ninety percent plus, local versus other Federal, without a doubt. I mean, we are the ones giving money directly to the State of Ohio, Cleveland, Akron, Lima. They are getting grants directly from us. It may only be a five or six bus system, but they are getting grants from us, the applications come in to us. The Federal requirements—we are the ones who walk them through the Federal requirements so they can get their money, on an annual basis.

Mr. HORN. So, in a sense you are functioning as a district office.

Mr. GISMONDI. That is my point.

Mr. HORN. Right.

Mr. GISMONDI. But we are located in Chicago and the semantics of being a regional office, yes, we do function as a regional and a field office.

Mr. HORN. So you have no offices under you really?

Mr. GISMONDI. No offices under us and we report directly to headquarters.

Mr. HORN. So you get a lot of frequent flyer points or whatever?

Mr. GISMONDI. We do. But at the same time, I have to be honest with you—it is expensive for us to travel. We only have 25 people and when someone is in Ohio helping out a grantee, they are not back in Chicago on the phone helping other grantees and many more. We are out a lot, but at the same time we do a lot by computers, by the phone, by going to transportation meetings where you bring all the State officials in Michigan, in Ohio together. We address them at workshop sessions, we have working groups in Washington, we have our own seminar we put on every 2 years, where the grantees come to us. They like it. I mean, if you lived in Lima, OH, you may like to come to Chicago once every 2 years for——

Mr. HORN. Briefing on how to access that $4.8 trillion debt we have now, and making it $5.8 trillion.

Mr. GISMONDI. But to answer your question; yes, we function like a field office.

Mr. HORN. OK, that is very interesting.

How about you, Mr. Perret?

Mr. PERRET. We have one regional office in the Chicago area and we have six what we call division offices in each State capital. Our program is, of course, quite different in some of the things we do, because the Federal Highway Administration also includes the Office of Motor Carrier Safety. So we have basically two elements of our program that we administer in the field. We have the Federal assistance to the States for the transportation improvement, capital infrastructure type projects; then we have the motor carrier

safety regulations and enforcement function, which is our motor carrier safety arm. So there are two completely different sets of constituents there and customers and partners.

So, right now, I guess we are kind of in a transition, I guess you would say, from what we do now, we feel very comfortable with the organization. And of course it has been evolving. When we go to the Intermodal Transportation Administration, depending on how the programs change, like consolidating three main programs, it will totally affect what we do. So right now, we feel we are properly structured because we have our field offices, our divisions, closely located to State DOTs and the motor carrier safety office there in the State capital to interface daily with the State DOTs, administering the grant program and administering the safety—the truck safety programs.

Our regional office serves as an intermediate office and it has about three or four prime functions; the first of which is the technical expertise and program—technical expertise that we furnish both to our divisions and to the States in the form of short training courses, technical assistance on how to get programs implemented. That is the one thing. The other thing is the interagency coordination that we do at the regional level. Obviously, our State offices do not have the access to the Federal agencies on a regional basis, so our coordination with the Corps, with the FTA and with the DOT administration as well as other agencies like the Department of Interior, historic preservation groups and that kind of thing that we do for environmental processing, we do that on a regional basis.

On a regional basis, we also have responsibility for emergency assistance. FHWA has the emergency support responsibility for transportation in this region, so that is a major function of our regional office also. And then on the regional level, we supply personnel assistance, legal assistance, civil rights assistance to all of our State and division offices.

So really, there is a completely different function between what our divisions offices do and what we do on a regional basis, but it all supports the same customer base.

Mr. HORN. I am sure you are doing a fine job. Let me ask in the case of Mr. Gismondi's district, in essence, and your own, why cannot, in the case of the Corps, they simply deal with the Colonel or Lieutenant Colonel that is in charge of that particular district office—you call it district, right? You are the district engineer for Chicago, just like Colonel Robinson is for Los Angeles. Why can't they just go across the street and see them and get it done on a district-to-district level rather than going up the hierarchy to the regional office over this regional office and go again to the district level?

Mr. PERRET. Well, they do. The division offices do coordinate on project level activities. But what I was talking about on the regional level is more a policy level and coordination.

Mr. HORN. Let me ask you, what kinds of decisions that affect money are made at the regional level under the current setup?

Mr. PERRET. Mostly complicated decisions based on eligibility criteria, whether a particular project meets eligibility requirements that may be unusual, that the division does not feel comfortable to make at the local level. They want more policy guidance. We have

a high level of expertise on those matters at the regional level. That is one thing.

Mr. HORN. Do you have to go to Washington to get an answer to that question?

Mr. PERRET. Generally not, unless it is of some national significance because of some higher level consideration. Most of the time, we resolve those things on a regional basis.

Mr. HORN. Well, I guess one of my problems is, I cannot understand why the people at the lowest level, closest to where the State and local governments are working and where the people are that are being served—why they cannot get that policy guidance out of Washington? If you do not get it that way, one could argue, and I am not saying it is right or wrong, but I think administratively it is reality, that instead of going up where you get a consolidated answer based on the experience around the country, you could have the situation where a regional administrator here is making one set of decisions, a regional administrator elsewhere making another set of decisions. This is the same problem that affects the Federal district courts, and that is why we have appellate courts. This justifies in some sense a regional apparatus in the judiciary, in the sense that they are taking the load off the central court, which is the Supreme Court of the United States in Washington. So in essence, if you use that analogy, the advantage of a regional administration is that they keep everything from getting clogged up in Washington. That is a legitimate reason for a regional apparatus.

