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ADMINISTRATION REORGANIZATION AND MODERNIZATION PROPOSALS RELATED TO THE DEPARTMENT OF ENERGY AND THE DEPARTMENT OF THE INTERIOR

THURSDAY, JULY 19, 2018

U.S. Senate, Committee on Energy and Natural Resources, Washington, DC.

The Committee met, pursuant to notice, at 10:05 a.m. in Room SD–366, Dirksen Senate Office Building, Hon. Lisa Murkowski, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. LISA MURKOWSKI, U.S. SENATOR FROM ALASKA

The Chairman. Good morning, everyone. The Committee will come to order.

We are here today to examine the Administration’s efforts to reorganize and modernize the Department of Energy (DOE) and the Department of the Interior (DOI).

As a point of reference, in March 2017, President Trump issued an Executive Order directing all agencies across the Federal Government to examine their structures and find ways to be less wasteful, reduce inefficiency, and improve accountability. Since then, both Departments under our Committee’s jurisdiction have taken steps to help meet that directive.

Mr. McNamee, thank you for joining us on behalf of the Department of Energy. I appreciate your Department’s efforts to remove institutional barriers that would hamper our efforts to achieve a cleaner, cheaper, more diverse, and more secure energy future.

I think it is smart to crosscut agency work as we seek to address these issues—whether it is microgrids, or mineral security, exascale computing, quantum, advanced nuclear, energy storage, and the other challenges that we face. I think it also makes sense to create public-private partnerships that leverage our national labs, our universities, and our industries.

I look forward to hearing how this important work can be better facilitated by the structural changes that DOE has made to realign certain offices beneath the Under Secretaries. I also look forward to learning a little bit more about the integration of DOE’s new Office of Cybersecurity, Energy Security, and Emergency Response (CESER). We have had several who have come before this Committee to talk about this newly established CESER, including the
Secretary himself, so hearing your comments this morning will be appreciated. Sharing best practices and breaking down silos at DOE just seems logical. While I have concerns about several aspects of OMB’s recent blueprint to reorganize the Federal Government, I do appreciate the Secretary’s support of highly effective programs such as ARPA-E. I am a big supporter of that. I wish that the Secretary’s support was reflected in the President’s budget request. As you know, we are going to continue supporting it through not only this Committee here but through Appropriations.

Turning to the Department of the Interior. Ms. Combs, thank you for being here today. I appreciate the conversation we had just a little over a week ago. In my view, as I mentioned, you should have been confirmed as Assistant Secretary some months ago, but you are waiting and waiting and waiting.

While you have been waiting I know you have been working with the Secretary to develop, as he puts it, a Department that will work for the American people for the next 100 years.

I often say in this Committee and out in public that the Department of the Interior is effectively Alaska’s landlord. With the control that the Federal Government, specifically Interior, has over 223 million acres of land in our state, it has a significant impact on our state’s economy.

So if the Department is reorganizing in a manner that allows it to improve mission delivery and focus finances, or focus resources in the field, I think that Alaskans can get behind that and ultimately benefit from it.

I do support Interior’s goal of aligning geographic areas to enhance coordination of resource and policy decisions as well as the establishment of common regions that will better streamline operations to better serve Americans.

I welcome the idea of sending more employees from headquarters to the field, closer to the people and to the places that their decisions affect. I also believe there are a number of agencies within other Departments that would perhaps be a better fit at Interior.

This morning we look forward to both of you walking us through the proposed changes happening at DOE and DOI, which I think will help us understand the thinking behind them and how they are going to work in practice. It is one thing to have them down on paper, looks like a good idea, but how does the implementation work?

I know this entails a lot of work, obviously a great deal more to come. Senators have clearly legitimate questions that will relate to this and how these efforts will unfold. I certainly do. But certainly, we cannot deny that it is a worthy endeavor to look at the structures of our departments to determine how operationally they are working.

I think that is our responsibility, again, looking at the structures of government to determine whether they are as efficient and effective as we expect. Putting ideas on the table for improvements is a good thing and something that we should encourage. And from there on, it is on all of us to consider those ideas, consider them thoughtfully, help refine them if they are good ideas and then move forward on those that best serve the American people.
So I look forward to the discussion this morning, and I welcome both of you.
With that, I turn to Senator Cantwell.

STATEMENT OF HON. MARIA CANTWELL,
U.S. SENATOR FROM WASHINGTON

Senator CANTWELL. Thank you, Chairman Murkowski.

Certainly efficiencies in government should be strived for, but I find many of the proposals that are on the table in this hearing today very troubling. Both the Energy and Interior Departments seem intent on fixing problems that don't exist instead of solving the ones that do. Some of what the President and his Administration have proposed is downright dangerous.

At the top of the list is the idea to sell off transmission from the Bonneville Power Administration (BPA) and its sister agency, the Tennessee Valley Authority. These regional entities serve consumers in 33 states, including rural Americans who would otherwise be left behind and have built with cost-based power tremendous economies that we do not want to disrupt.

For those of us in the Pacific Northwest—and I know my other colleagues from the Northwest who are not here today will chime in when they do come and I am sure my colleague from Tennessee will chime in as well—these are important issues that right next to the dictionary should be with OMB. This is a non-starter. We have stopped every Administration from doing this, but never have we had somebody come and propose by the agencies, acting as if they agree with OMB.

Selling off BPA wires and abandoning cost-based rates would raise electricity rates and throttle the Northwest economy. The Northwest Power and Conservation Council compared this proposal to Enron's market manipulation of the market and that crisis in 2000 cost the Northwest $10 billion when retail prices rose 36 percent. The Council estimates the President’s current proposal could have a similar effect, raising electricity rates between 20 and 40 percent on hardworking families. I will be working with my colleagues to stop this horrible idea in its tracks.

I am concerned that the proposed reorganization does not meaningfully address the threat of cyberattacks. Make no mistake, the grid and other systems are under constant cyberattack. I have worked with the Chair on our legislation and again, we passed two years ago, to try to give DOE more authority to help in this effort.

I understand that DOE is standing up a new office, but it has to be more than slapping a name on a door, called CESER. It has to be about making sure there are adequate funds and a real threat assessment. DOE's own budget justification already tells a different story. The marginal 13 percent increase in funding for cybersecurity comes at expense of a dramatic 64 percent cut to Transmission Reliability and Resilience, and an even deeper 80 percent cut to the Resilient Distribution Systems. The grid will be security job number one as it relates to cybersecurity. This issue is not going away. We all need to wake up.

We live in an information age and that information age means that more products, more services, and more threats are going to
be attached to the grid. So you cannot say you are for cybersecurity while you cut the programs that are about resiliency.

We need to double cybersecurity funding not play on the margins, and we need to make sure that we are doing everything we can to make sure that foreign governments, including the Russians, are not hacking our grid capability. How can we protect and defend our nation when we haven’t made the right investments or even understand the threat assessment that they pose to us?

When it comes to the Department of the Interior’s reorganization, Senator Zinke and the Administration have failed to offer other sufficient explanations of why they want to make major changes.

Moving NOAA fisheries from Commerce to the Department of the Interior ignores the agency’s responsibility of managing multibillion dollar commercial fisheries. Creating arbitrary new regional offices could relocate or lead to layoffs of thousands of career professionals and more bureaucratic mismanagement of this issue. What we need on fisheries is science and funding. I think people on this Committee would agree. If you have fisheries, every time we have had to make tough decisions about fisheries, it is good science that has guided us on that information.

So I hope that this particular proposal will not move forward and people will understand that what we need is stock assessment, good management, and the great things that we’ve done in the Northwest Pacific Council on fisheries management. The Park Service has already realigned its regions to be more efficient. How will doubling the number of regions result in additional savings? I have a question about that.

We also have no understanding how Interior’s proposal could impact tribal nations. It seems to me the Secretary should have completed tribal consultation before rather than after putting this plan together.

Given all the Department’s other actions to give away public lands and to not implement important rules to protect the taxpayers, I have great concerns about these reorganization strategies.

So I look forward, Madam Chair, to asking questions this morning.

I know we do have a vote in Finance that I am going to have to excuse myself for at some point, but just mark me down as very concerned about the proposals on the table today.

Thank you.

The CHAIRMAN. Thank you, Senator Cantwell.

Let us go to our witnesses from the agencies.

Again, welcome to Mr. Bernard McNamee with the Department of Energy. We will ask for your comments, if you can try to keep them within the five-minute limit. Your full statements will be included as part of the record. Once you are finished, Mr. McNamee, we will turn to Ms. Combs for her comments.

So again, welcome.

STATEMENT OF BERNARD L. MCNAMEE II, EXECUTIVE DIRECTOR, OFFICE OF POLICY, U.S. DEPARTMENT OF ENERGY

Mr. McNAMEE. Thank you, Chairman Murkowski and Ranking Member Cantwell and all the members of the Committee. It’s an
honor to be here today before you on behalf of the Administration and the Department of Energy to discuss the Administration’s reorganization and modernization efforts and its vision for the Department.

The Department is grateful for the support that this Committee has provided to DOE over the past year and a half. Most recently, and in particular, I want to thank Chairman Murkowski and Ranking Member Cantwell for your support and help in addressing the challenges related to Section 3111 of the NDAA. It’s very much appreciated.

In mid-December 2017, the Secretary of Energy announced his intention to realign and modernize the Department. The goal was to realign the program offices under efficient reporting frameworks that would advance the Administration’s policy priorities, address the nation’s present and future energy challenges, and refocus the Department on its core missions.

Those core missions include promoting America’s energy security, spurring science and energy innovation, reducing regulatory burdens, restoring the nuclear enterprise, enhancing national security to the military application of nuclear science, and addressing the obligation of legacy management and nuclear waste.

The December 2017 modernization and realignment included creating separate offices for the Under Secretary of Energy and for the Under Secretary for Science and then realigning the offices under that to make sure that the missions were structured in accordance with the leadership. And then we also stood up the Office of Cybersecurity, Energy Security, and Emergency Response, also referred to as CESER.

Of course, some of the offices are still awaiting Senate confirmation of their leadership, such as the Director of the Office of Science, the Assistant Secretary for CESER, Assistant Secretary for Energy Efficiency and Renewable Energy, and the Inspector General, but we are grateful to this Committee for exercising its constitutional role in this process.

Now last month, as the Chairman mentioned, the Administration released a government reform proposal that included the Department of Energy. The reorganization efforts outlined within that proposal would help the Department achieve its goals in advancing the Administration’s energy policy priorities, as well as enhance efficiency at DOE in focusing on its core missions.

The Administration’s proposal includes several important components, some of which have been mentioned already. First, divesting the federal transmission assets, which include those owned by the Power Marketing Administrations within DOE; second, consolidating DOE’s Applied Energy Offices in Fossil Energy, Nuclear Energy, and EERE into a new Office of Innovation; next, eliminating ARPA-E, while integrating some elements into the Office of Energy Innovation; and finally, establishing the Office of Energy Resources and Economic Strategy.

The Administration’s plan includes other DOE-specific proposals. These include streamlining Environmental Management headquarters organizations, consolidating the various international affairs staffs into the existing Office of International Affairs, merging
Human Resource service centers, and restructuring the Office of Science to improve efficiency and reduce costs.

I would also like to give some perspective on this.

First, it should be noted that a vast majority of the nation’s energy infrastructure and electricity infrastructure is owned and operated by the private sector and the Administration views that the ownership of the transmission assets is best carried out by the private sector as well. Eliminating or reducing the Federal Government’s role in owning and operating the transmission assets and increasing private sector’s role would, in the Administration’s view, encourage a more efficient allocation of economic resources and mitigate unnecessary risk to taxpayers. Of course, the divestiture requires action by Congress, and the Secretary has already acknowledged in his FY2019 that we will follow the direction of Congress on this issue.

As to the elimination of ARPA-E, this proposal was made in the President’s Fiscal Year ’18 and ’19 budget proposals and likewise, Congress has continued to fund the program. As with all programs, DOE will also follow the direction of Congress on these issues.

In terms of the creation of the Office of Energy Innovation through the consolidation of applied energy offices, we hope to streamline R&D efforts across the Department so as to allow us to better leverage the Department’s resources and funding and that would enable us to create and adapt more quickly the changing energy landscape.

In conclusion, Chairman Murkowski and all the members of the Committee, I want to thank you once again for inviting me to be here today and to share the Administration’s view of the Department. The Department appreciates the Committee’s interest in its realignment and priorities, and we look forward to working with you on these matters and discussing them and looking at the opportunities so that we can promote energy dominance for the benefit of the American people.

So thank you once again, and I look forward to your questions.

[The prepared statement of Mr. McNamee follows:]
Testimony of Bernard L. McNamee, Executive Director of the Office of Policy
U.S. Department of Energy
Before the U.S. Senate Committee on Energy and Natural Resources
July 19, 2018

Chairman Murkowski, Ranking Member Cantwell, and Members of the Committee, it is an honor to appear before you today on behalf of the Administration and the Department of Energy (“the Department” or “DOE”) to discuss the Administration’s reorganization and modernization efforts and vision for the Department.

The Department is grateful for the support this Committee has provided DOE over the past year and a half. Most recently, and in particular, I want to thank Chairman Murkowski and Ranking Member Cantwell for their efforts to address the challenges posed by Section 3111 of the Senate-passed Fiscal Year 2019 National Defense Authorization Act.

Department of Energy Initiated Reorganization

In mid-December of 2017, the Secretary of Energy (Secretary) announced his intention to realign and modernize the Department. The goal was to align program offices under an efficient reporting framework that would advance the Administration’s policy priorities, address the nation’s present and future energy challenges, and refocus DOE on its core missions. The Department’s mission is to advance U.S. national security and economic growth through transformative science and technology innovation that promotes affordable and reliable energy through market solutions and meets our nuclear security and environmental cleanup challenges.

These core missions also include:

- Promoting America’s energy security;
- Spurring innovation;
- Reducing regulatory burdens;
- Restoring the nuclear enterprise and enhancing national security through the military application of nuclear science; and
- Addressing the obligation of legacy management and nuclear waste.

The modernization and realignment included creating separate offices for the Under Secretary of Energy and the Under Secretary for Science, realigning the offices under those leaders in accordance with their missions, and standing up the Office of Cybersecurity, Energy Security, and Emergency Response (CESER).
Of course, some of the Offices are still awaiting Senate confirmation of their leadership—such as the Director of the Office of Science, the Assistant Secretaries of CESER and Energy Efficiency and Renewable Energy (EERE), and the Inspector General, but we are grateful for the efforts of this committee has made in the exercise of the Senate’s constitutional role.

Recent Reorganization Proposal

Last month (June 2018) the Administration released a government reform proposal that included certain parts of the DOE. The reorganization efforts outlined within the proposal would help the Department achieve its goals in advancing the Administration’s energy policy priorities, as well as enhance efficiency as DOE focuses on its mission.

The Administration’s proposal has several key components for the DOE:

- Divestiture of Federal transmission assets, which include those owned and operated by the Power Marketing Administrations (PMAs) within DOE, including those of Southwestern Power Administration, Western Area Power Administration, and Bonneville Power Administration;
- Consolidate DOE’s Applied Energy Offices (Fossil Energy, Nuclear Energy, and EERE) into a new Office of Energy Innovation; consolidate the Office of Electricity into the Office of Energy Resources and Economic Strategy;
- Eliminate ARPA-E, while integrating some elements into the Office of Energy Innovation; and

The Administration’s plan also includes other DOE-specific proposals. These include: 1) streamlining Environmental Management headquarters organization; 2) consolidation of the various international affairs offices into the Office of International Affairs; 3) merging Human Resources service centers, and 4) restructuring the Office of Science to improve efficiency and reduce costs.

I would like to offer some perspective on a few of the proposals:

- The vast majority of the Nation’s electricity infrastructure is owned and operated by for-profit investor owned utilities. Ownership of transmission assets is best carried out by the private sector, where there are appropriate market and regulatory incentives. Eliminating or reducing the Federal Government’s role in owning and operating transmission assets and increasing the private sector’s role would encourage a more efficient allocation of economic resources and mitigate unnecessary risk to taxpayers. Divestiture of PMA assets requires Congressional authorization. The Secretary acknowledged this fact at his FY19 budget hearings.
- The creation of the Office of Energy Innovation would streamline R&D efforts across the Department by better leveraging the Department’s resources and funding.
- The elimination of ARPA-E has been in the President’s FY18 and FY19 budget proposals, yet Congress has continued to fund the program. The House Science Committee has recently proposed reforms to ARPA-E that would give the Secretary of Energy greater discretion in prioritizing ARPA-E’s research initiatives. As with all programs, DOE will follow authorizing and appropriations laws relative to ARPA-E.
• Consolidation of the Department’s applied energy offices into an “Office of Energy Innovation” in order to maximize the benefits of energy R&D and would enable us to adapt more quickly to the changing energy landscape.

Conclusion

Chairman Murkowski, and all the members of the Committee, I want to thank you once again for inviting me to share the Administration’s vision for the Department. The Department appreciates the Committee’s interest in its realignment and priorities, and we look forward to continuing to work with you on these matters and on other opportunities to foster and promote responsible energy development and promote energy dominance.

Thank you again for the opportunity to be here today. I look forward to answering your questions.
The CHAIRMAN. Thank you.
Ms. Combs, welcome.

STATEMENT OF SUSAN COMBS, SENIOR ADVISOR TO THE SECRETARY, U.S. DEPARTMENT OF THE INTERIOR

Ms. COMBS. Chairman Murkowski, Ranking Member Cantwell and members of the Committee, thank you for holding this hearing on the Administration’s efforts to streamline and modernize operations at the Department of the Interior.
I'm Susan Combs, Senior Advisor to Secretary Zinke.
The Secretary has asked me to assist him with these efforts. As Controller over the State of Texas, I learned valuable lessons in how to increase the efficient operation of programs and to analyze, understand and consider how to achieve such improvements in an efficient, open and transparent manner. I'm honored to assist Secretary Zinke.

Today’s Federal Government operates with outdated and inflexible infrastructure and stove-piped processes. It often cannot provide the level of service and flexibility that the American people expect and they are rightly frustrated with this lack of efficiency, effectiveness and responsiveness.

To address these inadequacies, in March 2017 the Administration launched its government-wide effort to reform and reorganize the Executive Branch. OMB was directed to propose a plan informed by agencies, the public and stakeholders for a path forward to better organize Executive Branch functions. During this review Department leadership gathered information from career employees, members of Congress, governors, tribes and stakeholders and worked with OMB to refine ideas and assess recommendations. This government-wide effort culminated in the reform plan and reorganization recommendations released in June which outlines the Administration’s analysis and recommendations for structural realignment of the Executive Branch.

Relevant to the Department, it contains several recommendations to merge responsibilities of other agencies and the Department, including returning the National Marine Fishery Service in the Department of Commerce into the U.S. Fish and Wildlife Service.

Moving certain functions of the Corps of Engineers to the Department and integrating portions of the CERCLA-related cleanup program at the Department into EPA’s Superfund program.

These proposals align with Secretary Zinke's vision to take a more integrated approach to natural resource management, reduce administrative redundancy and jurisdictional and organizational barriers and facilitate joint problem solving that is important and necessary to bring the Department into the 21st century.

Dovetailing with this government-wide review and plan, Secretary Zinke also laid out his vision for a reorganized and modernized department capable of providing conservation stewardship and service for the next 100 years.

The Department’s current organization includes ten bureaus with wide ranging missions and each with its own distinct regional structure. The result totals 61 regions across the Department cre-
ating confusion among stakeholders, decreasing consistency and slowing coordination efforts.

The Secretary’s vision is to establish science-based, unified regional boundaries where priority decision-making is made at the local level with informed centralized coordination. These boundaries were developed by looking at watersheds, wildlife corridors and ecosystems and taking into account the need for workable, regional boundary lines. A modernized approach based on this vision is important for an agency focused on resource, land, and water management issues. Development of these boundaries and maps has been an intentional and iterative process. We’ve shared proposed maps with the public and have sought feedback from the public stakeholders, members of Congress, state and local governments, tribes and our employees.

We are carrying out a pilot project in the State of Alaska. An additional pilot is proposed for the region that includes the Upper Colorado Basin, Wyoming, Utah, Colorado and New Mexico. These pilots will focus on the use of shared services and inter-bureau coordination and will help ensure that the eventual nationwide implementation of these regions will have fully considered the complexity of the Department’s operations in a way that is sensitive to regional differences.

The Department is also sensitive of the need to consult with Indian Country on this effort, and we are engaged in such a process with sessions scheduled at various locations throughout the summer.

Our goal is to make the government more responsive and accountable through these thoughtful and ambitious proposals and to bring government organization into the 21st century.

Close coordination and transparency are important as we move forward. We will continue to gather information and seek input from members of Congress, the public, states, local governments, tribes and our stakeholders as we proceed. Our hope is that the Administration’s plan serves as a foundation for constructive dialogue.

Thank you, and I’m happy to answer any questions you may have.

[The prepared statement of Ms. Combs follows:]
Statement of
Susan Combs
Senior Advisor to the Secretary of the Interior
Before the
Senate Committee on Energy and Natural Resources

July 19, 2018
Chairman Murkowski, Ranking Member Cantwell, and Members of the Committee, thank you for holding this hearing on the Trump Administration’s efforts to modernize the Executive Branch, including Secretary Zinke’s plan to improve the responsiveness and accountability of how the Department of the Interior, and its bureaus, serve the American people.

Since his confirmation, Secretary Zinke has made the review and reform of the Department’s operations a key feature of his goal to modernize operations. In my statement, I will first address the general details of the Administration’s government-wide plan for reform and reorganization that implicate the Department’s interests. I will then address Secretary Zinke’s vision for a modernized, more efficient, Department of the Interior.

Despite dramatic changes in technology, today’s federal government continues to operate with outdated infrastructure, organizational constructs, and processes. As a result, it often cannot provide the level of service and flexibility that the American people expect. It is for this reason that President Trump issued Executive Order 13781 in March 2017, launching a government-wide effort to reform and reorganize the Executive Branch to better meet the needs of the American people. The EO directed the Office of Management and Budget to propose a plan, informed by input from each agency, the public, and our stakeholders, on the best path forward to reorganize governmental functions within each agency.

In response to this charge by the President, Secretary Zinke began his own internal review of the Department’s functions and structures and laid out his early vision for a reorganized and modernized Department that is equipped to provide conservation stewardship and service for the next 100 years.
During this ongoing review, Department leadership has gathered information from career employees, Members of Congress, governors, tribes, and stakeholders. We have worked with others in the Administration to refine ideas and assess reorganization and reform recommendations relevant to its government-wide review and to the Secretary’s own, internal review.