On the other hand, we are in an age of modern communication where no longer do we have to cart a lot of paper around, we can E-mail them. Conceivably you could get a consistency of policy and cut out the regional effort. I am not saying they are not doing a wonderful job, I am just saying there are a lot of people there in a lot of regional offices that really do not need to be there. When I look at other agencies that are not represented here this morning and I wonder about the degree to which they serve people or do not serve people. I also wonder about getting right down there to the grassroots as the Social Security Administration does. Granted, they have a regional apparatus too, but they get right down there where people are walking in the door and they give them an answer. If we are trying to simplify government and make life easier and get a decision, get an answer so we can go on with our business as either State officials or county or city officials, it seems to me we have got to take a real look at that regional structure and what are we doing, and whether we really need them. If they are making real decisions, I can see a value for it. If they are not, I just do not know why those same decisions cannot be made in a much more graphic way in Washington, DC, on a policy level that goes out across the Nation.

Now if that means that we are going to have everything clog up because those people do not understand in Washington, whereas the regional people are closer to the people that need the help, maybe we ought to put everybody in the field before they ever go to Washington.

Mr. PERRET. I think you have just described a lot of the Federal Highway Administration's operations. We generally are—our agen-

cy has rotated their people around quite a bit and most of our people in Washington have served in the field offices.

Mr. HORN. Good. Well, let me ask Mr. Franklin, we want to get your perspective on here as to the regional setup within the FAA.

Mr. FRANKLIN. Yes. Thank you, Mr. Chairman. I might mention that FAA is similar to the other modal administrations with regards to our policy and implementation. Policy is in fact developed in headquarters and the work actually gets done in the field with regards to the region. If the question or the discussion is focusing toward the necessity of having regions involved in that process, when compared to the comment that you made a moment ago about theoretically you could have different regional administrators making different interpretations of policy, it was just that type of thing around 1988, that caused the agency to move toward a straight line operation with regard to operating programs, rather than having regional directors control all the entities in a particular geographical area.

Because of that and because of straight lining, national policy is in fact centrally directed from Washington to the field structure for instance, in the Great Lakes Region. I think the value of the regional administrator and value of our role comes into play is with regards to integration of those different parochial views with regard to policy implementation. People are dedicated, they are focused on trying to get their particular piece of the pie done, and sometimes the consideration for other programs is not always there. The facilitation role of the regional administrator, the interface with local governments and local authorities and local interests is very real, and I think that is the value of our involvement into that process.

Mr. HORN. What percent of your time do you spend with State and local officials?

Mr. FRANKLIN. I would say probably more than 50 percent in terms of actual interface, not day-to-day administration and that kind of things, but actual doing work, probably at least half of my time is spent with local authorities and local environments in the Great Lakes Region.

Mr. HORN. And how much time do you spend with your fellow Federal colleagues in transportation?

Mr. FRANKLIN. On a number of fronts, there are a number of things we have got going on. For instance, when we look at things like security issues, the city officials, city law enforcement organizations as well as Federal—there is always an ongoing effort in there. We have got investigations by aircraft and those kinds of things that we are always interfacing. With the drug interdiction program, for instance, we coordinate with the Drug Enforcement Agency, Customs. With regards to shipping, we have got postal exchange. So on a number of fronts, with regard to aviation interests, we coordinate quite a bit with the other Federal interests.

Mr. HORN. Let me ask Mr. Gismondi, before we end this question and call on Secretary Huerta, if 90 percent of your time is with the locals, how much of a role do you believe you should play in advocating on behalf of local concerns in Washington? For instance, on ISTEA criteria changes.

Mr. GISMONDI. FTA is a small agency nationwide, 485 people. We are pretty streamlined. When we see an issue say in Minneapolis and we want it involved in ISTEA, it is not hard for us—again, we do not have a division structure, we are like the division or field structure. It is not hard for us to get that issue to the key people in headquarters—again, a small agency—and make recommendations. They listen to us a lot. Our headquarters office listens to us, listens to the regional offices a lot in policy. Again, a small agency sometimes has an advantage here, in going straight from there to the headquarters.

Mr. HORN. No question about it.

Secretary Huerta.

Mr. HUERTA. Mr. Chairman, I should probably preface my remarks by letting you know that in graduate school I was a student of Rufus Miles, and so I am well familiar with his law of where you stand is where you sit, and I should also say that I am probably the exception that proves Rufus' law because—should our proposed restructuring be enacted by the Congress one position that gets eliminated is my own. And that is at my proposal, in that I believe that it truly would be unnecessary and therefore not warranted for the department to have such a thing.