**Government-wide Reform Plan**

The ideas and recommendations generated through this review process were also informed by the analysis in the President’s Management Agenda, made public in March 2018, and were evaluated using a framework that balanced the government’s mission, service, and stewardship objectives. This government-wide effort culminated in the report, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*, released on June 21, 2018.

Relevant to the Department, this report contains recommendations to merge responsibilities from other agencies into the Department in order to improve the management and regulatory processes that those agencies carry out. It includes the following key reforms related to the Department, which are discussed in more detail in the report. The Department looks forward to working with Congress to see these proposals implemented.

**Enhancing Fish and Wildlife Management.** The plan recommends that the National Marine Fisheries Service, once part of Interior but currently part of the Department of Commerce, be brought back to the Department and merged into the U.S. Fish and Wildlife Service. This would consolidate administration of the Endangered Species Act and Marine Mammal Protection Act and create a stronger and more holistic fish and wildlife organization. Combining the two Services’ management capacities will also result in improved permitting – particularly with regard to infrastructure projects – more consistent federal fisheries and wildlife policies, and improved service to stakeholders.

**Improving Water Resource Management.** The plan would consolidate and re-align the U.S. Army Corps of Engineers Civil Works missions, moving the Corps missions related to flood and storm damage reduction, aquatic ecosystem restoration, regulatory and other activities to the Department, where we already conduct very similar activities. Other Corps Civil Works
functions related to its commercial navigation mission would move to the Department of Transportation. This realignment would increase consistency in federal policy in natural resource management and transportation planning, resulting in better federal investment decisions. It would also leverage the expertise and relationships that the Department maintains with state fish and wildlife agencies, achieving the greatest benefit to fish, wildlife, and their habitat.

Consolidating Environmental Cleanup. The plan proposes to integrate portions of the cleanup programs at the Department and the U.S. Department of Agriculture into EPA’s Superfund program in order to streamline the Federal Government’s response to abandoned mine sites in need of environmental assessment and cleanup. Under this proposal, both the Department and USDA would maintain existing compliance, bonding, and reclamation programs for non-CERCLA sites. With up to 5 percent of the estimated 80,000 or more abandoned mines on federal lands potentially requiring CERCLA-level cleanup, this consolidation would reduce the number of decisions and approvals, eliminate policy inconsistency among agencies, and expedite the cleanup of these contaminated sites.

Several other proposals indirectly affecting the Department are described in the plan.

These proposals all align with Secretary Zinke’s vision to take a more integrated interagency approach to natural resource management founded on science, reduce administrative redundancy and jurisdictional and organizational barriers that get in the way of making sound decisions informed by superior knowledge of local circumstances, make smarter use of resources; improve collaboration and coordination in government; and facilitate joint problem solving that is important and necessary to bring the Department into the 21st century.

Department-specific Realignment

Dovetailing with the development of the government-wide reform plan spearheaded by OMB, Secretary Zinke is working to improve overall operations, internal communication, responsiveness to the public, and stakeholder engagement at the Department and its bureaus, consistent with the President’s March Executive Order.
Today, the Department consists of ten bureaus with wide-ranging missions. Each bureau manages its jurisdictional responsibilities using unique regional structures. There are 61 distinct regional units for these ten bureaus, all following different geographic boundaries. This hodgepodge creates inconsistency and slows all coordination efforts.

The Secretary’s vision is to reorganize this structure by establishing science-based, unified regional boundaries where decision-making related to priority functions will be made at the local level with consistent, informed, centralized coordination.

The proposed boundaries were developed by looking at watersheds, wildlife corridors, and ecosystems, while taking into account the need for workable regional boundary lines. The Department has shared proposed maps for these unified boundaries with the public, including the latest draft version that includes 12 regions. Development of these boundaries and maps has been an intentional and iterative process, seeking feedback from the public, stakeholders, Members of Congress, state and local governments, tribes, and our employees.

The Department is also working to improve efficiency through the expanded use of shared services, including the co-location of bureau offices and shared administrative support services, where practical.

To support the Department and to begin this reorganization effort, the Administration included $17.5 million across the Department in its FY 2019 budget request. We are also carrying out a pilot project on this effort in the State of Alaska, an ideal location for such an effort because of its single time zone, large Department presence, and consolidated regional office location. An additional pilot is proposed for the region that includes the Upper Colorado Basin – Wyoming, Utah, Colorado, and New Mexico.

These pilot programs will focus on the use of shared services and inter-bureau coordination efforts and will help ensure that the eventual nationwide implementation of these unified regions will be accomplished with consideration of the full complexity of the Department’s operations and in a way that is sensitive to regional differences.

The Office of the Assistant Secretary – Indian Affairs is currently leading a process of consultation with Indian tribes regarding this proposed reorganization. Consultation sessions
have been scheduled at various locations throughout this summer. Tribes are being asked for their input on our internal reorganization and whether Indian Country should “opt in” by making changes to the existing Indian Affairs regions.

Once implemented, these reforms will improve service delivery, specifically for recreation, by reducing complexity and empowering decision-makers with a shared geographic frame of reference, making stakeholders’ interactions with the Department easier and more accessible, for conservation, by fostering a collaborative approach, more coordinated and timely management actions on our federal lands and resources; and for permitting, by allowing the same landscape, geography, and environmental factors to be taken into account.

It will also provide better and more cost-efficient access to services, such as Information Technology, training and human resources, and procurement and acquisition of goods and services, for Department and bureau staff.

**Conclusion**

A transformation of this size will take time and teamwork to implement. Within the Department, we are facilitating an ongoing discussion that involves input from and partnering with our employees, Congress, tribes, state and local governments, and other stakeholders. The relocation of any bureau headquarters would occur gradually in the future, only after such input has been received and fully evaluated, and after Congress receives any necessary reprogramming request.

Our goal is to make government more responsive and accountable to the people through these thoughtful and ambitious proposals, and our hope is that the Administration’s plan serves as a foundation for constructive dialogue.

Chairman Murkowski, Ranking Member Cantwell, this concludes my statement and I am happy to answer any questions you may have.
The CHAIRMAN. Thank you, Ms. Combs.

I think that hearings like this are the way for a process to have some constructive dialogue.

I know I have been visited by both Secretary Perry and Secretary Zinke as they have walked through some of this, and I am certain that many of my colleagues have as well. But when we are talking about changes as are proposed, I think it is important that there be good, fulsome discussion and an opportunity to put some things out on the record.

Mr. McNamee, you have indicated that specifically when it comes to, for instance, ARPA-E, that we certainly intend to follow the authority and the appropriating laws of Congress on that. I guess I just want to send a very clear message that as the Chairman of not only the authorizing side but also the appropriating side, I want you to hear a very clear message from me that I think ARPA-E is important.

It is not only important to this country, but I think it is important to the world as we look to how our technologies and the advancements that we are able to make through R&D are able to really make a difference at a host of different levels. So I certainly hope you carry that message back.

I want to bring up the issue that you raised very briefly in your initial comments and this is in reference to Section 3111 of the Senate-passed NDAA bill which would strip the Secretary of his authority over the National Nuclear Security Administration (NNSA).

As you know, Senator Cantwell and I filed an amendment along with Senator Cruz to strike this out. There was a statement of administration policy that came out denouncing that. So I appreciate your comment here this morning. Can you just share, very briefly, what it would mean for the Department if that section were to be adopted if we are not successful in getting that stricken?

Mr. McNamee. Yes, and thank you for the question.

Once again, I want to reiterate at how appreciative we are to both of you and Ranking Member Cantwell for taking leadership on this.

As you know, the Section 3111 would strip the ability of the Secretary of Energy, who has the ultimate responsibility for helping manage the nuclear enterprise, the nuclear weapon enterprise of this country, from actually having the control over certain aspects of its management. And that is something that he would still continue to have the obligation, the responsibility for it, but not the controls for it.

I think that there’s general agreement that in our structure of government ensuring that something as important as our nuclear capabilities that somebody at a Cabinet level should be accountable to the American people, to the President and to you and the members of Congress in making decisions about how to manage that enterprise.

So without elaborating too much farther, I think that it is important for our structure of government for that sort of accountability to remain and that’s why we believe that the Section 3111 should be removed.
The CHAIRMAN. I appreciate that, and we will keep working with you on it.

Ms. Combs, you had mentioned the listening sessions, the consultation with tribes as this process moves forward, and I know that you have listening sessions coming up in Alaska and I know that many are looking forward to being part of that.

I have been visited in the past couple weeks from representatives from many tribes that have expressed concern because they just do not know what this may or may not mean for them. In the conversation that we have had with the Secretary, he has made it clear that this will be determined by the tribes as to how they want to participate. When I mentioned that to those who come to visit me, they say, well, what exactly does that mean?

I know that there is much to be flushed out with this and with the consultation. We will perhaps learn a little bit more, but can you speak to what exactly is going on with the level of consultation with the tribes and perhaps define a little bit more what implementation this opting in may look like?

Ms. COMBS. Yes, thank you, Chairman Murkowski.

The Secretary is very mindful of the sovereignty of the tribes and very mindful that this is a government-to-government relationship. And so, the initial phase of consultation is underway.

And there have been four already held, three more scheduled and three additional ones will be scheduled which will mean that there will have been in every region that the tribes are in there will be a consultation.

The CHAIRMAN. Which is very important.

I have heard that, that some are saying we have not seen it in our region yet, so ensuring that that is in place is important.

Ms. COMBS. And those will all be completed by the end of August. That is basically stage one of the consultation process. After the input from the consultation is received there will be an analysis of whether the tribes, the consensus is achieved to opt in or whether they would like not to participate. Then a second round of consultations.

The CHAIRMAN. Will a consensus be required of all tribes?

Ms. COMBS. No, a consensus, a consensus is more or less.

And so, what I have been told is that then if the tribes decide too they would like to opt in, there will be a second round of consultation with BIA.

What does that mean? What exactly would it mean? How would you like to work with the other bureaus? If the decision is the reverse that they would like not to participate, then BIA will hold additional consultations to decide how best BIA can represent the tribes with their other bureaus in the process as we go forward.

The CHAIRMAN. My time is expired, but we will have another round here.

Senator Cantwell.

Senator CANTWELL. Thank you, Madam Chair.

Mr. McNamee, I do appreciate you being here. I think you have been given a very tough task this morning.

In part of your comments you said the Administration wants market-based solutions on electricity. Do you consider the Presi-
dent's constant insistence that FERC adopt and mandate coal as the only reliable source of electricity as a market-based solution?

Mr. MCNAMEE. The issue of establishing market-based solutions for the entire electric sector is very important in making sure that it functions.

The market has been something that has helped us grow as a nation and helped our electricity system work.

In terms of the markets that have been addressed by the President in his concern and also the Secretary's concern is that a lot of the organized markets that have distortions in them that aren't representative of an actual free serving market. And so, the thought is, in that sense, is that you need to make—remove some of those distortions and then get some more parity.

But I think that also goes into something that you also mentioned as a great concern is about the cybersecurity issue. I know that it's very important to you and as it is important to the Secretary and to the President to address the cybersecurity threats to the grid.

Senator CANTWELL. It is important to the nation. It is important to the nation.

Mr. MCNAMEE. Yes, ma'am. That's correct. You're absolutely correct. It's important to the nation and it's something that we need to address.

Senator CANTWELL. Okay. So, his proposal, the President, I do not get it.

The President is illogical as it relates to electricity. He is just trying to make it more expensive. You cannot mandate coal and say that you are for market-based solutions. You just can't. We have thwarted that, at least at FERC, but now he is trying to use the National Defense Act as a way to say you have to have coal on the grid. There is nothing market-based about that.

Natural gas has pushed coal off of many things because we want consumers to have cheaper electricity. The notion about the Pacific Northwest is a decision we made a long time ago and most administrations come to their senses and adhere to the fact that we made a decision to have cost-based power, and I would say the private sector even supports the cost-based power because it is a mix of what helps them continue to deliver great economies and the taxpayers paying that back for that investment. The notion that the President just wants to make electricity more expensive for many, many, many parts of America is just crazy. It doesn't need to be that way.

To come here with a reorganization plan that is about efficiency but the bottom line is raising electricity rates 30 to 40 percent on big swaths of the economy is just, like you said, it is a bad, bad, bad idea and something we do not need. One of the best things that DOE could do is realize this and tell the President. So, if you would take this message back.

The future is coming whether he wants it to or not. The question is whether our Department of Energy is going to help in that transformation and help drive down costs to consumers and businesses.

We think the investments in ARPA-E and smart grid technology and things that get whatever the existing source of power is, more
efficient cost of electricity into the system is what is going to make
the United States more competitive in a global economy.

So, as I said, I find these very, very frustrating. I get that you
are just the guy here to deliver this and you basically say that the
Secretary believes that whatever Congress decides will actually
rule, basically come about as it relates to the electricity rules, but
it is very, very disturbing that the Secretary of Energy would go
as far as sign off on these reorganization ideas when they are the
antithesis of where we need to go with cybersecurity and elec-
tricity.

Thank you, Madam Chair.
The CHAIRMAN. Thank you, Senator Cantwell.
Senator Smith is leaving.
[Laughter.]
Just giving you an opportunity.
[Laughter.]
You can go quickly.
Senator SMITH. I thought that one of my ranking members was
going to pull rank but apparently not.
But thank you very much, Madam Chair.
The CHAIRMAN. Early bird rules.
Senator SMITH. Yes, that is right.
Thank you very much, Madam Chair and Ranking Member Cant-
well. I appreciate this hearing very much.
I have a couple of questions that I would like to address to Mr.
McNamee.

I want to start out by going back to this issue that Ranking
Member Cantwell raised around the Western Area Power Adminis-
tration, WAPA, which provides power to 48 municipalities, 15 co-
ops and three Native American tribes in Minnesota, kind of, along
our Western area.

As Senator Cantwell has pointed out, this is a really important
supply of cheap, reliable energy and I want to go on record as say-
ing that I really oppose plans by the Trump Administration to pri-
vatize these WAPA assets, but I just don't understand why we
think that this one time, you know, cash flow into the Treasury is,
you know, would justify this kind of a step. And as I understand
it, though I am only here for six months, that this is a step that
Congress has already rejected a couple of times. So can you just
help me understand why the Administration thinks that this is a
good idea?

Mr. McNAMEE. Yes, as you know, as you know this has, and as
you mention, previous administrations have proposed the selling of
the PMA assets and this Administration has also proposed it both
for a cost saving aspect but also as is our discussion about the mar-
kets a few moments ago, that markets may be the best way to most
efficiently use those assets and for those assets to develop and to
be used for the benefit of its ultimate customers.

And so, there is a thought that by privatizing these assets, they
were created at a time it was needed that when power could not
be provided to people that was needed, that they've matured and
now's the time to let them function on their own and be able to
compete on their own and to provide innovative solutions as they
want to see fit.
Senator SMITH. Yes, well, I just want to reiterate that I just do not agree with that. I think that this is a strategy that has been able to, you know, I am for cheap. I am for reliable, affordable, and clean energy.

I think that this is one of the strategies that we have that is able to provide that kind of energy, especially to Minnesota co-ops in the Western part of the state. So if you could carry that message back, I would appreciate it.

I also wanted to touch on an issue that Chair Murkowski raised about ARPA-E. ARPA-E funds cutting-edge research in Minnesota, especially around projects that we have going right now around biofuels and optimizing the efficiency of delivery vehicles and also designing the grid of the future.

ARPA-E is a way of funding high risk, high reward research and not only research, but research and development. Those two things have to go hand-in-hand, it seems to me. And the Trump Administration has sought to eliminate ARPA-E and as I understand it, this Committee and the Senate has rejected previous proposals to do this.

I strongly support ARPA-E and I think as Ranking Member Cantwell said, we need to be, you know, the future is going to come and we need to build our competitive advantage, not detract from it.

So could you just help me understand why does the Administration want to back away? I mean, is there evidence from your perspective that this is not working or it is not accomplishing what we think it ought to be accomplishing?

Mr. McNAMAAE. As described in the reorganization that we’re proposing currently to collapse that various R&D programs from the various fossil energy and nuclear energy and EERE and taking some aspects of ARPA-E and bringing them all together, we think we can get more efficiency and have more transformative research done in order to solve the energy issues facing the American people.

So ARPA-E standalone, the concern has been is that it is taking taxpayer money and putting it at extreme risk for maybe a high reward, but also a high risk of not working out.

And so, the thought is, is that you eliminate ARPA-E and let the private sector take those sort of risks and instead collapse through this continued reorganization and have all the R&D efforts working together to try to not solve individual silo issues, but instead try and figure out what are the energy issues that need to be solved for the American people. And let’s not work in silos but what’s the best solution. So, that’s, kind of, the nuance that comes with this reorganization that touches on ARPA-E.

Senator SMITH. Well, you know, I am always interested and willing to look at ways that we can make our strategies work more efficiently, work better together, but I have to say, I just cannot agree with the strategy of moving away from the kind of research and development that we can do together in order to put this country on the, you know, put us and keep us on the cutting edge of what the energy future looks like. So if you can carry that message back as well, I would appreciate it.

Thank you.
The CHAIRMAN. Thank you, Senator Smith.

Senator King.

Senator KING. For both witnesses, I am a visual learner. I would appreciate it for the record if you could supply before and after organizational charts so I can see the boxes. What is in what box now? What will be in the new boxes? What will be left out? I think that would be very helpful in analyzing these proposals. It is hard to visualize them from simply the narrative.

I think my second question is a broader one. I guess I will go to you, Mr. McNamee. What problem is being addressed here? A Supreme Court Justice used to start their oral argument by saying why are you here? And the question is, this strikes me as a solution in search of a problem. Another way to put this is, I presume you are talking about efficiencies. Have you put any numbers on it? Are we talking about billions of dollars of savings in efficiencies or are we just moving things around? Why are we doing this?

Mr. MCNAMEE. I think in relation to the Department of Energy, this second piece of the reorganization is actually much more minor than the initial one which we all discussed and that you all were involved in, in December 2017 which was the real restructuring. So that was the first step that really tried to create more rational lines in how we can implement, kind of, diverse policies and admissions for the Department of Energy.

This is a second piece of that. I don’t have any numbers to provide you about how that would create efficiencies but it is trying to take the first step and getting the discussion with you all here on the Committee to say, maybe it makes sense instead of having R&D done by silo and by fuel type, basically, to say, you know what, if there’s a limited amount of dollars overall, is there a way that we should be thinking about solving energy problems?

Senator KING. For the record I wish you would supply an analysis of what the savings will be from these various changes so that we can decide if they make sense and if they’re going to result in some positive result.

By the way, I really take issue with your statement about ARPA-E and energy research. The whole idea is that the private sector will not do this kind of deep research, basic research, that will provide the insights and the breakthroughs that will make so much difference to us.

I would point out that the biggest thing that has happened in American energy, probably in the last 25 years, is the development of hydro fracking which was developed using Department of Energy research funds.

Take that away and we are in a total different energy situation in this country right now. The same thing goes with the development of solar and wind technologies which have fallen dramatically in price. I believe research, basic research, is a fundamental purpose of the Department of Energy, not a peripheral purpose, not an add-on, not of something to be reorganized and minimized. So I really disagree with you on that.

I do not want to be entirely negative, I think the creation of the Cyber Office is a positive one. I think that is an important area, a critically important area. Putting it all in one place, I think, makes sense.
How it is executed, however, will make all the difference. Just moving the boxes around won't change if it is not given the proper authority, the proper funding, and the proper focus. But that is one of the most important things that you can do.

And I think that change is a positive one but shuffling the research around, moving them around, abolishing ARPA-E, I think you are going to have a hard time with this Committee on that.

Final question to Interior. I think I would ask you the same question. I would like to see the changes. I have seen the map of the changes of the regions, but the other changes—I am interested in the idea of bringing NMFS into U.S. Fish and Wildlife. I do not really have a reaction to that, but I would like some greater detail. That is a significant change.

I would like some additional narrative for the record about why that change is necessary, what it would do in terms of would we leave expertise behind in the Department of Commerce and how would that actually take place? What does the Department of Commerce think about it? What do the people that have spent their lives working in this area think about this proposed change?

Again, I express no, perhaps, skepticism. That is okay. Not opposition, but I do want to understand it better and what the implications are because that is a very significant change.

I also would like the Department of Defense’s view on picking up the Corps of Engineers and dropping it in various parts of the United States Government. I think Secretary Mattis’ comments on that would be informative.

Thank you, Madam Chair.

The CHAIRMAN. Thank you, Senator King. I think it is important that we do get that level of detail for the Committee and for the record.

I share the same concerns, I think, about NMFS. Obviously, pretty important in a state like ours where our fisheries are so important.

Senator KING. His, not so much.

The CHAIRMAN. He needs our fish.

Senator KING. Yes.

[Laughter.]

The CHAIRMAN. And we want to make sure that we are doing good stock——

Senator HEINRICH. I have not had any good Alaska halibut in a while. Well, the season is coming on. We will have to arrange something.

The CHAIRMAN. But I appreciate that request.

Let’s go to Senator Gardner.

Senator GARDNER. Thank you, Madam Chair.

Thank you to the witnesses for being here today.

While I have you both, I just wanted to ask you about a concern that I have about the possibility that the Department of Energy, through the Western Area Power Administration, may not fund its portion of the Upper Colorado and San Juan Fish Recovery Program and Glen Canyon Dam Adaptive Management Program. These programs keep about 2,500 water and hydro facilities and the major economies that rely on them in compliance with the Endangered Species Act. The fact that WAPA may put this at risk by
deciding not to fund these programs is a huge mistake, a huge mistake.

I have a bill to authorize, reauthorize, the Upper Colorado program that the Administration has generally supported, but I am certainly happy to work with you moving forward if there is another way to get reliable funding for these programs. In the meantime, it is absolutely critical that both agencies use the authorities you do have to fund them in 2019 as we have those discussions. Again, it would be a huge, huge mistake and detrimental to these communities to lose that funding. I can repeat that if I was not clear enough there, alright? Thank you.

Mr. McNamee, just a quick question for you. I have been reading through some of the Secretary's modernization realignment actions. Pieces of the recent Administration proposal contain measures that require Congressional authority, including privatization of PMAs, that would take Congressional authority to do that.

WAPA plays a key role in administering federal hydropower resources to stakeholders in the West, including rural co-ops, public power entities and federal agencies providing for our national defense.

Dr. Walker at DOE, Office of Electricity, testified recently before this Committee about WAPA's key role in identifying defense-critical energy infrastructure and its territory in its efforts to safeguard those assets. Are you concerned that privatizing WAPA would jeopardize working relationships like this?

Mr. McNamee. I don't believe that there's a concern about the working relationships with the PMAs because just like the Department and the Federal Government, itself, DHS works with all the electric utilities, the transmission providers, the generators. It's something that happens both in the private sector and in the PMA category.

So, I don't think there's a concern about the communications or that everybody needs to take the issues very seriously, particularly cybersecurity.

Senator Gardner. Well perhaps we can have further conversations about that. I would like to understand a little bit further how that could possibly be the case.

The Secretary's reorganization already co-located the Applied Energy offices under the Under Secretary of Energy. Funding is currently appropriated to each of those four offices. Currently, the appropriations to the energy offices are prohibited from being repurposed or reprogrammed between fossil, nuclear and EERE. Are there other benefits this could have or is this just another way to, perhaps, cut funding for EERE?

Mr. McNamee. The goal here is not to cut funding. From my understanding the goal is to really make sure that there's cross communication and that the focus is not just on a particular energy source, but rather to focus on the energy problem itself and determining what's the best source.

And then there's also crosscutting aspects. You know, if you think about water, water is important and issues related to EERE currently related to hydropower. It's important to nuclear energy. It's important to fossil energy, whether it's fracking or boilers.
And so, trying to make sure as innovation ideas are developed, that research dollars are done. You know, maybe there's a great idea that EERE is having that ought to be looked at in the fossil area and to make sure that those dollars in that sense are maximized most. But my understanding is that this is not a cost cutting effort, per se, in terms of trying to reduce the funding in each of those silos.

Senator GARDNER. Thank you, Mr. McNamee.

Ms. Combs, thank you very much.

Your testimony talks about abandoned mines, the cleanup of 4,000 AML sites that may require CERCLA level cleanup. There's about 75,000 AML sites that do not rise to the level of needing CERCLA level cleanup but could possibly still use some cleanup help, as you know.

What is the Department's view of a good Samaritan bill/program that would allow federal agencies to partner with non-profits, industry, others who want to volunteer their time, their own resources, to clean up some of these sites and help better the environment? And would this type of a program, the good Samaritan legislation, help further resources at the Department when it comes to environmental cleanup?

Ms. COMBS. Yes, Senator, thank you for your question.

We very much support public-private partnerships. It certainly enables us to stretch our workforce farther and we support those and that would be ideal area for that to work.

Senator GARDNER. Thank you.

In the coming weeks I plan to introduce a bill that would create a good Samaritan pilot project to show that this concept can work and will work at the federal level, as well as it already works at the state level in many places across the country. I look forward to working with the Department of the Interior on it.

Finally, I would like to know what is the Department's timeline in its evaluation of potential relocation of destinations for the Bureau of Land Management Headquarters?

Ms. COMBS. Thank you, Senator, for that question.

What we're doing right now is trying to get the regions set and so that's why I have two maps here to talk about.

The Secretary has made it clear that he does want to move BLM's headquarters West and no location has been picked, but that is something that we would expect to really take a look at the next six months or so, eight months; but we will do that very carefully, very thoughtfully because of the fact that you don't just pick a spot, you have to do the analysis, what's its flight back and forth, what's the cost of living, what's it like to live there because you want people to go where they're going to be happy.

Senator GARDNER. But the bottom line is the Secretary does intend to relocate and move out of Washington, DC, to the West the Bureau of Land Management.

Ms. COMBS. Absolutely.

Senator GARDNER. Thank you.

The CHAIRMAN. Thank you, Senator Gardner.

Senator Heinrich.

Senator HEINRICH. Mr. McNamee, welcome back.
First, I think, I want to just say, I could not say it any better than the Chair. ARPA-E, first rule of government, when something works really well, don’t mess with it. This is a great program. You have heard tons of support from this panel on it. It works. Let’s not break it.

Last time you were here I asked about Secretary Perry’s ill-advised FERC NOPR, and today I would like to ask you about the use of Section 202(c) of the Federal Power Act (FPA) to subsidize uneconomic power sources.

Last month I asked all five of the FERC commissioners about this. I asked whether there was an actual national security emergency that would trigger emergency authority to subsidize uneconomic power generation, and none of them were willing to answer yes.

I want to include in the record today, and I would ask unanimous consent to include a list I have here of, quite a broad list, of trade associations and business groups: American Petroleum Institute, the Natural Gas Supply Association, the Electric Power Supply Association, the Electricity Consumers Resources Council, the American Wind Energy Association. It just goes on and on. Groups that oppose any effort by the Administration to use the Federal Power Act or the Defense Production Act to subsidize uneconomic sources of energy.

[List of Trade Associations and Business groups follows:]
BROAD ENERGY COALITION CONDEMN ACTION TO SUBSIDIZE FAILING COAL, NUCLEAR PLANTS

WASHINGTON June 1, 2018 - A diverse group of energy industry associations including energy efficiency and storage, natural gas, oil, solar and wind issued the following statement condemning the Administration’s draft plan to bail out coal and nuclear plants across the country.

Todd Snitchler, American Petroleum Institute Market Development Group Director (API):

“The Administration’s draft plan to provide government assistance to those coal and nuclear power plants that are struggling to be profitable under the guise of national security would be unprecedented and misguided. The natural gas and oil industry is committed to strengthening national security and is playing a leading role in reducing our decades-long dependence on foreign energy. As the world’s largest producer and refiner of oil and natural gas, which today is the number one source of U.S. electricity, our nation is on track to achieve the President’s vision for energy dominance. However, unprecedented government intervention in the energy markets to support high cost generation will put achieving that vision in jeopardy and hurt customers by taking more money out of their pockets rather than letting people keep more of what they earn – a key priority of this administration. Cleaner and abundant US natural gas and the infrastructure that supports it is powering one in three homes and businesses today and serving as a critical partner in renewable generation. As an industry we stand ready to do our part to protect our nation’s energy and national security.”

Malcolm Woolf, Advanced Energy Economy Senior Vice President of Policy (AEE):

“The Administration’s plan to federalize the electric power system is an exercise in crony capitalism taken solely for the benefit of a bankrupt power plant owner and its coal supplier. It would be a command-and-control mechanism that fundamentally disrupts and undermines the competitive electricity markets that have improved our electricity system’s reliability, resilience, and affordability, while fostering innovation. As has been well established – by FERC, by grid operators, by industry experts – there is no emergency that would justify propping up uneconomic power plants that are superfluous in an over-supplied region. The Administration’s plan to alter competitive electricity market outcomes through the use of narrow emergency authorities crafted by Congress to protect the nation from true imminent threats to electric reliability is wholly unprecedented and legally indefensible. We will fight this needless energy tax on businesses and families with every tool at our disposal.”

Todd Foley, American Council on Renewable Energy Senior Vice President of Policy and Government Affairs (ACORE):

“The Administration’s draft plan for potential emergency action would be unwarranted, and would actually undermine competitive markets, raising electricity costs to consumers and businesses across the country. Arbitrary market interventions deprive businesses of the certainty they need to invest in power plants of all types, harming not helping electric reliability. We strongly urge the Administration to reject this ill-conceived draft plan and adopt a policy approach that promotes market forces and
competition in our nation’s power system, which is the central approach to assure a reliable and affordable grid system in the future.”

**Amy Farrell, American Wind Energy Association Senior Vice President for Government and Public Affairs (AWEA):**

“Independent energy regulators, grid operators and other experts have gone on the record to declare that orderly power plant retirements do NOT constitute an emergency for our electric grid. Infrastructure and processes are already in place to ensure that remains the case. The reported proposal would be a misapplication of emergency powers, there’s certainly no credible justification to force American taxpayers to bailout uneconomic power plants.”

**Lisa Jacobson, Business Council for Sustainable Energy President (BCSE):**

“Resilience and reliability issues are paramount to the electric sector. The portfolio of currently available clean energy technologies and services in the energy efficiency, natural gas and renewable energy sectors – working with other technologies and services – is meeting the needs of the grid affordably and reliably today and can meet the needs of an evolving electric grid into the future. The actions under consideration would impose unnecessary costs on consumers and businesses through increased electricity bills.”

**John Hughes, Electricity Consumers Resources Council President and CEO (ELCON):**

“Any action taken by the Department of Energy today to use 202(c) and DPA to prop up uneconomic coal and nuclear plants is unnecessary, anticompetitive and would increase the price of electricity to businesses and consumers, resulting in a substantial loss of U.S. manufacturing capacity jobs.”

**John E. Sheln, President and CEO, Electric Power Supply Association (EPSA):**

“There was no emergency when coal and nuclear interests sought federal relief and there is none today that justifies such unprecedented Executive Branch intervention in the economic life of the country. The economic consequences are profound for power suppliers and consumers. This proposed federal action is a bell that cannot be called back once it is rung. Forever more suppliers and consumers will be at the whim of the fuel preferences of whoever happens to be in office. This needlessly raises costs for consumers and merely shifts the risk of premature retirement to newer, more efficient power plants that compete with coal and nuclear.”

**Kelly Speakes-Backman, Energy Storage Association CEO (ESA):**

“The Energy Storage Association (ESA) strongly advocates for open and fair competition for all market participants that rely on consistent and stable price formation signals. Any action that undermines market stability to support new entrants like energy storage – resources that enhance grid resilience and reduce costs to consumers – will erode opportunities to create a more reliable and resilient, efficient, sustainable and affordable grid.”

**Dena E. Wiggins, Natural Gas Supply Association President and CEO (NGSA):**

“Propping up aging and uneconomic power plants through the Defense Production Act, the Federal Power Act or other unnecessary federal intervention is a short-sighted action that drives up customer
costs and undermines well-functioning power markets. It is an inappropriate use of the federal government’s emergency powers that is even more egregious when even the regional power grid authorities at PJM say there is no emergency. We need to move away from a narrow focus on resuscitating individual projects and refocus the discussion on what lies at the heart of resiliency – the ability to reliably serve power customers in the most cost-efficient manner over both the short and the long-term.”

Christopher Mansour, Solar Energy Industries Association Vice President for Federal Affairs (SEIA):

“A policy to spend billions of dollars keeping uneconomic power plants afloat, while trying to put clean and affordable solar on the sidelines, is not a recipe for economic success. Energy experts across a range of industries, within the federal government and in academia have agreed that this sort of effort will create a bloated power sector deploying outmoded technologies. We urge policymakers to again block this ill-advised effort to keep plants running that most electric utilities have already decided to abandon, and for good reason.”

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Senator HEINRICH. So I went to your website, to the DOE’s website, this morning to really get at the base of this and I pulled up your page on Energy.gov with regard to using Section 202, the FPA. The preface of using that authority is in the very first line. It says under FPA, Section 202, “During the continuance of a war.” What war are we using to justify this unprecedented action to distort the markets?

Mr. MCNAMEE. Senator, if you look at the further language in 202(c), war is one condition and then that’s another condition if there’s other emergencies and lists other causes. And 202(c) has been used in a variety of contexts. I know that currently there’s a 202(c) for a power generation plant in Yorktown, Virginia, that’s being used to support power.

It’s been used, it was used during the California energy crisis——

Senator HEINRICH. Which we all remember that California energy crisis because people’s lights weren’t on. What is the emergency today?

Mr. MCNAMEE. Well, in terms of an emergency——

Senator HEINRICH. What is the specific legal authority that ties to that emergency?

Mr. MCNAMEE. Well, no emergency and no 202(c) has been issued though the Secretary is always aware and always looking at the issues affecting the grid. So, you know that the President has directed the Secretary, especially considering the national security implications of various attacks on the grid to look at various options and the Secretary looks at options, but no 202(c) has been issued.

Senator HEINRICH. Given the incredible impact that this would have on electricity consumers, I would just urge incredible caution for above-market pricing in the bulk power system.

Ms. COMBS, I want to ask you a couple questions. I do not have a lot of time.

I first want to thank the Secretary for not breaking New Mexico into three different regions. I think that would have been difficult to manage at best. I appreciate listening to the Western Governors’ Association that also expressed some of the same concerns that I expressed directly to the Secretary.

I guess my question for you is about one of the tribes and how this is going to work whether they are in and whether they are out, if they are able to opt out. How does that work where you may have the Northern Pueblos Agency, for example, that includes a number of tribes in Northern New Mexico where you may have one sovereign government opt into one program and then another tribe opt out and then the agency that was created to serve them has a mixed constituency? I am just not quite understanding how the rubber hits the road at the tribal level.

Ms. COMBS. Thank you, Senator.

As I stated earlier, the Bureau of Indian Affairs has completed four of the consultation meetings. Three more are on the schedule and three more will be scheduled for the month of August. And the point is to visit with the tribes in those individual consultations and talk to them and see——

Senator HEINRICH. You came out to Albuquerque, right?
Ms. COMBS. Yes, I did.

Senator HEINRICH. Yes, that was not an individual consultation, right?

Ms. COMBS. No, that wasn't.

Senator HEINRICH. That was a come to us and tell us your thoughts.

Have you gone to the tribes to sit down directly with tribal governments and ask them their thoughts?

Ms. COMBS. John Tahsuda, who is a Principle Deputy, is doing all of those and I believe that the new Assistant Secretary, Tara Sweeney, will be on board in about 10 days. BIA is conducting those consultations. Mr. Tahsuda told me this morning that they are, of course, preparing a second round of consultations to walk through the specifics, depending on which way the consensus of the tribes is reached. If they want to opt in, how. And so, they will be deciding what it is they wish to do in further consultations. If they don't want to participate they will have consultations about how they would like BIA to go ahead and manage with their fellow bureaus. We will be working with them and talking with them and finding out how we can best craft the solution that they want.

Senator HEINRICH. I apologize for being over my time.

The CHAIRMAN. Thank you.

Senator Hirono.

Senator HIRONO. Thank you.

Ms. Combs, in February 2013 the Government Accountability Office published a report on the “Potential Benefits and Drawbacks of Merging the National Marine Fisheries Service into the Fish and Wildlife Service,” something that the current Administration is proposing to do. Importantly, this GAO report concluded that overall, officials and stakeholders who they consulted with—and I have a question as to who you all consulted with before you came up with these proposals—anyway, they said that the drawbacks of reorganizing the agencies outweigh the benefits. Can you discuss the circumstances that have changed since the 2013 report to justify this particular proposal?

Ms. COMBS. Thank you, Senator.

I'm not aware of any particular circumstances that have changed, but I would point out that I believe that the fisheries was moved by President Nixon in 1970 and then the Marine Mammal Protection Act, I believe, was passed in 1972 and then the ESA in '73.

What you have now from the Administration's perspective is you have the Marine Mammal Protection Act and the Endangered Species Act, both administered by separate agencies, the Department of the Interior and the Department of Commerce. I have not been involved in this work. I've been involved in other work on reorganization. I'm aware that this is underway and been proposed and we will work with everyone in Congress to see what it is you ultimately decide to do.

Senator HIRONO. So, in other words, you cannot provide me the real justification for what might have changed because we actually have an official report that said this particular reorganization has more drawbacks to it than the benefits. So, you know, one wonders. I wonder why this is happening.
Mr. McNamee, when I look at this proposal from the President I see it is as part of, basically, a radical effort, a desired goal, to shrink the Federal Government and limit its ability to help people solve the problems that face us all. And when it comes to the Department of Energy, I do not see a lot of detail in this proposal.

How will this reorganization help my constituents in Hawaii? Hawaii is in the middle of a transition to 100 percent renewable power by 2045. It is a very ambitious goal, in fact, the most ambitious goal of any state, as far as I know. And, you know, the people of Hawaii can show the rest of the country how to make that transition a reality, but it depends on demonstrating new technologies. This proposal will consolidate all applied energy programs into one office. Given the 66 percent cuts to renewable energy programs in the President's budget, how will the new Applied Energy Office help speed the transition to renewable energy?

Mr. McNAMEE. Senator, the proposal is to, by bringing the various offices together for research and development is in order to stop looking at energy problems as by the silos of the energy resource and to focus on how do we solve the actual energy problem. And so, if renewable energy is the best solution to the problem, it ought to be used. If a fossil fuel is the best solution, it ought to be used. If nuclear is the best solution, it ought to be used.

And that is, you know, going with Senator King I may have misspoke, the point was, truly, that the office should be engaged in basic research and we need to continue to do research in other areas related to fuel.

The issue with ARPA-E was whether or not we ought to be doing what ARPA-E focuses on which is that transition from the basic research or just beyond the basic research to try to get it to commercialization.

But in terms of how we can help states like Hawaii achieve their goals, the goal of the Department of Energy on the energy side of it, is to find energy solutions. And right now, the belief is we're doing a good job of it, but we can do better. And perhaps one of the ways to do that is to stop looking at fuel resources in their silos and start focusing on the end solution.

Senator HIRONO. Well, I am all for non-silo thinking, but that is really, I believe, the goal of this Administration because they are making 66 percent cuts to renewable energy programs.

If you look at renewable energy programs and the research and development that goes there versus this Administration's huge commitment to fossil fuel continuation, one wonders, you know? You can consolidate everything all you want, but if the basic orientation is support of fossil fuels and not renewable energy, I really wonder how a state like Hawaii that wants to get away from dependence on fossil fuels will be particularly helped, especially with the huge cuts.

I am almost out of time, so I will submit other questions to the panel.

Hawaii relies on the state energy program to support building code updates and technical assistance to help people and the businesses and local governments save money on their energy bills. Hawaii benefits from the Weatherization Assistance Program which helps low income people lower their energy bills by increasing the
energy efficiency of their homes, and the President’s budget would eliminate funding for both programs. Where do the state energy programs and the Weatherization Assistance Program fit in your proposal?

Mr. McNam... Senator, I don’t have the answer to that question, but I’ll get back to you with it.

Senator Hirono. When would you get back to me?

Mr. McNam... I will get back when I finish here, and I’ll try to get back to you as soon as I can find answers.

Senator Hirono. In a timely manner, right?

Mr. McNam... Yes, yes, Senator.

Senator Hirono. Which I would consider to be within a couple of weeks. You should be able to get this answer to me very quickly. Thank you very much.

Mr. McNam... Yes, Senator.

Senator Hirono. Thank you, Madam Chair.

The Chairman. Thank you, Senator Hirono.

Ms. Combs, back to you.

You had mentioned that Interior is looking to Alaska as, kind of, a testing ground, somewhat natural. We are, at least now, we are all one time zone. We used to be five, but now we are one.

We have, as you know, a significant Department presence there and we have consolidated regional office locations. That is a good place to start.

Can you share with me and with the Committee, kind of, where we are with what we are learning from Alaska as, kind of, the test case here or the pilot? How what you are learning in Alaska can then be translated outside to other regions? And then also, how the piece of the tribal consultation fits in with Alaska? As you know, we have half of the tribes in the country that are in Alaska. You are going to have the consultation process going on, but you are also working on Alaska as, kind of, your test case here. Can you speak to the integration of all of this?

Ms. Combs. Yes, thank you, Senator.

What is going on in Alaska is actually very, very interesting and this is what I would call a bottoms-up effort.

The head of the Fish and Wildlife Service and the head of the BOEM are, together, the architects of what is going on in Alaska. And because they’re doing it themselves, they’re creating this themselves. They’re looking at several issues. One is office location, one is aviation services such as flight following versus dispatch, and another one is HR staffing.

They’re looking at IT. We’ve already sent somebody up to Alaska. They spent a week there, a gentleman named Bruce Downs, and they had very successful conversation.

What we’re asking the folks to do in Alaska, which they’re picking up and doing, is what you all decide what works for you for your region and then come and tell us what you think the cost benefit is and tell us what you think the efficiencies are.

So, for example, Fish and Wildlife Service is proposing to relinquish some space which they say will save them between $900,000 and $1 million a year which is, you know, $9 to $10 million over 10 years. And if they move BOEM and BSEE in, they will save approximately $160,000 per year which over 10 years is $1.6 million.
All of these numbers have been hardened by the General Services Administration so we’re going to people to say, does this work, is there a cost benefit? And then you add to that there is an additional benefit of co-locating. You walk down the hall, take an elevator, climb the stairs, go see somebody that you might not otherwise see.

That’s been something that was brought home to me in looking at ANILCA and what you all have done there is to have the state departments of Alaska working with all of the federal land partners. Well, that is, Forest Service, BLM, Fish, et cetera, and that has worked out very, very well. It works well to collaborate, and I can’t say that often. It works very well to collaborate.

Well, one other kind of collaborating is, obviously, co-locating where it makes sense but you look at how much time is left on your lease. GSA told us that most of the leases there had about a four-month extension, which makes it relatively easy to decide, but you leave it to the folks in the region to decide what they want to do.

So, from that, we take the fact that where I would like to go to, what I would call region seven, and I’d like to put up the maps, is region seven is an incredibly important area. It is where the West begins.

[The information referred to follows:]
Ms. COMBS. It is New Mexico and Colorado and Wyoming and Utah. That is what we're finding out in Alaska is if the people at the table, the design table, the drafting table, for the plan get excited about it then that carries over and then they get the great feedback from all of the internal and external stakeholders. In that perspective they're talking to the BIA folks. BIA folks, in fact, have already approached them. They want them to take on some of their HR functions.

That’s really, kind of, a local menu design with the Alaska natives is what would you like to do? Well, we’d really like to pick one from, you know, option A on the menu, one from B. No, we don't like this one. We'll pick it. And so, that's what they're already doing. It’s bubbling up from the bottom, and I think that's not only healthy, I think it's really smart.

The CHAIRMAN. Well, I think it is also very foreign in the sense that more often than not we are basically told what will be coming to us or what will happen to us or what the structure will look like. Every now and again you get somebody who will say, oh, we will give you a little bit of flexibility here to design it yourself, but it is more on paper than actuality.

But I guess a first step is getting people at least to be talking with one another. If ultimately what happens is that there is greater authority for some of the more local and parochial decisions to be made, rather than Washington, DC, or the region director who may be located somewhere else in the Pacific Northwest, then we really have that flexibility. I think that that is something that most of us are looking at with keen interest in understanding more. Thank you for outlining that.

Senator Heinrich.

Senator HEINRICH. Thank you.

Mr. McNamee, you said there is currently no 202(c) finding. Are you or is DOE working on a 202(c) finding?

Mr. MCNAMEE. As you may be aware, the President, I guess it was at the very beginning of June, directed the Secretary to look at options to address what he perceived as the crisis on the grid. There’s an interagency activity that’s looking at various options to address——

Senator HEINRICH. Including 202(c)?

Mr. MCNAMEE. I believe all the different authorities that the Secretary or the rest of the Federal Government are being looked at.

Senator HEINRICH. And what was the crisis that prompted this again?

Mr. MCNAMEE. Well, there’s a combination of issues that the electric grid has been and continues to be under constant, particularly, cyberattacks. The Director of National Intelligence, the other just, I think, last Friday, made the comment that the lights are blinking red again. And I think there’s been numerous reports in public arenas——
Senator HEINRICH. Yes.

Mr. MCNAMEE. ——about the different utilities.