But I think that what you have heard is—one of the things the department does need to address, is the complexity of its field structure in that what we have is differing models for the different agencies of the department that were set up for the original purposes of those departments. In the case of highways, the division structure with the regional structure over it, was set up in response to the interstate era when we were very much in a construction mode of transportation. Likewise, FTA is very close to their transit agencies and I think if you sum all of this up, the structure of FAA and some of the changes that they have been looking at, what we need to find a way to do as we move forward is to combine the benefits of proximity that we see in the FHWA model, where they are in many instances across the street from their customers and they have day-to-day contact with them, with the benefits of size that you see in the FTA model where questions can be answered very, very quickly by virtue of the direct line and the fact that there are not a whole lot of people out there.

But going back to something that I mentioned earlier in response to a question by Congressman Flanagan, I think that it is important to point out that what we need to do is look at how we go about doing our work, and ISTEA sent us in that direction, we believe that our consolidation and reorganization pushes it that much farther and that a regional structure that is more rational and customer-friendly will be something that will emerge from that. And it will also cost a lot less.

Mr. HORN. OK, anybody else wish to comment further on the regional office question?

[No response.]

Mr. HORN. Let me ask you, Colonel Craig, if what a local division is doing makes sense in regards to its environmental responsibilities, what mechanism does the Corps have in place to assure that other divisions or districts do the same thing? In other words, when you have a success in resolving a problem here in the Great Lakes

Region, what mechanism exists to assure that the California Division or a California district learns from an Illinois based Division, or vice versa?

Colonel CRAIG. There are a number of mechanisms in place that help us communicate between ourselves successfully, but I do think we need some improvement—the mechanism includes the ability of the Chief of Engineers, the Assistant Secretary of the Army for Civil Works and the Director of Civil Works, to get around to the divisions very regularly, and into the districts. They are briefed on these things as they go around and they have a tendency to pass those on to the rest of us. In addition, Division Commanders meet quarterly and we pass lessons learned around in those sessions. In addition, we may have our senior chiefs meet periodically, all the ones within the divisions and they use those types of sessions to do that. Environmental elements within the Corps of Engineers meet regularly.

But we do not have something where I would pick up a monthly or quarterly document that these are lessons learned that we can draw from. It is not as formalized as that, it is more of passing it between each other.

Mr. HORN. Sort of pollination by bees going from tree to tree. There is no such thing as a Friday morning or Friday afternoon conference call then with the Assistant Secretary, chief engineers, the major general in charge of civil works and the divisional officers?

Colonel CRAIG. Not with the division commanders. I do know that the three people you mentioned in the beginning, the Secretary, the Chief and the Director of Civil Works work very closely together, especially the Director of Civil Works. As I understand it, they talk to each other at least five times a week.

Mr. HORN. That is great. They talk to Members of Congress certainly that many times a day too. [Laughter.]

That may be why the Corps has been so successful.

I recall as a young Senate assistant going over to see Congressman Johnson, who later headed the Interior Committee and spread out on the floor were the maps of his 23 county district in California, which was a lot of California, and with General Cassidy, then in charge of civil works, we decided how much cement should be put in each creek moving north to the Oregon border. So the Corps has been very facilitative and we all appreciate that.

Let me ask you one last question relating to the Corps. As I understand it, the Corps has been involved with several north pier projects and maybe Colonel Slockbower knows this better. Through the Corps efforts, the pier has been secured and substantial development is now taking place on the pier itself. This development has required or will require new work directly related to the development. If new work is required because of this new development, should the proprietors and beneficiaries of the development be responsible for paying for the project that the Corps is contemplating?

Colonel SLOCKBOWER. Sir, I am not aware of this project.

Mr. HORN. If you find out something on it, why do you not just file it for the record then.

Colonel SLOCKBOWER. Yes, sir.

[The information referred to follows:]

I believe you are referring to what is known here in Chicago as Navy Pier. Navy Pier extends into Lake Michigan within the confines of Chicago Harbor. It is owned and operated by the Metropolitan Pier and Exposition Authority and has recently undergone substantial rehabilitation which includes restaurants, shops, recreational and exhibition facilities. The Corps of Engineers has not been involved in any way with the pier's rehabilitation and I am unaware of any local interest in seeking a future role for the Corps.

Mr. HORN. Very good.

Any other questions from my colleague from Illinois?

Mr. FLANAGAN. No, Mr. Chairman.

Mr. HORN. Well, ladies and gentlemen, if you do not have anything else to say this morning, we thank you very much for taking time, and we hope the permit approval process has not been delayed too much by having all of you out of your offices. We commend you on any efficiencies in advance that you might have to improve that process.

Let me thank a number of those that had to do with this particular hearing. I will start with Russell George, our staff director, who is in Washington worrying about other things more now than he is worried about this; and also our two counsels, Mark Uncapher on my right and Michael Stoker on my left, as well as Tony Polzak and Wallace Hsueh, the staff assistant here that set up this hearing. And also William Warren, our reporter, we thank you.

If there are no further comments to be made, we thank particularly Congressman Flanagan for arranging this, and we are glad to see him in his district. He is one of the most active freshmen in Washington, showing up at committee meetings and asking good questions. It is a pleasure to be here.

Thank you very much. We are adjourned.

[Whereupon, at 11:46 a.m., the subcommittee was adjourned.]

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