Senator HEINRICH. As you may know, I also sit on the Intelligence Committee, and I am very aware of the threats to utilities. I think we need to take those very seriously. They tend to be exacerbated actually by the overreliance on centralized generation which is exactly what would be subsidized under 202(c). A more distributed grid is a more resilient grid and much harder to attack through cyber means because it requires attacking many, many, many points instead of a few points. So I hope the Administration would consider that in their deliberations.

I would also urge that the Administration look closely at the legislative history of that legislation. It rests heavily on the idea of an emergency shortage and how to solve that. It is worth going back and looking at that plain language and making sure that this conforms to free market conditions as well. I know that is a radical idea from a Democrat, but let’s use the free market. It is working pretty well.

Ms. Combs, I wanted to ask you about the BLM. I know there has been back and forth about whether the BLM state offices are going to remain as they are currently configured or not, and I guess there was some back and forth between the Western Governors’ Association and the Secretary as well as many of the rest of us. Can you just tell us, is the BLM, are the state offices exempted from this reorganization or are they included?

Ms. COMBS. The BLM state offices will remain exactly as they are.

Senator HEINRICH. Okay.

And one last question on the tribal side of things. I mentioned the complexity of dealing with the Northern Pueblos and the Southern Pueblos. We also have the Navajo Nation which has its own region right now. They have a regional office in Gallup, New Mexico. What would happen to that office in that region?

Ms. COMBS. That would stay where it is.

Senator HEINRICH. Okay, so it would be an island with the state regions around it, right?

Ms. COMBS. Yes.

Senator HEINRICH. Thank you very much. I think that is a smart move, and I appreciate it.

The CHAIRMAN. Thank you, Senator Heinrich.

I thank you both for being here this morning, for walking us through some of the concerns that have been raised by members.

I am sure you can anticipate other questions, other issues, that will be presented to you, so an opportunity to either get back within timeframes, as Senator Hirono has requested or others, would be appreciated.

But also, know that the outreach that is made from the Departments to members individually is good. I think it is helpful and we know that there is more that is going on within the Administration, outside of just these two departments, but there is some intersect that has been raised. You know, where is Commerce on, for instance, the NMFS? Where is DOD on some of the core issues?

So, allowing us to better understand how this whole thing knits together or perhaps how it unravels, I am not quite sure, but I
think that would be helpful for all of us. The more that you can continue, not only the engagement with us as members but also with our constituents, these consultations are very much appreciated.

I know that we gained a lot on the DOI side from the consultation with the governors. Good input was received there. I think that actually helped you in New Mexico. I appreciate the extent to which you are engaging and would just encourage that.

Thank you for being with us this morning.

The Committee is adjourned.

[Whereupon, at 11:15 a.m. the hearing was adjourned.]
U.S. Senate Committee on Energy and Natural Resources  
Oversight of Administration Reorganization and Modernization Proposals  
Related to the Department of Energy and the Department of the Interior  
Questions for the Record Submitted to Mr. Bernard McNamee  

July 19, 2018 Hearing  

Questions from Chairman Lisa Murkowski  

Q1. Employee Culture — As you have contemplated reorganization and modernization, what thinking has been done on how your Department can ensure a safe, professional working environment for all employees?  

A. Ensuring a safe, professional working environment for all Department of Energy (DOE) employees is vitally important to Secretary Perry and the entire leadership at DOE. As the Administration’s reorganization plan moves forward, DOE leadership continues to be mindful of its effect on employees.  

The Secretary and Deputy Secretary issued on January 09, 2018 a Memorandum for the Heads of Departmental Elements entitled “Personal Commitment to Excellence in Health and Safety” (memorandum attached as Appendix A) in which they stated their expectation that all DOE operations and activities be guided by principles of DOE’s Integrated Safety Management System, Safety Culture, Technical Excellence, and Accountability.  

Additionally, the Secretary has sponsored training through DOE’s National Training Center that is being delivered across the Department to senior contractor and DOE leaders with a personal video message stating his expectations for safety culture and safety conscious work environment at DOE.  

Q2. Strategic Petroleum Reserve — Mr. McNamee, as you think about the future of DOE, can you tell us where you see the Strategic Petroleum Reserve fitting in? Congress has repeatedly directed the sale of emergency reserves to pay for unrelated spending – but would you agree that it is important to preserve this insurance policy, going forward?  

A2. Congress established the Strategic Petroleum Reserve (SPR) as a national energy security asset so that the United States could supply petroleum products to the market in the event of a severe energy supply disruption, as well as carry out U.S. obligations under the International Energy Program (IEP). The Energy Policy and Conservation Act (EPCA) allows the President to order a release due to a severe energy supply interruption or by
obligation under an International Energy Agency (IEA) action. In addition, DOE has successfully complied with a number of legislatively-directed sales and continues planning efforts to carry out future sales as directed.

The SPR provides the ability for the United States to respond to domestic and international petroleum supply disruptions directly and provides a deterrent to an adversary’s use of petroleum supply as a weapon against U.S. national security. Crude oil exchanges from the SPR have been used on several occasions, including Hurricane Katrina and Hurricane Harvey, by providing emergency crude oil supplies to affected refineries. DOE also understands the need to assess the current configuration of the SPR and that petroleum markets have changed since the establishment of the SPR. The Department will administer the SPR consistent with the law as enacted by Congress.

Q3. *Microgrids & Other Crosscuts* — DOE currently conducts its microgrid R&D efforts as part of the Grid Modernization Lab Consortium, a joint effort that brings together funding and expertise from the Office of Electricity and EERE.

Microgrids are an inherently cross-cutting technology and offer an opportunity to increase the reliability and resilience of high-value assets on the grid. Microgrid research enables a pathway to market for small generating technologies from marine hydrokinetics to micro-nuclear.

A3. Secretary Perry and the Department agree that microgrids are a cross-cutting technology with the potential to increase the reliability and resilience of high-value assets on the grid. Microgrids are a localized grid that allows uninterruptible electricity delivery to all loads within the microgrid boundary during normal operations and contingencies such as grid outages. Many attributes of a modern grid can be enabled by microgrids, such as accommodation of greater numbers of distributed energy resources (DERs), resilience to hazards, and reduced duration and number of outages.

DOE has coordinated microgrid research as part of the Grid Modernization Laboratory Consortium (GMLC), a partnership among the Office of Electricity, the Office of Energy...
Efficiency and Renewable Energy, and DOE’s National Laboratories. The GMLC effort has provided foundational insights into microgrid operations and their deployment potential as a crosscutting microgrid R&D program that offers potential benefits across DOE’s applied energy offices. Efforts focus on early stage microgrid systems R&D that solves challenges in the operations, feasibility, and integration of microgrids in markets that are economically favorable to microgrid systems: rural, remote, and islanded markets with higher than average electricity rates and markets in which customers seek the increased reliability provided by microgrids. This focus helps best leverage industry resources to partner with DOE funding.

The Department’s microgrid efforts also strive to facilitate inter-agency collaboration and coordination for mutually beneficial purposes, especially with the Departments of Defense and Homeland Security, as well as leveraging lessons learned from rural and remote microgrids to apply in grid-connected microgrid applications.
Q1. Please provide the data or whatever other information the Administration has used in determining that the federal power system in the Pacific Northwest is in such a situation that the Administration’s privatization scheme is necessary to fix it.

A1. In the Administration’s view, ownership of transmission assets is best carried out by the private sector, which provides appropriate market and regulatory incentives. Eliminating or reducing the Federal Government’s role in owning and operating transmission assets—and increasing the private sector’s role—would encourage a more efficient allocation of economic resources—and mitigate unnecessary risk to taxpayers. Pages 66-67 of the Administration’s “Delivering Government Solutions in the 21st Century—Reform Plan and Reorganization Recommendations”, which is attached as Appendix B, provides the rationale for the proposal to divest Federal transmission assets. The proposed sale of transmission assets would require Congressional authorization.

Q2. During the July 19, 2018 hearing Senator King requested organizational charts showing the (1) current structure and the (2) proposed structure. He also requested an analysis of the costs and potential cost savings of the proposed reorganization to better inform Congress’s deliberations. I would like to echo this request. Please provide current and proposed organization charts and a detailed analysis of the costs associated with this proposal.

A2. Department of Energy (DOE)’s current and proposed organizational charts are attached as Appendix C. No analysis of proposed costs is available at this time. The FY 2019 Budget estimates that selling the transmission assets of the three PMAs would result in net budgetary savings of $5.8 billion over the 10-year window.
Questions from Senator Ron Wyden

Q1. I want to second the concerns of my colleague, Ranking Member Cantwell, regarding the administration’s plan to sell off the assets of the Bonneville Power Administration. Bonneville has provided affordable, clean power to Oregon families and businesses and our neighbors throughout the Northwest for generations. I have fought efforts that would privatize Bonneville and raise power rates for consumers before, and I will continue to fight this misguided idea.

What benefits do you believe the Bonneville Power Administration has provided to Americans living in rural parts of the Pacific Northwest?

A1. The Bonneville Power Administration provides emissions-free hydro power, a substantial transmission system, and relatively affordable power to Americans living in rural parts of the Pacific Northwest. Pages 66-67 of the Administration’s “Delivering Government Solutions in the 21st Century—Reform Plan and Reorganization Recommendations”, which is attached as Appendix B, provides the rationale for the proposal to divest Federal transmission assets.

Q2. Throughout the hearing, many of my colleagues on the committee expressed their support for ARPA-E. I agree, as I think ARPA-E is developing critical technologies that will move the United States to a more efficient, low-carbon energy future. My colleague, Senator Smith, asked you to justify why DOE proposed to eliminate ARPA-E. You said that because ARPA-E runs high-risk, high-reward projects, there are concerns about “taking taxpayer money and putting it at extreme risk.” However, your response completely ignored the ARPA-E practice of terminating non-performing projects as a means of protecting taxpayer dollars. This operational practice was lauded by a 2017 National Academies of Science, Engineering, and Medicine report that provided an independent review of ARPA-E.

What other parts of DOE might benefit from the ARPA-E practice of terminating projects that are not achieving the goals of the program?

A2. Under the Administration’s reorganization and modernization proposal for Department of Energy (DOE), the best aspects of ARPA-E, possibly including the termination of non-achieving projects, would be consolidated into DOE’s other applied energy research programs in a single Office of Energy Innovation. The goal is to take “a holistic view of
energy innovation to ensure Federal research keeps pace with the changing needs of the Nation’s energy system while maximizing the value to the taxpayer” (See “Delivering Government Solutions in the 21st Century—Reform Plan and Reorganization Recommendations”, attached as Appendix B).
U.S. Senate Committee on Energy and Natural Resources
Oversight of Administration Reorganization and Modernization Proposals
Related to the Department of Energy and the Department of the Interior
Questions for the Record Submitted to Mr. Bernard McNamee

July 19, 2018 Hearing

Question from Senator Joe Manchin III

Q1. The Administration has proposed eliminating the Title Seventeen Innovative Technologies Loan Program several times now. The loan program has nearly a 98% repayment program. It has a demonstrated history of success—particularly in the energy efficiency and renewable energy space.

Please discuss the reasoning behind the proposed elimination.

A1. The Title XVII program was not proposed for elimination in the Department of Energy (DOE) reorganization and modernization proposal. However, its elimination was included in the FY19 Budget and is detailed in the Major Savings and Reforms volume, linked here.
Questions from Senator Mazie K. Hirono

Q1. Hawaii relies on the State Energy Program to support building code updates and technical assistance to help people, businesses, and local governments save money on their energy bills. Hawaii benefits from the Weatherization Assistance Program, which helps low income people lower their energy bills by increase the energy efficiency of their homes. The President’s Budget would eliminate funding for both programs. Where do the State Energy Program and the Weatherization Assistance Programs fit in the June 2018 proposed reorganization?

A1. The Administration’s proposed reorganization and modernization plan for the Department of Energy does not address the State Energy Program and the Weatherization Assistance Programs. However, the FY 2019 President’s Budget Request eliminates funding for the Weatherization Assistance Program (WAP) and the State Energy Program (SEP).

Q2. The Department of Energy benefits immensely from the service of dedicated career staff who care deeply about carrying out the missions of the agencies and have on-the-ground knowledge of program effectiveness. How many career staff at the Departments of Energy did you or the OMB consult in preparing the plan released last month, and how did you conduct the consultation?

A2. The process for developing the Administration’s plan included consideration of agency-submitted reform proposals. As the Administration’s proposed reorganization and modernization plan moves forward, leadership will continue to be mindful of Department of Energy (DOE)’s hard working employees and any legal obligations to them.

Q3. Which parts of the June 2018 plan affecting the Department of Energy require legislative changes? Will you carry out the other parts of the plan even if Congress does not make the changes included in the plan?

A3. To the extent existing legislation provides DOE the authority to reorganize, it would rely on those authorities granted by Congress; to the extent new legislation or authorizations are required, DOE would seek such from Congress (an initial assessment suggests that some proposals, such as divestment of the Power Marketing Administration (PMA)
would require legislation). Regardless of whether it would act under its current authorities or seek new authority, DOE would consult with Congress as appropriate in moving forward with the significant reorganization and modernization proposals contained in “Delivering Government Solutions in the 21st Century—Reform Plan and Reorganization Recommendations”.

Q4. Will the reorganization proposal change the number of federal employees in the Department of Energy, and, if so, what change do you expect?

A4. The proposed reorganization includes a restructuring of the Office of Science headquarters and field organizations to eliminate duplicative management structures that do not add value to the research enterprise at the DOE National Labs. As presently conceived, no encumbered Federal jobs in the Office of Science would be lost due to this proposal. As positions are identified that do not fit within the consolidated organizational structure, those positions would be designated as incumbent only and eliminated through attrition. Furthermore, approximately 4,500 PMA employees could be impacted by sale of the PMAs’ transmission assets.
U.S. Senate Committee on Energy and Natural Resources
Oversight of Administration Reorganization and Modernization Proposals
Related to the Department of Energy and the Department of the Interior
Questions for the Record Submitted to Mr. Bernard McNamee

July 19, 2018 Hearing

Questions from Senator Angus S. King, Jr.

Q1. Please supply before and after organizational charts of the Department of Energy that reflect the new proposed changes that are intended for the Department.

A1. Department of Energy (DOE)’s current and proposed organizational charts are attached as Appendix C.

Q2. In dollar amounts, what specific savings will result from this reorganization proposed at the Department of Energy?

A2. The FY 2019 Budget estimates that selling the transmission assets of the three PMAs would result in net budgetary savings of $5.8 billion over the 10-year window. As reorganization and modernization plans move forward, potential resourcing scenarios associated with other reform proposals are being evaluated.
U.S. Senate Committee on Energy and Natural Resources
Oversight of Administration Reorganization and Modernization Proposals Related to the Department of Energy and the Department of the Interior
Questions for the Record Submitted to Mr. Bernard McNamee

July 19, 2018 Hearing

Questions from Senator Tammy Duckworth

Q1. On June 21, 2018, the White House released its reform plan and reorganization recommendations for the Federal Government, which includes establishing an Office of Energy Resources and Economic Strategy within the U.S. Department of Energy. The report states that its focus would be to deliver “solutions that support U.S. energy dominance in access to resources and infrastructure.” No further detail is provided in the report on the function of this Office other than stating that it would lead to “improved oversight and solution development for both the physical and market aspects of the nation’s energy system,” even though the market aspects of the nation’s energy system are under the jurisdiction of the Federal Energy Regulatory Commission.

Mr. McNamee, please provide a detailed description of the structure, specific responsibilities and actions of the proposed Office of Energy Resources and Economic Strategy, including how this office would make sure it complies with existing statutory and regulatory environmental review requirements.

A1. Under the current proposal, the Office of Electricity and the Office of Policy would be moved and reconstituted under the new Office of Energy Resources and Economic Strategy. Proposed changes would comply with existing statutory and regulatory environmental review requirements; to the extent new legislation or authorizations are required, Department of Energy (DOE) would seek such from Congress.

Q2. The White House reform plan and recommendations for the Federal Government proposes moving the Advanced Research Projects Agency-Energy (ARPA-E) into a new Office of Energy Innovation within the U.S. Department of Energy: “DOE also maintains a separate program called the Advanced Research Projects Agency-Energy (ARPA-E) that conducts applied research. While the program features positive aspects, such as coordination with industry and cross-cutting research, it makes little strategic sense that this entity exists independent of DOE’s main applied research programs.”

The Trump Administration appears to misunderstand ARPA-E, which does not conduct applied research. Rather, ARPA-E functions similarly to the Defense Advanced Research Projects Agency (DARPA) on which it is modeled, using Federal funds to advance select technologies with significant potential that require public investment. ARPA-E does not appear to be consistent with the applied nature and industry coordination of the proposed Office of Energy Innovation.
Mr. McNamme, in light of this misalignment, please provide a more detailed explanation of how ARPA-E would function within the Office of Energy Innovation, and clarify whether you will commit to preserving the mission and activities of ARPA-E.

A2. Under the Administration’s proposed reorganization and modernization plan for DOE, aspects of ARPA-E would be consolidated with DOE’s other applied energy research programs into a single Office of Energy Innovation. The goal would be to take “a holistic view of energy innovation to ensure Federal research keeps pace with the changing needs of the Nation’s energy system while maximizing the value to the taxpayer” including aspects of ARPA-E; furthermore, “ARPA-E features positive aspects, such as coordination with industry and cross-cutting research” but it does not need to be independent of DOE’s main applied research programs. (See “Delivering Government Solutions in the 21st Century—Reform Plan and Reorganization Recommendations” issued by the Office and Management Budget, attached as Appendix B).

Q3. The White House reorganization plan also includes restructuring the Office of Science within the Department of Energy. This plan stated that the Trump Administration is “evaluating several proposals to merge and consolidate field and headquarters activities to improve efficiency and reduce costs.” The proposal also references streamlining the office and reducing staff. This is particularly concerning in light of the President’s fiscal year 2019 budget submission that proposed dramatically cutting Office of Science funding by 14 percent. I strongly disagree with cutting investments in incredibly valuable scientific research being conducted at U.S. Department of Energy National Labs, including at Fermilab and Argonne in Illinois.

Mr. McNamme, please describe precisely how many jobs would be lost as a result of this proposal and share the cost-benefit analysis that was conducted to justify such a massive cut to innovative American scientific research that is being conducted at our Nation’s valuable National Labs.

A3. The Office of Science reorganization plan does not terminate any current employees, reduce funding at any National Lab, or impact research funding. The proposed reorganization will restructure the Office of Science headquarters and field organizations to eliminate duplicative management structures that do not add value to the research
enterprise at the DOE National Labs. As presently conceived, no encumbered Federal jobs in the Office of Science would be lost due to this proposal. As positions are identified that do not fit within the consolidated organizational structure, those positions would be designated as incumbent only and eliminated through attrition.
U.S. Senate Committee on Energy and Natural Resources
Oversight of Administration Reorganization and Modernization Proposals
Related to the Department of Energy and the Department of the Interior
Questions for the Record Submitted to Mr. Bernard McNamee

July 19, 2018 Hearing

Questions from Senator Catherine Cortez Masto

Q1. The Budget Request as well as the reorganization proposal would eliminate the Advanced Research Projects Agency-Energy program, which is popular in Congress and spends $300 million on basic research. Research like this is made to further innovation. Government-sponsored research bridges that gap where privately-funded research does not have the available capital to invest in extensive R&D, or have the capacity to invest in research that may not always lead to commercial revenue-making ventures. Why continue to push to eliminate a program that so many up here see immense value?

A1. Under the Administration’s proposed reorganization and modernization plan for DOE, aspects of ARPA-E would be consolidated with the Department of Energy (DOE)’s other applied energy research programs into a single Office of Energy Innovation. The goal would be to take “a holistic view of energy innovation to ensure Federal research keeps pace with the changing needs of the Nation’s energy system while maximizing the value to the taxpayer” including aspects of ARPA-E; furthermore, “ARPA-E features positive aspects, such as coordination with industry and cross-cutting research” but it does not need to be independent of DOE’s main applied research programs. (See “Delivering Government Solutions in the 21st Century—Reform Plan and Reorganization Recommendations”, attached as Appendix B).

Q1a. Is it not in the nation’s current and future interest to make ground-level investment in this type of research?

A1. As a general matter, the Department believes it is in the public interest to fund early-stage research that the private sector is unlikely to undertake.

Q2. I’m concerned about the proposal to sell off Federal transmission assets, which include those owned and operated by the Power Marketing Administrations (PMAs), including the PMA that serves Nevada, the Western Area Power Administration, or WAPA. Stakeholders argue that doing this would shift economic value from families and businesses in our states to investors. Can you discuss the rationale for this proposal?

A2. In the Administration’s view, ownership of transmission assets is best carried out by the private sector, which provides appropriate market and regulatory incentives. Eliminating
U.S. Senate Committee on Energy and Natural Resources
Oversight of Administration Reorganization and Modernization Proposals
Related to the Department of Energy and the Department of the Interior
Questions for the Record Submitted to Mr. Bernard McNamee

July 19, 2018 Hearing

or reducing the Federal Government’s role in owning and operating transmission assets—and increasing the private sector’s role—would encourage a more efficient allocation of economic resources—and mitigate unnecessary risk to taxpayers. Pages 66-67 of the Administration’s “Delivering Government Solutions in the 21st Century—Reform Plan and Reorganization Recommendations”, which is attached as Appendix B, provides the rationale for the proposal to divest Federal transmission assets. The proposed sale of transmission assets would require Congressional authorization.

Q2a. Also, how would DOE ensure that individual consumers would be protected from potential increases in their electricity costs?

A2a. Regulatory oversight would provide efficient rate setting, which should benefit rate payers over the long term. The vast majority of the Nation’s electricity needs are met through the private sector, which are subject to State and/or Federal regulatory oversight in the establishment of rates.

Q3. As you know, part of this reorganization proposal would consolidate DOE’s applied energy programs (EERE, Nuclear Energy, Fossil Energy, Electricity Delivery, and ARPA-E) into one office. What would you say to clean energy and technology advocates who think rolling the Office of EERE into a larger structure where EERE technologies are not the primary asset is an effort to diminish the Department’s attention on these increasingly important industries and technologies?

A3. Attached as Appendix B is the justification for the proposal to consolidate research programs, including EERE, as contained in the “Delivering Government Solutions in the 21st Century—Reform Plan and Reorganization Recommendations”. As stated therein:

Organizing applied energy research under one unified office has the potential to reduce a practice of picking energy technology winners and losers and pitting fuel types against one another for Government funding and attention. Breaking down the rooted R&D silos
could enable greater flexibility and efficiency in decision-making and enhance the
Department’s ability to set and achieve big goals. Revitalizing DOE’s applied energy
R&D in this manner also provides the opportunity to integrate the positive attributes of
ARPA-E into DOE’s core energy research rather than it being a wholly independent
program. Many fields of research, such as materials, energy storage, and the overall
enhancement of the grid’s stability and baseload capabilities, span today’s applied energy
offices and would especially benefit from a fuel and technology-neutral program
structure. With a unified Office of Energy Innovation, applied energy research could be
directed to achieving nationally significant outcomes and breakthroughs, rather than
incremental changes for individual fuel types that may have limited if any strategic
connection to one another.

Also, to clarify, the Office of Electricity would not be consolidated into the new Office of
Energy Innovation; instead, it would become part of the new Office of Energy Resources
and Economic Strategy.
MEMORANDUM FOR HEADS OF DEPARTMENTAL ELEMENTS

FROM: RICK PERRY  
SECRETARY  
DAN BROUILLETTE  
DEPUTY SECRETARY

SUBJECT: Personal Commitment to Excellence in Health and Safety

Central to our personal commitment to excellence in health and safety is our intensity to further advance our Nation’s energy and security priorities. These include unrivaled nuclear deterrence, diversified energy independence, global scientific leadership, national security, and responsible environmental stewardship. These priorities must be met and carried out using a balanced, common-sense approach.

We are personally committed to the safety of our workforce and protection of members of the public and the tribal nations that surround the Department of Energy (DOE) sites and operations, as well as the environment in which they live.

We embrace continuous improvement in all aspects of day-to-day work. We recognize that the pursuit of safety excellence is a dynamic process and must be ingrained in how we carry out our responsibilities. Our expectation is that all DOE operations and activities be guided by the following principles:

- **Integrated Safety Management System**: Provides the overarching framework to effectively plan, safely execute, and closely monitor work activities. Advances the DOE mission with a goal of zero preventable accidents, injuries, and loss of life.

- **Safety Culture**: Built on an environment of trust, open communications, and mutual respect that encourages a questioning attitude and continuous learning. We are committed to maintaining a culture where our colleagues are rewarded, not reprimanded, for coming forward with a safety concern.

- **Technical Excellence**: A technically inquisitive workforce and a learning organization are crucial to achieving world-class safety performance and solving complex and challenging undertakings. Management must encourage and nurture critical thinking, innovation, and entrepreneurship to foster world-class scientific talent and a safety conscious work environment.
• **Accountability:** Complying with minimum health and safety requirements merely reflects the starting point in our pursuit of excellence. In executing assigned functions, every member of the workforce and management is held accountable for his or her individual actions. At the Department of Energy, safety is everyone’s job!

Our Nation faces excellent opportunities and many challenges. It’s the safety and security of the world that we are working on; and we are confident that working together as a team we can, and will, overcome any challenge and realize these opportunities.
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I. THE MANDATE FOR REFORM
INTRODUCTION

When America’s Founders wrote the Constitution, they laid out a clear vision for the United States Government: to establish justice, ensure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty. Moreover, they established Executive Branch organizations and structures to deliver on the Federal mission in ways appropriate to America’s needs at the time. Over successive generations, our Federal Government has evolved by expanding in scope and complexity to try to meet Americans' needs. However, the organizational structures that underpin the Executive Branch have not always kept pace.
Two decades into the 21st Century, the public still believes that the Federal Government serves critical roles, and in some areas performs them well. However, public trust in the Federal Government has declined over the last decade. Calling into question how well the current organizational constructs of Government are aligned to meet Americans’ needs in the digital age. Government in the 21st Century is fundamentally a services business, and modern information technology should be at the heart of the U.S. Government service delivery model. And yet, today’s Executive Branch is still aligned to the stove-piped organizational constructs of the 20th Century, which in many cases has grown inefficient and out-of-date. Consequently, the public and our workforce are frustrated with Government’s ability to deliver its mission in an effective, efficient, and secure way.

At times of great change, the need to reinforce this common commitment to “government of the people, by the people, and for the people” has been critical. So it is not surprising, as the United States faces the challenges of serving the broad and diverse needs of our growing country, that it becomes important to reexamine the organizational alignment of Executive Branch Government Institutions to ensure that our organizational constructs are well aligned to meet the needs of the 21st Century.

To that end, Executive Order (EO) 13783, entitled “Comprehensive Plan for Reorganizing the Executive Branch,” highlights the need to evaluate the organizational constructs that support today’s mission delivery objectives. Building on a history of bipartisan Government reform initiatives, the EO focuses specifically on the role of organizational alignment in reducing “duplication and redundancy,” and improving “efficiency, effectiveness, and accountability of the executive branch.”

This report outlines the Administration’s analysis and recommendations for structural realignment of the Executive Branch to better serve the mission, service, and stewardship needs of the American people. While some of the recommendations identified in this volume can be achieved via Executive administrative action, more significant changes will require legislative action as well.

By sharing key findings, the Administration offers this report as a cornerstone to build productive, bipartisan dialogue around realigning the Federal Government mission delivery model to make sense in the 21st Century. As such, while some of the proposals are ready for agency implementation, others establish a vision for the Executive Branch that will require further exploration and partnership with the Congress.

Finally, reorganization is one tool among many that this Administration is using to drive transformational change in Government. Meeting the needs of the American people, as well as the President’s mandate for greater efficiency, effectiveness, and accountability, requires a range of transformational approaches to support reorganization. To that end, the President’s Management Agenda (PMA) outlines a range of additional priorities and tools that, in combination, will create an Executive Branch that is prepared to meet the needs of the American people both now and in the future. The Administration welcomes constructive dialogue and consideration of all the tools, capabilities, and organizational principles that help support our mission and better serve the public.

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2 Pew Research Center December 2017, “Government Gets Lower Ratings for Handling Health Care, Environment and Disaster Response.”
3 President Abraham Lincoln, Gettysburg Address, November 19, 1863.
4 President Donald Trump, March 13, 2017, speech.
HISTORY OF REFORM AND REORGANIZATION EFFORTS

Nearly every new administration has sought to enhance and streamline the Government bureaucracy to better align with policy and efficiency priorities. From the creation of the Bureau of the Budget in 1921 under President Warren Harding, the Executive Branch has continued to evolve to address the ever-changing needs and mission of the Federal Government. Reform and reorganization efforts in the 20th Century reflected bipartisan efforts to enhance efficiency and effectiveness, while reducing waste. In fact, until the 1970s, Executive Branch reorganization was a reasonably common occurrence undertaken by most new administrations. More recently, notable efforts at organizational reform included the personnel reform agenda initiated under President Jimmy Carter and implemented under the Reagan Administration, as well as bipartisan efforts under Presidents Bill Clinton, George W. Bush, and Barack Obama to enhance shared services and increase public-private sector cooperation. Most successful reorganizations have also shared a common mission focus, usually responding to major mission failures or service delivery issues. The most notable recent examples of major bipartisan reform and reorganization efforts were in

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response to mission challenges experienced after 9/11 in the fight against terrorism. Operational, communication, and organizational alignment challenges resulted in the creation of the Department of Homeland Security (DHS) and the Office of the Director of National Intelligence.

Today, agencies have interconnected imperatives around mission delivery, customer service, and stewardship of taxpayer dollars. Broader, system-level thinking around Government reorganization requires tackling interconnected barriers to change across these three areas. Cybersecurity and cyberwarfare, digital service delivery and enhanced IT modernization, effective use of data for accountability and transparency, and workforce challenges all require new organizational thinking to better integrate mission, service, and stewardship across the existing organizational silos of Government. Moreover, better organizational alignment should also enhance the Executive Branch’s ability to increase efficiency via shared services, public-private partnerships, workforce redeployments, and better customer experiences.

**TIMELINE FOR COMPREHENSIVE REFORM**

- **March 13, 2017**
  The President issues an Executive Order directing OMB to prepare a comprehensive plan to reform and reorganize Executive Branch departments and agencies.

- **June 29, 2017**
  Agencies provide OMB high-level drafts of initial reform ideas.

- **September 11, 2017**
  Agencies submit reform proposals to OMB with FY 2018 budget requests.

- **February 12, 2018**
  FY 2019 President’s Budget is released with guidance on select reform and reorganization proposals as a first step in presenting the comprehensive plans to the American people.

- **June 2018**
  OMB releases a comprehensive plan to transform and reorganize the Executive Branch departments and agencies.

- **March - May 2018**
  OMB focuses on larger reform and reorganization opportunities outside the FY 2018 President’s Budget and works with agencies.

- **Summer 2018**
  OMB and agencies begin a dialogue with Congress to prioritize and refine proposals to best serve the American people.
"All agencies that regulate food safety should be under one department, preferably under the Dept. of Agriculture."

—Kenneth
Washington State
II. ORGANIZATIONAL REFORM PRINCIPLES
The current process for assessing organizational change began in June 2017 when Executive Branch agencies submitted their initial reform ideas to the Office of Management and Budget (OMB) in response to an April 12, 2017 OMB implementation memo. These submissions included valuable feedback provided by the public through an open comment process. Over the summer and fall of 2017, agencies worked with OMB to refine the ideas, identify opportunities across agencies, and assess opportunities to act on proposals in the near term. Agencies submitted refined reform proposals to OMB as part of their Fiscal Year (FY) 2019 Budget requests. Many of the more straightforward, agency-specific organizational improvement opportunities were included in the FY 2019 Budget released in February 2018 or were adopted by agencies under existing authorities.

“The disappointment surrounding recent presidents is not due mainly to defects in their leadership qualities but to their failure to address the structural paralysis of modern government. George Washington couldn’t run the government today."

— Philip K. Howard

The harder work of assessing cross-agency reform and alignment to the needs of the 21st Century began in earnest following the analysis of the President’s Management Agenda. This Agenda provided the broad context for what needs to change in Government, including a renewed focus on mission, service, and stewardship on behalf of the American people. Many of the inputs from the agency reform proposals and public comments on EO 13783 informed creation of the President’s Management Agenda, as well as input for the reorganization recommendations included in this volume.

Specific proposals were evaluated using a framework that balanced the Federal Government’s mission, service, and stewardship objectives, recognizing that the most powerful and transformative changes bolster all three of these core objectives.

Mission: The first principle of organizational reform in the 21st Century is to start with the mission. Specific reforms must ensure that Government activities are rooted in the missions that the American people, through their elected officials, require. Within these mission areas—from national security to infrastructure to food and water safety—Government must have clear and aligned structures that allow Federal programs, staff, and agencies to deliver the outcomes the public expects.

Service: Understanding the customer or stakeholder needs in the 21st Century is critical to understanding how to realign the organizational model. In many cases, outmoded assumptions about customer and stakeholder needs have distracted from core mission, hindered outcomes, and fallen out of step with customer expectations. Federal customers—ranging from small businesses seeking loans, to families receiving disaster support, to veterans expecting proper benefits and medical care—deserve a customer experience that compares to or exceeds that of leading private-sector organizations, which most Federal services lag behind. The Executive Branch must develop capabilities to better facilitate end-to-end customer experiences that cross agency boundaries, and create faster, more convenient, and more cost-effective interactions.

Stewardship: Effective stewardship of taxpayer funds is a crucial responsibility of the Federal Government, from preventing fraud to maximizing impact. Taxpayer dollars must go to effective programs that produce results efficiently. For example, Government too often executes similar administrative functions across programs and agencies, failing to take advantage of opportunities for shared services, centers of excellence, or other arrangements that leverage the highest-performing organizations and free up resources to focus on mission. Using data-driven methods, Government must already consider how structural alignment can best support efficient and effective use of taxpayer dollars.

MODELS TO LEARN FROM: ORGANIZATIONAL DESIGN IN THE PRIVATE SECTOR

Reorganization is a key tool that private-sector companies regularly employ to maintain relevance, efficiency, and effectiveness over time. While organizational change is hard and takes time, the experiences of companies in the private sector over the last few decades have shown that large-scale transformation is possible and can both improve customer service and lower costs.

We must change the way Government operates and move our capabilities into the 21st Century.

...
Organizational decisions should be made and executed to create the most value for taxpayers and the customers of Federal services, not based on outdated legal structures or historical precedent.

Operating models must also be reviewed in light of the improvements possible in the digital age and lessons learned from peer organizations. Analysis that simply looks at the formal reporting structure on an organizational chart misses other critical organizational structures, including customer engagements, data flows, organizational processes, and the informal networks and cultural elements which make an organization run. The analysis must envision a new operating model that leverages the best thinking available.

Finally, the analysis must translate the operating model into an organizational construct that better aligns resources with mission, delivers improved services, and operates more efficiently. New organizational constructs must be supported by change management processes, including identifying and managing risks, communicating across leadership, managers, and front-line staff, and shifting incentives, expectations, and culture to sustain the change.

Recognizing the challenges of driving organizational change, the Administration has been deliberate in developing proposals to consider how implementation will be managed. Key factors during implementation include defining clear roles and responsibilities, managing the change process, ensuring alignment across leadership and line staff, and managing risk factors.

REORGANIZATION ALIGNMENT FRAMEWORK
Based on these approaches, a Reorganization Alignment Framework was developed to assess the needs and opportunities to best align reorganization efforts to the needs of mission.

Development of this Reorganization Alignment Framework drew on a range of inputs from leading organizational change and strategic transformation thought leaders in the private sector, public sector, and academic worlds. For a list of literature that informed creation of the Reorganization Alignment Framework, please see the bibliography section.
As outlined in the Reorganization Alignment Framework above, organizational change priorities fall into four categories:

- **Mission Alignment Imperatives.** Analysis highlighted areas where Federal services are operating relatively efficiently, but outdated or misaligned organizational constructs hinder the ability to achieve mission objectives and effectively serve citizens. In addition, this Administration identified several opportunities to “right size” the mission to the current environment. As such, reorganization proposals around mission alignment fall into two sub-categories:

  A. Organizational realignments to enhance mission and service delivery.
  B. Changes to refocus, reduce, or expand the mission.

- **Management Improvement Opportunities’ Proposals to Enhance Efficiency.** Many Federal organizations are effectively fulfilling their missions and serving citizens but doing so in ways that duplicate other Federal activities or rely on outdated organizational structures that are wasteful and inefficient. These present cross-agency opportunities to better steward taxpayer resources to achieve the same core missions with better results.

- **Transformation Urgency: New Capability Requirements.** In several areas, the Federal Government lacks critical capabilities for successful mission delivery in a 21st Century characterized by digital service delivery, data-driven mission support, and increased need for collaboration across the public, Federal, State, and local, and private sectors. In many such areas, the Government is failing to fulfill both citizen expectations and stewardship responsibilities.

- **Organizations in Alignment.** In other areas, organizational capabilities are generally aligned with the customer and stakeholder needs of the 21st Century and balance mission, service, and stewardship needs. For these organizations, modest organizational updates, capability realignment, and additional investments may be needed. Since these changes represent “business-as-usual” process improvement opportunities, this volume will not highlight these proposals in depth. For additional detail on these proposals, see page 122 (Appendix: Agency-Specific Reform Proposals).
AVOIDING “ONE-SIZE-FITS ALL” APPROACHES

Rather than adhere to a simplistic set of decision rules to identify priorities among these categories, individual proposals have been assessed for factors including impact on mission, service, and stewardship in order to account for programs’ and agencies’ unique roles and requirements and inform appropriate strategies. For example, while strategies such as reducing duplication and increasing centralization may make sense in many instances, these strategies may have unintended consequences. Sometimes, centralizing to improve coordination and lower costs through economies of scale best promotes mission, service, and stewardship. Yet in other cases, decentralizing to increase customer alignment and improve flexibility to adjust to “on-the-ground” realities may be preferable. Similarly, reducing program duplication has been demonstrated to lower costs and reduce confusion among both customers and employees. But some duplication across programs may also create valuable redundancy for mission-critical activities and increase program flexibility to react to changing factors.

KEY DRIVERS OF REFORM

Reorganizations in the private sector have demonstrated that without efficient and effective implementation, even well-conceived reorganizations may fail to achieve the intended benefits. To ensure effective implementation, the President’s Management Agenda4 highlighted three areas (see figure to the right) which help drive effective organization transformation:

- Information Technology Modernization.
- Data, Accountability, and Transparency.
- People and the Workforce of the Future.

When transforming organizations to serve the needs of the 21st Century, it will be critical to leverage each of these key drivers. Ongoing work on this front is highlighted as part of the President’s Management Agenda, and you can see more detail on specific priorities at performance.gov. In addition, these key drivers will inform next steps for each of the reform proposals discussed in this volume.

4 The President’s Management Agenda: Modernizing Government for the 21st Century, Executive Office of the President and the President’s Management Council, March 2013.
III. OVERVIEW OF ORGANIZATIONAL ALIGNMENT PRIORITIES
Utilizing the frameworks described above, the Administration’s comprehensive plan for reforming and reorganizing the Executive Branch includes proposals that extend across agencies, with the goal of increasing focus on integrated mission, service, and stewardship delivery.

Our Nation is used to leading the world in technology innovation and service delivery and at one time, the U.S. Government catalyzed that innovation. As such, the Administration is investing in deep-seated transformation that begins with the President’s Management Agenda and extends through the recommendations for Executive Branch organizational reform. This section provides an overview of the initial organizational reform priorities that are organized based on the Reorganization Alignment Framework presented above.

MISSION ALIGNMENT IMPERATIVES

A. Organizational Realignment to Enhance Mission and Service Delivery

1. Merge the Departments of Education and Labor into a single Cabinet agency, the Department of Education and the Workforce, charged with meeting the needs of American students and workers from education and skill development to workplace protection to retirement security. As part of the merger, the Administration also proposes significant government-wide workforce development program consolidations, streamlining separate programs in order to increase efficiencies and better serve American workers.

2. Move the non-commodity nutrition assistance programs currently in the U.S. Department of Agriculture’s (USDA) Food and Nutrition Service into the Department of Health and Human Services—which will be renamed the Department of Health and Public Welfare.

Also, establish a Council on Public Assistance, comprised of all agencies that administer public benefits, with statutory authority to set cross-program policies including uniform work requirements.

3. Move the Army Corps of Engineers (Corps) Civil Works out of the Department of Defense (DOD) to the Department of Transportation (DOT) and Department of the Interior (DOI) to consolidate and align the Corps’ civil works missions with these agencies.

4. Reorganize the USDA’s Food Safety and Inspection Service and the food safety functions of HHS’s Food and Drug Administration (FDA) into a single agency within USDA that would cover virtually all the foods Americans eat.

5. Move USDA’s rural housing loan guarantee and rental assistance programs to the Department of Housing and Urban Development (HUD), allowing both agencies to focus on their core missions and, over time, further align the Federal Government’s role in housing policy.

6. Merge the Department of Commerce’s (Commerce) National Marine Fisheries Service with DOI’s Fish and Wildlife Service. This merger would consolidate the administration of the Endangered Species Act and Marine Mammal Protection Act in one agency and combine the Services’ science and management capacity, resulting in more consistent Federal fisheries and wildlife policy and improved service to stakeholders and the public, particularly on infrastructure permitting.

7. Consolidate portions of DOI’s Central Hazardous Materials Program and USDA’s Hazardous Materials Management program into the Environmental Protection Agency’s (EPA) Superfund program. This consolidation would allow EPA to address environmental cleanup under the Comprehensive Environmental Response Compensation & Liability Act (CERCLA) on Federal land regardless of which of these agencies manages the land, while DOI and USDA would maintain their existing environmental compliance, bonding, and reclamation programs for non-CERCLA sites.
8. Optimize Department of State (State) and U.S. Agency for International Development (USAID) humanitarian assistance to eliminate duplication of efforts and fragmentation of decision-making. A specific reorganization proposal will be submitted by State and USAID to OMB as part of their FY2009 Budget request to improve the efficiency and effectiveness of the Federal Government’s humanitarian assistance across State and USAID, establish unity of voice and policy, and optimize outreach to other donors to increase burden-sharing and drive reform at the UN and in multilateral humanitarian policy.

9. Consolidate the U.S. Government’s development finance tools, such as the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority (DCA) of USAID, into a new Development Finance Institution in a reformed and modernized way to leverage more private-sector investment, provide stronger alternatives to state-directed initiatives, create more innovative vehicles to open and expand markets for U.S. firms, and enhance protections for U.S. taxpayers.

10. Transform USAID through an extensive, agency-driven structural reorganization of headquarters Bureaus and Independent Offices as a foundational component of USAID’s overall plan to better advance partner countries’ self-reliance, support U.S. national security, and ensure the effectiveness and efficiency of foreign assistance.

11. Move the policy function of the Office of Personnel Management (OPM) into the Executive Office of the President, and elevate its core strategic mission while devolving certain operational activities—the delivery of various fee-for-service human resources, IT services, and background investigations—other Federal entities better aligned to provide non-strategic transaction processing services that meet 21st Century needs. This new structure would better accommodate an overhaul of the Federal civil service statutory and regulatory framework.

12. Transfer responsibility for perpetual care and operation of select military and veteran cemeteries located on DOD installations to the Department of Veterans Affairs’ National Cemetery Administration. This transfer assures these cemeteries will be maintained to national shrine standards to continue the recognition and respect due of those interred therein, gains efficiencies, and limits mission overlap based on a common-sense approach to good government.

13. Reorganize the U.S. Census Bureau, the Bureau of Economic Analysis, and the Bureau of Labor Statistics under Commerce to increase cost-effectiveness and improve data quality while simultaneously reducing respondent burden on businesses and the public. Together, these three agencies account for 53 percent of the U.S. Statistical System’s annual budget of $2.26 billion and share unique synergies in their collection of economic and demographic data and analysis of key national indicators.

14. Consolidate the Department of Energy’s (DOE) applied energy programs into a new Office of Energy Innovation in order to maximize the benefits of energy research and development and enable quicker adaptation to the Nation’s changing energy technology needs.
15. Devolution of Activities from the Federal Government
   a) Sell the transmission assets owned and operated by the Tennessee Valley Authority and the Power Marketing Administrations within DOE, including those of Southwestern Power Administration, Western Area Power Administration, and Bonneville Power Administration, to encourage a more efficient allocation of economic resources and mitigate unnecessary risk to taxpayers.

   b) Restructure the U.S. Postal System to return it to a sustainable business model or prepare it for future conversion from a Government agency into a privately-held corporation. The President’s Task Force on the United States Postal System will make recommendations on reforms towards this goal in August 2018.

   c) Reorganize DOT to better align the agency’s core missions and programmatic responsibilities, reduce transportation program fragmentation across the Government, and improve outcomes. Changes would include spinning off Federal responsibility for operating air traffic control services, integrating into DOT certain coastal and inland waterways commercial navigation activities and transportation security programs, and reassessing the structure and responsibilities of DOT’s Office of the Secretary.

16. Transform the way the Federal Government delivers support for the U.S. housing finance system to ensure more transparency and accountability to taxpayers, and to minimize the risk of taxpayer-funded bailouts, while maintaining responsible and sustainable support for homeowners. Proposed changes, which would require broader policy and legislative reforms beyond restructuring Federal agencies and programs, include ending the conservatorship of Fannie Mae and Freddie Mac, reducing their role in the housing market, and providing an explicit, limited Federal backstop that is on-budget and apart from the Federal support for low- and moderate-income homebuyers.

17. Rethink how the Federal Government can drive economic growth in concert with private-sector investments in communities across the Nation by coordinating and consolidating Federal economic assistance resources into a Bureau of Economic Growth at Commerce, producing a higher return on taxpayer investment on projects that are transparent and accountable.

18. Transform the U.S. Public Health Service Commissioned Corps into a leaner and more efficient organization that is better prepared to respond to public health emergencies and provide vital health services, including by reducing the size of the Corps and building up a Reserve Corps for response in public health emergencies.

**MANAGEMENT IMPROVEMENT AND EFFICIENCY OPPORTUNITIES**

19. Establish an accelerated process for determining whether one or more of the National Aeronautics and Space Administration’s (NASA) Centers should be converted to, or host, a Federally Funded Research and Development Center (FFRDC). FFRDCs can potentially allow the agency to be more agile in rapidly responding to changing needs and in recruiting and retaining scientific and technical expertise.

20. Consolidate the administration of graduate fellowships for multiple Federal agencies under the National Science Foundation in order to reduce the total cost of administering those fellowships.

21. Optimize the Federal real property footprint by making smart investments in renovations and new facilities, driving down lease costs, and disposing of unneeded real estate through a streamlined process that results in the greatest return to the taxpayer.

22. Consolidate and streamline financial education and literacy programs currently operating across more than 20 Federal agencies to ensure effective allocation of Federal financial literacy resources and avoid unneeded overlap and duplication.

23. Strengthen the Small Business Administration (SBA) as the voice of small business within the Government by consolidating small business focused guaranteed lending and Federal contracting certification programs at SBA.
24. Consolidate protective details at certain civilian Executive Branch agencies under the U.S. Marshals Service in order to more effectively and efficiently monitor and respond to potential threats. Threat assessments would be conducted with support from the U.S. Secret Service.

25. Consolidate the small grants functions, expertise, and grantmaking from the Inter-American Foundation and U.S. African Development Foundation into USAID beginning in FY 2016. The consolidation would be a significant step to reduce the proliferation of Federal international affairs agencies that are operating today, while also elevating community-led, “local works” small grants as a development and diplomacy tool for the U.S. Government.

26. Transition Federal agencies’ business processes and recordkeeping to a fully electronic environment, and end the National Archives and Records Administration’s acceptance of paper records by December 31, 2022. This would improve agencies’ efficiency, effectiveness, and responsiveness to citizens by converting paper-based processes to electronic workflows, expanding online services, and enhancing management of Government records, data, and information.

TRANSFORMATION URGENCY — NEW CAPABILITY REQUIREMENTS

27. Transform the way Americans interact with the Federal Government by establishing a Government-wide customer experience improvement capability to partner with Federal agencies to help them provide a modern, streamlined, and customer-centric experience for citizens, businesses, and other customers, comparable to leading private-sector organizations.

28. Pursue a Next Generation (Next Gen) Financial Services Environment as a new approach to Federal Student Aid (FSA) processing and servicing with a modernized, innovative, and integrated architecture. Next Gen will save taxpayers millions of dollars and will create an improved, world-class customer experience for FSA’s more than 42 million customers, while creating a more agile and streamlined operating model.

29. Solve the Federal cybersecurity workforce shortage by establishing a unified cyber workforce capability across the civilian enterprise, working through DHS and OMB in coordination with all Federal departments and agencies. The Administration will work towards a standardized approach to Federal cybersecurity personnel, ensuring Government-wide visibility into talent gaps, as well as unified solutions to fill those gaps in a timely and prioritized manner.

30. Establish a Government Effectiveness Advanced Research (GEAR) Center as a public-private partnership to help the Government respond to innovative technologies, business practices, and research findings that present opportunities to improve mission delivery, services to citizens, and stewardship of public resources.

31. Transfer the National Background Investigations Bureau from OPM to DOD, providing the opportunity to achieve an efficient, effective, fiscally viable, and secure operation that meets all agencies’ needs.

32. Expand upon existing agency evaluation capabilities and push agencies to adopt stronger practices that would generate more evidence about what works and what needs improvement in order to inform mission-critical decisions and policies. These changes will help to address the large gaps and inconsistencies across Government in Federal agencies’ ability to formally evaluate their programs.
"Education and labor are intimately interwoven. As the Father of Vocational Education, Frank Parsons put it, all education is in the last analysis, vocational education because it is supposed to prepare students for their lives and future careers. These departments would benefit greatly from being conjoined."

- Anthony Alofs
IV. LOOKING AHEAD
The business of the Federal Government is to serve the American people, but outdated organizational frameworks hinder our ability to deliver on our mission, service, and stewardship objectives in the digital age. Data breaches, delays in background investigation and security clearance approvals, and outdated paper-based processes all erode trust in the Government. Moreover, when the American people compare Government service-delivery models with the streamlined, multi-channel experiences they have when interacting with private-sector businesses, it is clear how outdated many Government organizational models are. Americans routinely shop online, use smart phones to order rides, and get electronic money transfer services and yet are forced to deal with multiple agencies and excessive bureaucracy when they interact with Federal agencies. Lengthy permitting for infrastructure projects, confusing and overlapping job retraining programs, and Byzantine requirements for applying for small business and farm loans all are calculated and entrenched in outdated organizational constructs designed decades ago.

"Not since the Industrial Revolution have the stakes of dealing with change been so high. Most traditional organizations have accepted in theory at least, that they must either change or die." — from "Cracking the Code of Change"

It is also important to ensure that the Federal Government appropriately aligns its mission and service activities to areas where a Federal role is critical and where State and local governments cannot optimally provide effective services. It is no longer appropriate to avoid having foundational discussions about services that might be better served by direct State, local, or even private-sector stewardship. To the extent that existing organizational constructs are too complex or outdated, organizational realignment or reform may be needed to ensure that mission, service, and stewardship objectives can be met.

Recent decades have demonstrated that the Federal Government will continue to change. The question is whether short-sighted, piecemeal change will continue to sell taxpayers short and ignore fundamental shortcomings or whether transformation will elevate Government to the level of efficiency, effectiveness, and accountability that the public deserves. With the support of the Congress, the priorities above and the reorganization proposals that follow will make important strides in re-crafting an Executive Branch that is structured to best facilitate delivery of mission, service, and stewardship for the American people.

V. GOVERNMENT-WIDE REORGANIZATION PROPOSALS
Department of Education and the Workforce

Outline of Proposal: This proposal would merge the Departments of Education (ED) and Labor (DOL) into a single Cabinet agency, the Department of Education and the Workforce (DEW). The new agency would be charged with meeting the needs of American students and workers, from education and skill development to workplace protection to retirement security. Merging ED and DOL would allow the Federal Government to address the educational and skill needs of American students and workers in a coordinated way, eliminating duplication of effort between the two agencies and maximizing the effectiveness of skill-building efforts.

THE CHALLENGE

ED and DOL share a common goal of preparing Americans for success in a globally competitive world through family-sustaining careers. However, the two Departments operate in silos, inhibiting the Federal Government’s ability to address the skill needs of the American people in a coordinated manner. The result has been the creation of a complicated web of funding streams for States and localities to administer, and a confusing set of signals sent to American students and workers regarding how best to develop the skills needed to succeed in the 21st Century economy. The Federal Government currently operates more than 40 workforce development programs spread across 15 agencies. This fragmentation perpetuates unnecessary bureaucracy and complicates State and local efforts to weave together disparate funding streams to meet the comprehensive needs of their citizens.

The Administration proposes to merge ED and DOL into a single Cabinet agency, the Department of Education and the Workforce (DEW). As part of the merger, the Administration also proposes significant Government-wide workforce development program consolidation, streamlining separate programs in order to increase efficiencies and better serve American workers.

THE OPPORTUNITY

The new merged department would reduce unnecessary bureaucracy, streamline access and better integrate education and workforce programs, and allow the Administration to more effectively address the full range of issues affecting American students and workers. The workforce development program consolidation would centralize and better coordinate Federal efforts to train the American workforce, reduce administrative costs, and make it easier for States and localities to run programs to meet the comprehensive needs of their workforce.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

The proposal would merge all of the existing DOL and ED programs into a single department, DEW, with four main sub-agencies focused on: K-12, Higher Education/Workforce Development, Enforcement, and Research/Evaluation/Administration. This would help create alignment throughout the education-to-career pipeline, while also creating coherence within the workforce development and higher education worlds.
K-12

The K-12 agency would support State and local educational agencies to improve the achievement of preschool, elementary, and secondary school students, including students with disabilities, Native American students, and English language learners. The agency would comprise improved ED K-12 offices that would better integrate across K-12 programs and more effectively coordinate with higher education and workforce programs. The K-12 agency would administer activities currently implemented by ED’s Offices of Elementary and Secondary Education, Innovation and Improvement, English Language Acquisition, and Special Education Programs. As described below, the Rehabilitation Services Administration would be moved to the Higher Education/Workforce Development agency.

American Workforce and Higher Education Administration

The new American Workforce and Higher Education Administration (AWHEA) would be charged with ensuring that American workers possess the skills necessary to succeed in the workforce. The agency would bring together current DOl workforce development programs and ED vocational education, rehabilitation, and higher education programs. As part of the reorganization, the Administration also proposes to consolidate overlapping workforce development funding streams. Observers of Federal workforce development efforts have long noted the large number of programs across multiple agencies and duplicative administrative structures inherent in the system. Since 2011, the Government Accountability Office has identified workforce development as an area of duplication, fragmentation, and overlap and has suggested that coloating services and consolidating administrative structures may heighten efficiency. Despite modifications made as part of the 2014 reauthorization of the Workforce Innovation and Opportunity Act (WIOA), the system remains fragmented at the Federal level. To address these issues, the new agency would place higher education and workforce development programs under the same umbrella. By doing so, Federal skill-building policy would be better coordinated to meet the full range of needs of American students and workers, and in particular would support improved synergy between higher education and workforce development programs. This proposal would simplify and streamline Federal workforce development programs, moving from the current arrangement of more than 40 programs at 15 agencies to 16 workforce development programs at seven agencies.

The AWHEA would be structured to include components focused on: Higher Education; Disability Employment; Adult Workforce Development; Youth Workforce Development; and Veterans Employment, each headed by a presidentially-appointed official.

- The Higher Education component would better align programs that promote and expand access to postsecondary education with workforce development programs to meet the diverse needs of students and workers. This includes strengthening the capacity of colleges and universities to promote reform, innovation, and improvement in postsecondary education, while expanding access to and driving improvement in high-quality, short-term programs that provide students with a credential, certification, or license in a high-demand field. The Higher Education component would also complement Federal Student Aid’s customer-service focus and move to the Next Generation (Next Gen) Financial Services Environment, also proposed in this Volume. Next Gen would enhance operational components of Federal student aid programs, make it easier than ever to apply for

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financial aid from a mobile platform, and streamline the way that schools interact with student loan servicing and the repayment system.

- The Disability Employment component would consolidate ED’s Vocational Rehabilitation State Grants and DOL's Office of Disability of Employment Policy into one office within the WAHEA, allowing for better coordination of services, policy direction, technical assistance, and reporting within the workforce development system. This office would ensure the provision of high-quality services to individuals with disabilities, maintain strong coordination with researchers on best practices to promote employment, and centralize DOL and ED’s support to States.

- The Adult Workforce Development component would consolidate four major formula streams that currently serve adult populations in a duplicative manner: the WIOA Adult, WIOA Dislocated Worker, Employment Service, and Jobs for Veterans State Grants. This component would also consolidate three Native American-serving workforce development programs currently spread across three agencies, replacing them with a set-aside for Native American adults.

- The Youth Workforce Development component would address both in-school and out-of-school youth and create stronger pathways to postsecondary paths and employment for both.

- The Veterans’ Employment Office would ensure that veterans continue to receive priority of service in the workforce system; advise on veterans’ employment issues; and support the Departments of Defense and Veterans Affairs in administering the Transition Assistance Program.

The WAHEA would also maintain a Federally-administered Apprenticeship and Impact Fund, which would consolidate a range of disparate grant programs into a single fund that is focused on testing and replicating effective apprenticeship, workforce development, and postsecondary education models.

In addition to greater policy coordination, this proposal could improve the use of data for learning, performance management, and evaluation in order to study how education and workforce development programs lead to successful labor market outcomes. For example, education programs could benefit from high-quality information about participants’ labor market outcomes, which are more commonly tracked in workforce development programs.

**Enforcement**

The Enforcement agency would include worker protection agencies from DOL that are responsible for enforcing statutes relating to workers’ pay, safety, benefits, and other protections, as well as Federal workers’ compensation programs. The Agency would also include ED’s Office of Civil Rights, which is responsible for ensuring equal access to education through enforcement of civil rights in the nation’s K-12 school and higher education institutions. The DOL agencies represent more than half of DOL’s workforce as measured in full-time equivalents (FTEs), mostly comprised of field enforcement staff. In the new DEW, all of these agencies would report to one senior official to enhance the efficiency and coordination of enforcement and compliance assistance efforts.
Research, Evaluation, and Administration

The Research, Evaluation, and Administration agency would include centralized offices focused on policy development, research, and evaluation, in addition to management-focused offices related to IT, procurement, financial management, and budgeting. Consolidating these functions would result in efficiency gains. As discussed elsewhere, the Bureau of Labor Statistics would be moved to the Department of Commerce as part of a proposal to bring the primary economic statistical agencies under one umbrella.
Consolidate Non-Commodity Nutrition Assistance Programs into HHS, Rename HHS the Department of Health and Public Welfare, and Establish the Council on Public Assistance

Departments of Agriculture and Health and Human Services

Summary of Proposal: This proposal moves the non-commodity nutrition assistance programs currently in the U.S. Department of Agriculture’s (USDA) Food and Nutrition Service (FNS) into the Department of Health and Human Services’ (HHS) Administration for Children and Families (ACF), and renames HHS the Department of Health and Public Welfare (DHPW). The proposal also establishes a Council on Public Assistance, comprised of all Federal agencies that administer public benefits, with statutory authority to set cross-program policies including uniform work requirements.

THE CHALLENGE

USDA and HHS are currently responsible for administering the Federal Government’s major public assistance programs, not including housing programs. However, State and local governments, the entities delivering these services to participants, often administer many of these programs under a single Agency. For example, when a person goes to apply for services through the Temporary Assistance for Needy Families (TANF) program and for nutrition assistance through the Supplemental Nutrition Assistance Program (SNAP), they often go to a single State agency office to do so. Unfortunately, that single State agency currently must follow two separate sets of reporting, regulatory, and other administrative requirements – one set imposed by HHS for TANF, and another by USDA for SNAP. This creates unnecessary administrative burden and potential duplication, using up resources that could be better used helping families move towards self-sufficiency. In addition, because these programs are currently administered by different Federal departments, they are often not well coordinated.

This proposal moves a number of nutrition assistance programs currently housed in USDA – most notably SNAP and the Special Supplementary Nutrition Program for Women, Infants, and Children (WIC) – to HHS and, acknowledging the addition of these programs to the Agency, renames HHS the Department of Health and Public Welfare (DHPW). To provide for even more coordination across all Federal public assistance programs, this proposal also establishes a permanent Council on Public Assistance, housed in DHPW and composed of all agencies that administer public benefit programs, including USDA, the Center for Medicare and Medicaid Services, the Department of Housing and Urban Development (HUD), and others. This Council would have statutory authority to set certain cross-program policies, including on uniform work requirements.

THE OPPORTUNITY

This proposal will better align the administration of these public assistance programs at the Federal level with how they are often administered at the State and local levels. This will reduce administrative burdens and duplications of effort that currently exist for States and local governments. It will also ensure that policies are applied consistently across all programs, potentially reducing confusing, complex, and sometimes contradictory requirements across programs that can make it difficult for both States and participants to follow the rules.
WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

Move Non-Commodity Nutrition Assistance Programs and Rename HHS

FNS currently administers 15 nutrition assistance programs, which can be separated into two major categories: “near-cash” benefit programs and commodity-based programs. Near-cash programs provide money to low-income households, including through an electronic benefit transfer card or voucher, to allow participants to buy food through retail outlets. Commodity-based programs deliver actual food to eligible entities, who in turn provide a meal or food benefit to participants. Near-cash benefit programs do not need to leverage USDA’s expertise in food procurement or delivery, nor do they primarily fit with USDA’s core mission of supporting American farmers and agriculture. Rather, these programs are designed to support low-income Americans, a mission area better situated in DHHS.

Specifically, the Administration proposes to move SNAP, WIC, the Child and Adult Care Food Program (CACFP), and the Farmers’ Market Nutrition Programs into ACF. USDA, whether with a smaller FNS or a different division, would continue to administer the commodity-based programs, including the National School Lunch and School Breakfast Programs, The Emergency Food Assistance Program, the Commodity Supplemental Food Program, and others.

Moving the near-cash benefit programs into ACF would allow for better and easier coordination across programs that serve similar populations, ensuring consistent policies and a single point of administration for the major public assistance programs. This single point of administration would lead to reduced duplication in State reporting requirements, and other administrative burdens, and a more streamlined process for issuing guidance, writing regulations, and approving waivers. Having all the major public assistance programs under one agency would also create more synergies within the Agency, allowing ACF to develop a more holistic understanding of how programs interact with each other, which itself could lead to better policy analysis and outcomes. For example, as States have provided more TANF benefits through non-cash assistance, SNAP enrollment has grown due to individuals becoming “categorically” eligible for SNAP. This has resulted in some unintended consequences, such as families becoming eligible for SNAP through the receipt of a TANF pamphlet or other non-cash assistance. The Fiscal Year (FY) 2019 Budget proposed to tighten these loopholes, but combining these public assistance programs under one agency would help to increase awareness of these interactions and improve policy development that prevents such unintended consequences.

With the move of these non-commodity programs, the welfare portfolio at HHS increases significantly. The proposal renames HHS the Department of Health and Public Welfare to more accurately reflect the mission of the Agency and raise the profile of non-health related programs within the Agency.

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1. CACFP provides reimbursement for meals served by participating child and adult care providers, rather than a direct benefit to the household. However, for the same coordination reasons as the near-cash programs, we recommended moving it to HHS to align with the Head Start and Child Care programs operated by ACF.

2. Other programs include the Summer Food Service Program, the Food Distribution Program on Indian Reservations, the Special Milk Program, Assistance to Nuclear Affected Islands, and Disaster Assistance (not including Disaster SNAP).
Establish Council on Public Assistance

As part of this initiative, the Administration also proposes to create a permanent Council on Public Assistance within the DHHS that would accomplish the goal of ensuring a unified, coordinated focus on cross-cutting welfare and workforce issues at the State and local levels, and to drive Federal-level program reforms. The Council would be given statutory authorities and responsibilities, including but not limited to:

- Approving service plans and waivers requested by States under Welfare-to-Work projects, assuming enactment of the FY 2019 Budget proposal;
- Designing uniform work requirements to be implemented across all welfare programs;
- "Tie-breaker" authority to resolve disputes when multiple agencies disagree on a particular policy;
- Designing cross-program standards for program applications, data verification, and program integrity;
- Facilitating information sharing and collection as well as regulatory and other policy guidance coordination across affected agencies; and
- Recommending programmatic and operational changes to eliminate barriers that it identifies at the Federal, State, and local levels to getting welfare participants to work.

The Council would be housed at DHHS and composed of agency heads or their representatives from USDA (including from the smaller, reformed FNS focused only on commodity programs), HUD, the proposed Department of Education and the Workforce, the Office of Management and Budget, and others, as appropriate, and chaired by DHHS senior leadership. Creating this Council would further break down silos between agencies operating public assistance programs by establishing an interagency coordination and support structure to carry out the welfare reform agenda of the Administration with high-level visibility. Because this Council would become the Administration’s welfare policy-making apparatus, this proposal would consolidate policymaking functions across the different agencies, likely reducing administrative resources and duplication in current policymaking functions, and would ensure that Federal public assistance programs are well aligned and focused on promoting opportunity and economic mobility.
Consolidate Mission Alignment of
Army Corps of Engineers Civil Works
with Those of Other Federal Agencies

Army Corps of Engineers Civil Works and
Departments of Transportation and the Interior

Summary of Proposal: This proposal would move the Army Corps of Engineers Civil Works (Corps) out of the Department of Defense (DOD) and into the Department of Transportation (DOT) and Department of the Interior (DOI) to consolidate and align Corps civil works missions with these agencies.

THE CHALLENGE

The primary mission of DOD is to provide the military force needed to deter war and protect the security of the nation. The Corps placement within DOD grew out of its historic involvement in military construction. Today, the Corps conducts both military and civil works functions. The Civil Works program has three primary missions: commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration; the commercial navigation program is split between coastal and inland navigation.

THE OPPORTUNITY

Both DOT and DOI have missions that relate to and/or complement the Corps’ civil works missions. DOT has a broad overarching systems view of transportation policy and infrastructure in the United States that could beneficially inform the Corps’ transportation-related efforts. DOI administers various land, water, and natural resource management programs spanning the country that are complementary to Corps efforts. Under this proposal, Corps navigation would be transferred to DOT and the remaining Corps civil works missions (flood and storm damage reduction, aquatic ecosystem restoration, regulatory, and all other activities) would be moved to DOI, where those activities could be integrated and aligned with complementary programs focused on issues like water management, ecosystem restoration, and recreation.

Aligning and consolidating Corps civil works mission areas into those of DOT and DOI would increase consistency of Federal policy and actions in both transportation and natural resource management, resulting in more rational public policy outcomes. It would also enable the broadest possible view of both transportation and land and water management infrastructure, thereby leading to improved Federal investment decisions. The transfer of certain Corps programs to DOI – particularly when coupled with the other proposal in this Volume that would move the National Marine Fisheries Service to DOI – consolidates most major land and water resource management programs in the Federal Government in one department. Consolidating these programs under one umbrella would improve effectiveness of land, water, and natural resource management efforts, as well as infrastructure permitting, across Government. It would also place Corps civil works activities in domestic agencies instead of in DOD, whose mission is focused on national defense.
WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

Under this proposal, the Corps commercial navigation functions would move to DOT, whose mission already includes Federal responsibility for all other modes of transportation. All other activities, including flood and storm damage reduction, aquatic ecosystem restoration, hydropower, regulatory, and other activities, would move to DOI.

Aligning and consolidating the Federal Government’s role in domestic water resources activities would provide greater consistency in policy and investment decisions, including comparisons of various investment opportunities. Doing so would increase economic efficiency and improve transparency of investment decisions.

Moving Commercial Navigation Functions to the Department of Transportation

Transferring Corps navigation programs to DOT would consolidate responsibility across all transportation modes within a single Federal agency, thereby encouraging consistent Federal policy in the transportation sector. This consolidation would leverage DOT’s expertise in infrastructure, and make DOT’s maritime responsibilities analogous to its role in other transportation sectors. In the maritime sector, DOT’s mission would expand to helping States and non-Federal partners make infrastructure investment decisions.

Moving Remaining Functions to the Department of the Interior

The Corps administers an aquatic ecosystem restoration program to implement projects designed to benefit fish, wildlife, and their habitat. These projects are often justified by the benefits they provide to species protected under the Endangered Species Act and the Migratory Bird Treaty Act, two laws that DOI administers with great expertise. Development of these projects requires significant coordination with DOI to ensure that the resulting project effectively targets the highest priority needs. If the Corps’ restoration program was administered through DOI, the Executive Branch could better direct its ecosystem restoration investments to achieve the greatest benefit to fish, wildlife, and their habitat, and better leverage the expertise and relationships DOI maintains with State fish and wildlife agencies.

In addition, consolidating the Corps’ regulatory responsibilities for permitting of non-Federal projects within DOI would simplify the infrastructure permitting process for stakeholders who often have to navigate multiple Federal agency processes when seeking project permits and approvals. Moving regulatory responsibilities, including those related to the Section 404 of the Clean Water Act and Section 10 of the Rivers and Harbors Act, within DOI’s existing permitting programs would produce administrative efficiencies and opportunities for simplified interaction with stakeholders.
Reorganize Primary Federal Food Safety Functions into a Single Agency, the Federal Food Safety Agency

Departments of Agriculture and Health and Human Services

Summary of Proposal: This proposal would address the current fragmented Federal oversight of food safety by reorganizing the U.S. Department of Agriculture’s (USDA) Food Safety and Inspection Service (FSIS) and the food safety functions of the U.S. Department of Health and Human Services’ U.S. Food and Drug Administration (FDA) into a single agency within USDA. USDA demonstrates strong and effective leadership in food safety and maintains an expert understanding of food safety issues from the farm to the fork. This proposal would cover virtually all the foods Americans eat.

THE CHALLENGE

For more than forty years, the Government Accountability Office (GAO) has reported that the fragmented Federal oversight of food safety “has caused inconsistent oversight, ineffective coordination, and inefficient use of resources.” and food safety has been on GAO’s list of high-risk areas since 2007. FSIS and FDA are the two primary agencies with major responsibilities for regulating food and the substances that may become part of food. FSIS is responsible for the safety of meat, poultry, processed egg products, and catfish, while FDA is responsible for all other foods, including seafood and shelled eggs.

There are many examples of how illogical our fragmented and sometimes duplicative food safety system can be. For example: while FSIS has regulatory responsibility for the safety of liquid eggs, FDA has regulatory responsibility for the safety of eggs while they are inside of their shells; FDA regulates cheese pizza, but if there is pepperoni on top, it falls under the jurisdiction of FSIS; FDA regulates closed-faced meat sandwiches, while FSIS regulates open-faced meat sandwiches.

To address this fragmented and illogical division of Federal oversight, FSIS and the food safety functions of the FDA would be consolidated into a single agency within USDA called the Federal Food Safety Agency.

GAO and other experts have recommended merging Federal food safety functions as a potential solution to this fragmentation. The National Research Council and the Institute of Medicine (now known as the Health and Medicine Division of the National Academies of Sciences, Engineering, and Medicine) have recommended that the core Federal food safety responsibilities should reside in a single entity or agency, with a unified administrative structure, clear mandate, a dedicated budget, and full responsibility for the oversight of the entire U.S. food supply.

THE OPPORTUNITY

The new Federal Food Safety Agency would pursue a modern, science-based food safety regulatory regime drawing on best practices of both USDA and HHS, with strong enforcement and recall mechanisms, expertise in risk assessment, and enforcement efforts across all food types based on scientifically-supported practices. The Agency would serve as the central point for coordinating with State and local entities and food safety stakeholders, rationalizing and simplifying the Federal food safety regulatory regime. The reform would reduce duplication of inspection at some food processing facilities, improve outreach to consumers and industry, and achieve savings over time while ensuring robust and coordinated food safety oversight.

While the FDA and FSIS currently have very different regulatory regimes, consolidating FSIS and the food safety functions of FDA would allow for a better allocation of resources based on risk, better communication during illness outbreaks, and improved policy and program planning through development of a single strategic plan.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

The irrational divisions of responsibility between FDA and FSIS have evolved since the early days of U.S. food regulation. The Congress created separate statutory frameworks, spurred in part by various food safety concerns and incidents of the day, originally to address the widespread marketing of intentionally adulterated foods and the unsafe and unsanitary conditions in meat packing plants in the early 1900s. Over the years, the Congress added new authorities to meet new challenges. Over time, the different legislative authorities that govern the two agencies have resulted in two distinct regulatory regimes, cultures, and approaches to addressing food safety. Thus, fully integrating FSIS and the food safety functions of FDA would ultimately require a reconciliation of underlying legislative authorities and regulatory approaches.

Food Safety and Inspection Service Approach

FSIS is responsible for the safety of domestic and imported meat, poultry, processed eggs, and catfish. Meat and poultry undergo continuous (i.e., 100 percent) inspection during slaughter, and one or more Federal Inspectors are on site during all hours that a slaughter plant is operating, and present for every shift in processing plants. FSIS is involved in many areas of food processing and food distribution: the inspection of domestic products, imports, and exports; conducting risk assessments; and educating the public about the importance of food safety. FSIS ensures the safety of imported products through a three-part equivalence process that includes an analysis of the country’s legal and regulatory structure, initial and periodic on-site audits to ensure equivalence with FSIS standards, and a continual point-of-entry re-inspection of products from the exporting country.

Food and Drug Administration Approach

FDA is responsible for the safety of all U.S. domestic and imported foods except meat, poultry, processed eggs, and catfish. FDA conducts inspections of most establishments that manufacture, process, pack, or hold foods. FDA requires food importers to verify that their foreign suppliers have adequate preventive controls in place to ensure that the food they produce is safe, and FDA can refuse entry into the United States of food from a foreign facility if FDA is denied access by the facility or the country in which the facility is located. FDA also has a systems recognition program, which determines whether another country has comparable regulatory programs and public health outcomes to the United States. Systems
recognition allows FDA to avoid duplication of effort while leveraging the high-quality work done by regulatory authorities in each country. Given the scope of FDA’s responsibilities, FDA inspects food establishments based on risk. As required by law, FDA must inspect 100 percent of high-risk domestic food facilities every three years. FDA physically inspects less than two percent of imported foods annually at the ports. Where FSIS and FDA statutory and/or regulatory regimes overlap, some establishments fall under the jurisdiction of both agencies.

Located the Federal Food Safety Agency at USDA

USDA is well poised to house the Federal Food Safety Agency. USDA is a strong leader in food safety, has a thorough understanding of food safety risks and issues all along the farm to fork continuum, and many agencies within USDA focus on food safety.

The Agricultural Research Service (ARS) spends about $112 million on in-house food safety research, and ARS scientists work with both FSIS and FDA to help develop research priorities and food safety practices. In addition, many other programs at USDA have food safety elements, from helping to manage wildlife on farms, to monitoring animal health, to collecting pesticide residue data on fruits and vegetables. USDA also has established relationships between State departments of agriculture, local farms, and processing facilities, and is thus keenly aware of food safety issues at all levels.

Following the food reorganization, FDA (which would be renamed the “Federal Drug Administration”) would focus on drugs, devices, biologics, tobacco, dietary supplements, and cosmetics.

The proposed consolidation would merge approximately 5,000 full-time equivalent (FTE) employees and $1.3 billion from FDA with about 9,200 FTEs and $1 billion in resources in USDA. In the long term, the Administration expects this proposal would result in improvements in food safety outcomes, policy and program consistency, and more efficient use of taxpayer resources.
Move Select USDA Housing Programs to HUD

Departments of Agriculture and Housing and Urban Development

Summary of Proposal: This proposal would move the Department of Agriculture’s (USDA) rural housing loan guarantees and rental assistance programs to the Department of Housing and Urban Development (HUD). Having both USDA and HUD housing programs administered by HUD would allow both agencies to focus on their core missions and, over time, further align the Federal Government’s role in housing policy.

THE CHALLENGE

Currently, USDA and HUD operate similar programs that assist homeowners and low-income renters and support rental housing development. Each agency operates its own mortgage insurance programs for home purchase and refinance loans, as well as loans to build, rehabilitate, and refinance rental housing properties. In addition, the two agencies operate separate rental assistance programs offering subsidies to make rents affordable to low-income tenants. The programs, however, are not identical; there are differences in eligibility requirements, assistance levels, delivery and oversight structures, and other program features that have evolved separately over time. Given that these housing programs are currently situated in separate agencies with distinct missions and priorities, incorporating best practices across programs and establishing a unified housing policy has been a challenge. This proposal seeks to mitigate these issues by moving USDA’s single-family and multifamily loan guarantees and rental assistance programs to HUD.

THE OPPORTUNITY

Moving USDA housing programs to HUD would foster a more integrated approach to homeownership and rental housing programs by consolidating oversight and policy direction under one agency. In the long term, it would improve operational efficiency and service delivery through integration of like programs and the adoption of best practices.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

USDA’s housing programs, which serve eligible rural areas, were initially established in the 1940s in response to an underrepresentation of national housing programs in rural areas. They were also a result of the ready-made delivery system USDA had in place through its field office structure for farm loans. Since then, the rationale for separate, rural-focused housing programs at USDA has become outdated given HUD’s role in serving communities throughout the Nation, including in many rural areas. In fact, due in large part to the sheer size of its programs, HUD serves more households in USDA-eligible areas than USDA does. For example, as shown in the Figure, HUD’s Federal Housing Administration (FHA)...

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1 In general, HUD and USDA rental assistance programs make rents affordable to eligible households by paying the difference between the unit’s rent and 30 percent of a household’s adjusted income. These programs include: 1) tenant-based rental assistance vouchers for eligible tenants to rent privately owned apartments or single-family homes, which can be applied to different properties if tenants move; and 2) project-based rental assistance that is attached to specific properties and is available to tenants only when they are living in units at those properties.
guaranteed approximately 633,000 single-family loans in zip codes that were 100 percent USDA-eligible from fiscal years 2015 to 2017 compared to 258,000 loans guaranteed by USDA.

Moving USDA housing programs to HUD would be the first step toward achieving long-term improvements in operational efficiency and service delivery. For example, program requirements, management and oversight processes, and systems would be assessed to identify and take advantage of best practices from each agency. Private-sector partners, including lenders and developers, that currently work with both agencies to administer housing programs could realize efficiencies as conflicting requirements are eliminated or reduced. Another long-term objective, to the extent it can be achieved without compromising Agency mission, would be to produce Federal savings by reducing Agency overhead costs.

This reorganization could be modeled after the provision in a draft House bill, the “FHA-Rural Regulatory Improvement Act of 2011,” which proposed to establish a separate HUD Rural Housing office to provide loan guarantees and rental assistance in rural areas, and transfer the USDA housing programs into that office. This proposal is also consistent with findings from the Government Accountability Office (GAO). Since 2012, GAO has issued several reports on opportunities to reduce fragmentation, overlap and duplication, and housing programs at USDA and HUD have routinely been included in that report.
Merge the National Marine Fisheries Service (NMFS) with the U.S. Fish and Wildlife Service (FWS)

Departments of Commerce and the Interior

Summary of Proposal: This proposal would merge the Department of Commerce's (DOC) National Marine Fisheries Service (NMFS) with the Department of the Interior's (DOI) U.S. Fish and Wildlife Service (FWS). This merger would consolidate the administration of the Endangered Species Act (ESA) and the Marine Mammal Protection Act (MMPA) in one agency and combine the Services' science and management capacity, resulting in more consistent Federal fisheries and wildlife policy and improved service to stakeholders and the public, particularly on infrastructure permitting.

THE CHALLENGE

The National Marine Fisheries Service (NMFS) - located in the Department of Commerce’s National Oceanic and Atmospheric Administration (NOAA) - and the U.S. Fish and Wildlife Service (FWS) - housed within the Department of the Interior (DOI) - administer two foundational laws that aim to prevent extinctions and recover fish and wildlife: the Endangered Species Act (ESA) and the Marine Mammal Protection Act (MMPA). The Services’ jurisdictions under these two laws is generally split based on habitat type, with FWS covering species that spend time on land or in inland fisheries, while NMFS covers mostly marine species.

This split jurisdiction, coupled with the fact that the Services are located in different departments, creates a confusing permitting landscape for project proponents. For example, when reviewing the impacts of a proposed dam system on endangered species, FWS and NMFS may come up with directly contradictory requirements about how that dam system needs to be managed to be ESA compliant. FWS may determine that the dam system needs to release extra water to benefit an endangered inland fish species, while NMFS may simultaneously conclude that the dam operator should store that water to provide future benefits to an anadromous fish under NMFS’s management. The end result is confusion and a lack of clarity on how to proceed with the project.

This proposal would seek to address these concerns by merging NMFS with FWS in DOI, simplifying the administration of the ESA and MMPA, and coordinating fish and wildlife science and related resource management capacity in one bureau within DOI.

THE OPPORTUNITY

This proposal would simplify and bring greater clarity and consistency to the administration of the ESA and MMPA, enabling a coordinated and synchronized approach to ESA and MMPA regulatory reform. This would result in improved service to stakeholders and the public, particularly on infrastructure permitting. This merger would also combine fisheries and wildlife management capacity into one bureau within DOI. DOI already carries a great breadth of natural resource management responsibilities, and bringing NMFS and certain Army Corps of Engineers programs, as proposed elsewhere in this Volume, into DOI would increase the effectiveness of conservation efforts across the Government by putting them all under one umbrella. Over time, the proposal may yield savings through the consolidation of administrative support functions within the merged FWS and across DOI.
WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

Merging NMFS into DOI’s FWS presents opportunities to improve implementation of the ESA and MMPA, which will benefit of species and stakeholders and improve natural resource management.

With the Services currently housed in different departments and assigned different species under their jurisdictions, administration of the ESA and MMPA can be complicated and inconsistent, posing challenges for stakeholders and species alike. Under these statutes, both agencies have similar responsibilities: NMFS for primarily marine species and FWS for primarily freshwater and land-based species. Under the ESA, the Services decide whether to protect a species (i.e., list it as threatened or endangered), designate critical habitat for listed species, and perform consultations for Federal actions that may impact listed species or their critical habitat. Under the MMPA, the Services review and issue permits that allow the hunting, harassing, or killing of marine mammals in limited circumstances.

In recent years, FWS and NMFS have sought to better align their implementation of the ESA. Rather than pursuing individual regulations that govern ESA implementation, the Services have undertaken several joint rulemakings in recent years, which establish clear and consistent definitions and processes for how the ESA should be administered.

However, bringing NMFS into FWS would also improve the effectiveness of fish, wildlife, and natural resource management activities by coordinating protections for jointly managed species, improving interagency coordination, and streamlining permitting. Both Services engage in complementary scientific research, voluntary habitat conservation, law enforcement, and international conservation work. A merger provides an opportunity to look across this suite of activities to direct resources at the highest value conservation work and to discover agency best practices that could be applied more broadly.

This idea is not new. Dating back to the Carter Administration, previous administrations and congresses have proposed reorganizing NMFS and FWS, with a focus on improving natural resource management. These past proposals span a wide spectrum. From smallest to largest, these proposals have suggested moving NMFS’s ESA responsibilities to FWS, merging NMFS into FWS, moving NOAA into DOI, and establishing a new Department of Natural Resources.
Consolidation of Environmental Cleanup Programs
Departments of the Interior and Agriculture, and the Environmental Protection Agency

Summary of Proposal: This proposal would consolidate portions of the Department of the Interior’s (DOI) Central Hazardous Materials Program and the Department of Agriculture’s (USDA) Hazardous Materials Management program into the Environmental Protection Agency’s (EPA) Superfund program. This consolidation would allow EPA to address environmental cleanup under the Comprehensive Environmental Response Compensation & Liability Act (CERCLA) on Federal land regardless of which of these agencies manages the land, while DOI and USDA would maintain their existing environmental compliance, bonding, and reclamation programs for non-CERCLA sites.

THE CHALLENGE

The Comprehensive Environmental Response Compensation & Liability Act of 1980 (CERCLA) provided the President with the authority to respond to the release of hazardous substances that pose a threat to public health or the environment. EPA was designated as the lead agency for developing and implementing guidance and regulations for addressing those releases, and approving remedies for the most contaminated sites in the country (i.e., those sites that end up on the National Priorities List (NPL)). The job of actually performing and paying for the cleanup activities was then distributed across the Federal Government to ensure that agencies have an incentive to be good environmental stewards of the properties they operate, manage, or administer. In general, this system works as intended; agencies such as the Departments of Energy and Defense, for example, pay for the cleanup associated with their activities on properties they operate, manage, or administer.

The system becomes more challenging when addressing environmental conditions at abandoned mine sites, which are present on both private and public lands. EPA is delegated authority for conducting cleanup at mining sites on private lands, while DOI and USDA are responsible for executing cleanup at mining sites on Federal lands. The problem is that DOI and USDA inherited over 80,000 abandoned mine sites, over which they had no control prior to the mid-1970s. While the vast majority of these sites have only minor environmental or physical hazards, some require a more extensive environmental cleanup. In those instances, DOI and USDA apply EPA’s guidance, but discrepancies in interpretations have led to inefficiencies and inconsistencies across the Federal cleanup regime. In some instances, inconsistent cleanup determinations within a mining district or watershed have been the result of these types of conflicting interpretations. In addition, due to competing mission priorities within DOI and USDA, the cleanup activities at these sites do not necessarily receive the same level of attention that they would if they were part of EPA’s Superfund program.

Consolidating the cleanup programs in a way that allows EPA to add sites in need of CERCLA-level attention to the Superfund program would create efficiencies by eliminating inconsistent interpretations among various agencies, reducing the number of decisions and approvals, and ultimately expediting the cleanup of sites.

THE OPPORTUNITY

This proposal would reduce inefficiencies, oversight costs, and indirect costs by consolidating the environmental assessment and cleanup activities under the agency with the most significant expertise in this area.
WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

This proposal would integrate portions of the DOI and USDA cleanup programs into EPA’s Superfund program in order to streamline the Federal Government’s response to abandoned mine sites in need of environmental assessment and cleanup. The Federal Government’s responsibility for cleanup is currently dispersed across agencies based on jurisdiction, as opposed to expertise and liability. This proposal would enable better use of resources and expertise, streamline the implementation of statutory and regulatory requirements, and facilitate a more comprehensive and consistent approach to addressing contaminated lands across the Nation.

The agencies estimate that there are over 80,000 abandoned mine sites on Federal lands, close to five percent of which could require a CERCLA-level cleanup. While DOI and USDA attempt to address those sites as they are identified, their environmental cleanup programs are not core to their missions, and therefore present a challenge for the agencies to address the wide range of environmental issues stemming from mining sites and other activities on Federal lands. As such, certain sites requiring CERCLA-type cleanup may not be addressed in a timely manner as they could be if included as part of a more holistic, national program.

The multi-million dollar environmental liabilities associated with abandoned mine sites pre-date modern Federal regulation of environmental issues. The General Mining Law of 1872 was enacted to help develop the West by encouraging mining on Federal lands without the need for bonding or permitting. In the mid-1970s, environmental and other land control issues drove the desire to develop a more comprehensive Federal approach to the development of our natural resources. It was at that time that the Federal Land Policy and Management Act of 1976 and the Surface Mining Control and Reclamation Act of 1977 were passed. Under these laws, DOI and USDA administer the environmental compliance, financial bonding, and closure reclamation of mine sites on Federal lands. Due to their efforts since the passage of those laws, the vast majority of modern mine sites do not rise to the level of environmental degradation that would require a response under the CERCLA. DOI and USDA, however, continue to be responsible for addressing the environmental problems stemming from the abandoned mines from the General Mining Law of 1872 era simply due to their presence on Federal lands.

EPA is the Federal agency responsible for the development of regulations, procedures, and guidance used by the Federal Government to conduct environmental cleanup. EPA is also responsible for environmental and approving remedies put into place at Federal sites on the NPL and providing technical assistance to States that oversee cleanup activities at Federal sites that are not on the NPL. Due to this role, EPA serves as the Federal Government’s subject matter expert on decontamination and hazardous substance risk assessment.

Funding and FTEs would shift from DOI (up to $10 million and eight FTEs) and USDA (up to $5.5 million and six FTEs) to EPA to cover the increase in the assessment and cleanup workload at EPA, while DOI and USDA would continue to maintain funding and FTEs for their existing compliance, bonding, and reclamation programs for modern mines. Although the end result would be a slightly larger Superfund program, it would continue to allocate resources based on risk. In addition, project managers would have control over the cleanup work and not have to direct the actions through another Federal agency manager at Federal sites. The affected States, Tribes, and communities surrounding these sites would also have a single Federal point of contact for raising their concerns with the cleanup approach. This may also lead to certain sites that have been languishing receiving attention, which could result in more favorable conditions for enjoying the natural environment of our Federal lands, and the rivers and streams that run through them.
Optimization of Humanitarian Assistance
Department of State and U.S. Agency for International Development

Summary of Proposal: The Administration is launching a process to optimize U.S. humanitarian assistance. U.S. humanitarian assistance programs are conducted by three Department of State (State) and U.S. Agency for International Development (USAID) offices, dividing decision-making on humanitarian policy and implementation. The Administration will develop a proposal to reorganize how humanitarian assistance is provided across State and USAID to maximize the leverage and assure all assistance meets our foreign policy goals and objectives, including the capacity to drive strong United Nations (UN) humanitarian system reform, increase burden sharing, minimize duplication of effort in programming and policy, and maximize efficiency in meeting humanitarian needs and resolving underlying crises. In developing this proposal, the Administration will address changes needed to achieve a unified voice on humanitarian policy, budget, and reforms to optimize outcomes. The process will consider all options to achieve these objectives. As part of this process, State and USAID will submit their joint recommendation to the Office of Management and Budget (OMB), as part of their Fiscal Year (FY) 2020 Budget request, to optimize humanitarian assistance programs.

THE CHALLENGE

In FY 2017, State and USAID provided $9 billion in humanitarian assistance. More than 65 million people are displaced worldwide with needs outstripping limited resources. As a result, it is critical to maximize the impact of U.S. taxpayer resources spent on humanitarian assistance and deliver the greatest outcome to beneficiaries for those investments. Currently, three U.S. Government offices— one at State and two at USAID—share the responsibility to establish humanitarian policies and implement related assistance programs. Given the size of U.S. humanitarian relief efforts, it is imperative that they coherently plan, budget, and program against needs, providing the best possible outcomes for beneficiaries and value for the taxpayer as well as avoiding duplication of effort and fragmentation of decision-making.

State’s Bureau for Population, Refugees, and Migration (PRM) serves as the Government lead for program response to refugees (i.e., those who have crossed an international border). Within USAID’s Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), the Office of U.S. Foreign Disaster Assistance (OFDA) is the lead Federal coordinator for international disaster assistance and aid to internally displaced persons (IDPs). USAID’s Office of Food for Peace (FFP) is the lead Federal provider of international food assistance, including to IDPs and refugees. All three offices—PRM, OFDA, and FFP—address the needs of victims of conflict, where, without careful coordination, there is the risk of overlapping effort.

While PRM and DCHA have always responded to conflict-induced displacement, in the last decade the composition of global beneficiaries has changed dramatically. Victims of conflict have become the largest share of affected persons globally. Conflict-related emergencies—which are man-made, inherently political, and require diplomatic engagement—impact a changing mix of refugees, IDPs, and other affected persons, which requires the three Government offices to be able to respond in a fluid and adaptable way. The most recent example is the Rohingya humanitarian emergency in Burma and Bangladesh. OFDA and FFP separately fund their partners to assist victims of conflict in Burma. FFP funds additional partners to support Rohingya who have become refugees by crossing into Bangladesh. FFP provides food for refugees, IDPs, and others affected in both Burma and Bangladesh. In an emergency situation
like this, it can be difficult to consistently execute a cohesive U.S. response that uniformly monitors the
performance of implementers, including UN agencies, ensures there are no duplications or gaps in aid,
and deploys a seamless and effective assistance strategy for all affected people.

Under the current set-up, improvements in coordination across U.S. humanitarian assistance are
dependent upon the circumstances and willingness of those involved on a case-by-case basis. For
example, in 2015, thanks to their good working relationship, the heads of USAID and State worked
together to prevent the closure of the Dadaab refugee camp and the forced return of its occupants to
Somalia.

Similarly, the delivery of humanitarian assistance across different offices can result in multiple and divergent
Government voices in international fora on UN humanitarian policy and other aspects of humanitarian
assistance, if not well coordinated. In an environment where most other participant countries have a single
voice, represented by their foreign ministries. This results in confusion and reduces the effectiveness of
the United States relative to its scale in the global humanitarian system.

This structure can also create additional programmatic and other costs and inefficiencies in implementing
U.S. assistance, ranging from programming efforts that are conflicting, or contain gaps, to the use
of different contracting, oversight, accountability measures, systems, policies, and procedures with
implementers. In addition, it impedes broader seamless and coherent responses encompassing all
tools available to the United States, from relief assistance to development support. There is a growing
recognition that relief-development coherence is key to solving prolonged large-scale displacement.

The evolution and expansion in global humanitarian needs and responses in recent years and the structure
of the U.S. humanitarian response apparatus, among other factors, underscore why we now need to
optimize how we provide humanitarian assistance.

THE OPPORTUNITY

The ultimate goal is to achieve strategic, coherent, and seamless U.S. humanitarian programmatic
and policy responses that best achieve our foreign assistance and policy goals, and that maximize our
leverage, the benefit to recipients of assistance, and the value to the U.S. taxpayer. The Administration’s
reorganization proposal will strengthen the foreign policy of the U.S. Government to achieve critical
reforms within the UN humanitarian system, optimizing outcomes and securing greater accountability
and transparency within the multilateral humanitarian system.

Specifically, the final proposal will seek to achieve:

• A seamless cohesive approach to humanitarian programming and funding delivered by the United
  States,
• A unified voice that ensures the United States exercises a level of influence over donors and multilateral
  humanitarian efforts commensurate with our overall level of humanitarian funding and that we are
  not disadvantaged in dealing with the foreign ministries of other nations. A unified voice will not only
  allow the U.S. Government to more effectively and consistently drive necessary reforms amongst
  implementers, particularly the UN, but will also strengthen our ability to encourage other donors to
  increase their share of humanitarian assistance; and
• A strong and consistent oversight of U.S. Government implementing partners’ performance, including
  the UN humanitarian partners.
WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

Each U.S. humanitarian office—PRM, OFDA, and FFP—has its strengths, and often works well with the others, both in Washington and in the field, when their leadership jointly focus on addressing specific challenges and improving specific responses. However, the actions taken by State and USAID to date have not overcome structural deficiencies and therefore have been unable to achieve a systematic, optimal, and consistent approach to humanitarian operations, programming and standards, policy issues, and coordination with the UN and other implementers, other donors and grantees.

As outlined in the FY 2019 Budget, following an in-depth external study of USAID’s humanitarian offices in 2016, the Administration decided to merge OFDA and FFP. The merger will allow these two offices to increase the efficiency and effectiveness of USAID’s humanitarian programs. The Administration intends to go beyond the FY 2019 Budget by elevating the merged OFDA and FFP offices in a new USAID bureau. In addition, the Administration is deploying a new approach to relief in the near term across State and USAID as a stopgap measure that improves how we conduct humanitarian assistance within the current U.S. humanitarian structure, and is also launching a process that will optimize the structure of U.S. humanitarian assistance, culminating with the delivery of a joint recommendation for consideration by OMB as part of the 2020 Budget development process.

Elevation of USAID’s Humanitarian Assistance Offices into a Bureau

As a first step, USAID is currently seeking to elevate the merged OFDA and FFP into a new Bureau. The Bureau would report to a new Associate Administrator for Relief, Resilience, and Response. This action is intended not only to raise the importance of humanitarian assistance within USAID and with domestic and international stakeholders, but also to improve and eliminate duplication within USAID’s crisis responses, including those crises driven by persistent conflict and food insecurity. The improvements include facilitating the transition from relief to development in new and ongoing humanitarian emergencies.

New Approach to Relief

State and USAID are embarking on a new approach to relief in the near-term, discussed in broad terms in the FY 2019 Budget, to begin to address three presidential priorities to: 1) increase burden-sharing by other donors; 2) catalyze advance reform at the UN and other implementing partners; and 3) improve internal and Government coherence on humanitarian assistance. Under this approach, State and USAID will both continue to engage in humanitarian policy and diplomacy.

Amplifying U.S. Global Leadership by Optimizing U.S. Humanitarian Assistance

In addition, the Administration proposes to launch a process to revisit and optimize humanitarian assistance across State and USAID, to result in a reorganization proposal in the 2020 Budget. This proposal to optimize how humanitarian assistance is provided across State and USAID will establish the capacity to drive a strong UN humanitarian system reform, increase burden-sharing, minimize duplication of effort in programming and policy, and maximize efficiency, and empower our diplomatic efforts to resolve conflicts and end long-standing displacement. Table 1 lays out the key challenges and risks, as well as the desired outcomes to be addressed in a final 2020 Budget proposal.
In developing this proposal, the Administration will address fundamental changes needed to achieve a unified voice on humanitarian policy, budget, and reforms to optimize outcomes by institutionalizing the core elements of the new approach to relief, to optimize the effectiveness of U.S. humanitarian assistance, and to make the coordination of policy and implementation across State and USAID seamless and more durable, accountable and effective.

**Table 1: Optimization of Humanitarian Assistance – Current Challenges and Risks, and Desired Outcomes**

<table>
<thead>
<tr>
<th>Current Challenges and Risks</th>
<th>Desired Outcomes</th>
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<tr>
<td>• Programming overlap, gaps and inconsistencies across programs</td>
<td>• Humanitarian leadership optimized to achieve foreign policy priorities, including UN reform and other reforms, coherent policy and programming</td>
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<td>• Voices and policy positions not fully coordinated in international forums and negotiations</td>
<td>• Increased burden-sharing</td>
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<td>• Suboptimal policy positions and compromises in international negotiations</td>
<td>• Strengthened diplomacy to resolve conflicts</td>
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<td>• Difficulties in shifting funds across refugees, IDPs, and food as needed to address changing situations</td>
<td>• Seamless, coherent budgeting, planning, and programming (including planning for contingency needs)</td>
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<td>• Different and suboptimal business models for providing assistance</td>
<td>• Unified voice that seeks optimal UN reforms</td>
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<td>• Suboptimal accountability, transparency, efficiency and effectiveness</td>
<td>• Seamless implementation of relief-development coherence across affected persons regardless of status, not just IDPs</td>
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<td>• Duplicative and different oversight and reporting requirements</td>
<td>• Provision of aid based on needs (not status)</td>
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<td></td>
<td>• Ability to surge in unified, seamless response across all humanitarian assistance as crises evolve</td>
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<td>• Ability to use funding as needed either for refugees or IDPs and other affected persons</td>
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<td>• Significant and measurable improvements in outcomes for beneficiaries and value for U.S. taxpayers, including accountability and transparency</td>
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<td>• Seamless and coherent responses encompassing all tools available from relief assistance to development support</td>
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Development Finance Institution
Overseas Private Investment Corporation and USAID Development Credit Authority

Summary of Proposal: The Development Finance Institution (DFI) brings together the U.S. Government’s development finance tools, such as the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority (DCA) of the U.S. Agency for International Development (USAID), in a reformed and modernized way to leverage more private sector investment, provide strong alternatives to state-directed initiatives, create more innovative vehicles to open and expand markets for U.S. firms, and enhance protections for U.S. taxpayers.

THE CHALLENGE

“Development finance” refers to the use of tools such as loans, guarantees, and political risk insurance to facilitate private-sector investment in emerging markets with the goal of achieving positive developmental impact. Public-sector support aims to mobilize transactions that the private sector wouldn’t do on their own.

The U.S. Government has used these tools through OPIC to back projects in key sectors such as power, water, and health that improve the quality of life for millions, and help lay the groundwork for creating modern economies. Likewise, the U.S. government has used USAID’s DCA risk-sharing guarantee program to drive private investment into countries and sectors with no or insufficient access to commercial finance.

Current U.S. development finance tools are outdated and fragmented across multiple Federal agencies, and often are not well coordinated. This has hampered the Government’s ability to make investments that support key U.S. foreign policy and national security objectives, and resulted in the inefficient use of taxpayer dollars. For example, OPIC and DCA have operated for over 15 years without significant legislative updates, and lack authorities to pursue more innovative deals in pursuit of our foreign policy interests. These institutions also have some duplicative functions, and lack the most modern development finance tools needed to counter the state-driven model of countries like China, or to cooperate with the DFIs of our allies like the United Kingdom, Germany, Canada, and Japan, who are investing heavily throughout the developing world.

DFI brings together the U.S. Government’s development finance tools, such as OPIC and DCA, in a reformed and modernized way to leverage more private-sector investment, provide strong alternatives to state-directed initiatives, create more innovative vehicles to open and expand markets for U.S. firms, and enhance protections for U.S. taxpayers.

THE OPPORTUNITY

With a new DFI, the United States will be better placed to advance our development and national security goals in the developing world and boost the competitiveness of American businesses, which are critical for promoting American prosperity and security. Compared to the status quo, the DFI will be better aligned with the President’s National Security Strategy and better able to manage U.S. taxpayer risk.
A consolidated DFI will increase coordination and operational efficiencies, making more funding available for programming. In addition, it will be more nimble and better able to mobilize private sector funding with a modernized 21st Century toolkit allowing it to compete globally.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

In November 2017, before the Asia-Pacific Economic Cooperation (APEC) Summit in Vietnam, the President committed to reforming U.S. development finance institutions to “better incentivize private-sector investment” and “provide strong alternatives to state-directed initiatives that come with many strings attached.” Additionally, the President’s National Security Strategy prioritizes efforts to catalyze private sector activity in developing countries to complement our more traditional foreign assistance programs.

The DFI will have reformed and modernized tools so that it is more interoperable with partners, while adhering to the key principles of mitigating risk to the U.S. taxpayer and not displacing private sector resources. The DFI will have similar tools to OPIC and USAID’s DCA today, (e.g., loans, guarantees, and insurance). In addition, the DFI will be able to support development finance related feasibility studies, project-specific grants, and equity investments, with appropriate constraints.

The DFI will have an updated governance structure and strong institutional linkages with the Department of State (State) and USAID to ensure the prioritization of projects that are critical to national security and developmentally impactful. The connectivity will drive better pipeline and programming coordination amongst USG agencies. For example, in a high-priority country, we envision complementary activities that could entail having the DFI support a feasibility study and subsequent early-stage financing for a new project, while USAID funds economic policy reforms that strengthen the enabling environment and attract more private-sector investment. To cement this alignment, the Fiscal Year (FY) 2019 budget proposes resources for State/USAID programming (and other transfer authorities) to support activities such as grants for technical assistance or “wraparound” services that complement and support the DFI’s project-specific investments.

The new DFI governance structure will ensure that U.S. Government investments catalyze but do not displace, the private sector, and will better manage taxpayer risk. For example, the Budget proposes annual loan limitations, in addition to an overall exposure cap, and the Administration’s proposal includes investment constraints to enhance taxpayer protections. The Budget also requests significantly expanded funding for Inspections, evaluations, and oversight of the DFI.

The Administration expects savings from eliminating some redundant efforts in development-finance programs, such as risk-management, credit-modeling, and servicing. These savings will allow the DFI to allocate more effort to its mission than to duplicative overhead activities.

The Administration’s DFI proposal is consistent with similar proposals from a range of independent stakeholder groups and think tanks such as the Modernizing Foreign Assistance Network and the Center for Strategic and International Studies, and derives important lessons from other countries’ DFIs. Additionally, this proposal reflects significant coordination among all affected agencies and various other stakeholders.

The Administration has indicated strong support for the goals of H.R. 5055/S. 2463, the “Better Utilization of Investments Leading to Development (BUILD) Act of 2018.” The legislation is broadly consistent with the Administration’s DFI proposal, and the Administration has been working with the Congress to make adjustments to the text as the bills progress through the legislative process.
Structural Transformation of Central Washington-Based Bureaus at the U.S. Agency for International Development

**Summary of Proposal:** The U.S. Agency for International Development (USAID) is planning an extensive, Agency-driven structural reorganization of its headquarters Bureaus and Independent Offices, as a foundational component of its overall plans to better advance partner countries' self-reliance, support U.S. national security, and ensure the effectiveness and efficiency of foreign assistance. Most significantly, USAID’s transformation will accomplish the following: 1) elevate and realign its humanitarian assistance, conflict-prevention and response, and resilience and food security programs; 2) consolidate and reorient its centralized program design, innovation, and technical support functions to better support overseas Missions; and 3) consolidate and streamline policy, budget, performance, and central management functions.

**THE CHALLENGE**

USAID has not undergone a comprehensive structural transformation in more than 20 years. The operating environment for USAID has changed dramatically in those 20 years, and USAID is looking to change with it by creating a more dynamic and efficient organization that enables its people and programs to be more effective while also maintaining the Agency’s leadership on development. The goal of this transformation effort is to strengthen the Agency’s core capabilities. Specifically, that means breaking down stove-pipes and creating coherent and rational structures that can enable more efficient coordination and integration of programs and resources. It also means continuing to work to unlock information, analysis, and ideas internally and externally that can improve decision-making and programming across the organization. For example, the magnitude, complexity, and restricted nature of humanitarian assistance, stabilization, and resilience needs worldwide has outstripped USAID’s existing structures and approaches, so the Agency has planned an improved structure that will enable fully-integrated responses and effective transitions from recovery to longer term resilience and self-sufficiency. Further, specialized technical expertise and cross-cutting capabilities are dispersed inconsistently and in some cases duplicatively across the Agency, with no single centralized resource to support Missions overseas in designing innovative and effective programs. USAID’s budget, policy, and evidence-based performance functions are currently dispersed among multiple bureaus and offices, so the Agency is planning to bring those functions under one umbrella, as well as ensure coherence in operationalizing the vision for self-reliance that is the centerpiece of the future USAID. Lastly, the restructuring is exploring how to better integrate core management functions to strengthen the operational foundation of the Agency.

To address these challenges, USAID is pursuing a comprehensive set of experience-based, employee-driven reforms across the Agency. These proposals will elevate and consolidate humanitarian assistance, better align efforts to prevent and respond to conflict and conduct stabilization and response efforts, enable the building of more resilient communities and countries in the face of shocks, reinforce advanced program design, innovation, and implementation as core capabilities; strengthen connections and coherence between policy, budget, and strategy; and align central management services.
The Opportunity

These reforms will strengthen USAID’s core capabilities in priority areas, rationalize Bureau and Office structures, and establish clearly defined roles and responsibilities to reduce duplication, improve accountability, and maximize effectiveness. As a result, USAID will be better positioned to support the President’s National Security Strategy and economic growth objectives through foreign assistance, including through: better development and emergency response outcomes; increased self-reliance in partner countries and a reduced need for traditional foreign assistance; improved USAID program and procurement design and implementation; and greater accountability, effectiveness, and efficiency in using taxpayer dollars.

What We’re Proposing and Why It’s the Right Thing to Do

USAID’s ambitious structural reorganization will provide a strong foundation for its broader transformation plans, which emphasize policy and process reforms across such topics as ending the need for foreign assistance, better supporting national security, opening markets for U.S. businesses, and driving reforms in human resources, information technology, and procurement. These structural changes will help ensure that improvements are sustainable by strengthening core Agency capabilities and coordination, improving the design and implementation of humanitarian and development assistance programs, and streamlining offices and decision-making. USAID is investing extensive time, expertise, and leadership focus in analyzing, developing, and implementing seven major Bureau changes, including many Washington-based offices. Each major change summarized below is supported by a strong rationale and detailed plans for successful implementation. Taken together, they represent a significant re-envisioning of USAID and its potential to support U.S. national security, foreign policy, and economic goals while effectively managing and overseeing taxpayer-funded programs.

Associate Administrator for Relief, Response, and Resilience

The new Associate Administrator will lead an integrated effort to strengthen and further unify humanitarian assistance with resilience and food security, and with prevention and response to conflict and crises. By providing overall strategic and programmatic guidance, the Associate Administrator will reduce stove-piping, improve decision-making, and ensure effective, timely, and appropriate coordination of critical programming and technical assistance. This position will also reduce the number of individuals who report directly to the Administrator and Deputy Administrator, and allow them to focus on broad strategy and management of the overall Agency.

Bureau for Humanitarian Assistance

The current structure of humanitarian assistance at USAID is out of date and based on an artificial bifurcation of food and non-food humanitarian assistance, which impedes fully-integrated, effective, and efficient responses. The new Bureau for Humanitarian Assistance will consolidate USAID’s current Offices of Food for Peace and U.S. Foreign Disaster Assistance, unifying humanitarian programming, eliminating confusion and duplication in the field and in Washington, D.C., and allowing beneficiaries and partners to deal with one cohesive humanitarian assistance provider within USAID. This unified structure will improve the Agency’s core capability to save lives, reduce hunger and human suffering, and mitigate the impact of disasters and complex emergencies around the world.
Bureau for Resilience and Food Security

Elevating leadership and strengthening Mission support on resilience will better enable USAID’s programs to break the cycle of chronic vulnerability, extreme poverty, and hunger driven by recurrent shocks and stresses—and therefore to reduce the types of instability that threaten U.S. national security. The new Bureau for Resilience and Food Security will combine the capabilities and expertise of the current Bureau for Food Security (including the Center for Resilience), the Office of Water, and the Climate Adaptation Team to provide technical leadership and more efficient and effective support to field Missions through four Centers that cover Agriculture, Resilience, Water, and Nutrition, as well as through cross-cutting capabilities such as research.

Bureau for Conflict Prevention and Stabilization

Approximately 70 percent of USAID’s programming is in fragile states or countries in conflict, emerging from conflict, or at risk of conflict, yet USAID’s current Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) does not always operate as one unit with one voice. The new Bureau for Conflict Prevention and Stabilization will house USAID’s current DCHA Offices of Transition Initiatives, Civilian-Military Cooperation, Conflict Management and Mitigation, and Program, Policy, and Management, as well as Counter-Violent Extremism staff, in a single streamlined and focused Bureau. The Bureau will help the implementation of effective conflict prevention, stabilization, and political transition assistance through field programs to respond to acute crises, integrated technical assistance and services to Missions, and surge capacity and rapid response support. Enhancing and more effectively integrating these functions in one bureau will strengthen USAID’s ability to counter violent extremism, advance U.S. national security, achieve long-term development goals, and help more countries move towards self-sufficiency.

Bureau for Development, Democracy and Innovation

In USAID’s current structure, there is no single, central resource for program design and innovation, with relevant technical expertise spread inefficiently and inconsistently across the Agency, both at headquarters and in regional Bureaus. The new Bureau for Development, Democracy and Innovation will bring together the technical expertise of the current Bureau for Economic Growth, Education, and the Environment; the Center for Democracy, Human Rights, and Governance; the Global Development Lab; regional Bureaus; and other components such as American Schools and Hospitals Abroad, the Center for Faith-Based and Community Initiatives, and Minority-Serving Institutions Program. The Bureau will be a one-stop shop for technical expertise and high-quality program-design support. It will house several Centers on specific topics and help Missions to improve programmatic results by integrating innovation, technology, inclusivity, good governance, private-sector engagement and partnerships, expertise in managing small grants, and other cross-cutting priorities into long-term development efforts.

Associate Administrator for Strategy and Operations

Currently, USAID’s budget, financial management, policy and learning, and other management functions are dispersed across multiple Bureaus that report separately to the Administrator and Deputy Administrator. The increasing complexity of USAID’s mission means that these two Agency leaders can no longer devote sufficient attention to strategic and programmatic priorities while also driving management reforms, operational and procurement improvements, and overseeing USAID’s finances and human capital. USAID is exploring the feasibility and value of establishing a new Associate Administrator for Strategy and Operations that would unite these functions under a single dedicated leader for the first
time, to reduce stove-piping; improve decision-making; and ensure effective, timely, and appropriate coordination of critical operations and management functions. This role would also reduce the number of individuals who report directly to the Administrator and Deputy Administrator, to allow them to focus at the strategic level while the Associate Administrator for Strategy and Operations would be accountable for all management functions on a day-to-day basis.

**Bureau for Policy, Resources and Performance**

The new Bureau for Policy, Resources, and Performance (PRP) will consolidate staff from the current Bureau of Policy, Planning and Learning, the Office of Budget and Resource Management, the Bureau for Management, and the Global Development Lab to better coordinate, align, and strengthen USAID’s foreign assistance policy, resource management, and evidence-based performance management functions. The PRP Bureau would report to the newly-established Associate Administrator for Strategy and Operations.

**Bureau for Management**

Multiple Agency-wide management and human capital functions reside in organizational units outside of the Management Bureau. The Bureau for Management oversees most procurement and program-funded human resources functions, whereas the remainder of human resource functions are housed within the Bureau for Human Capital and Talent Management (HCTM), and the Office of Security (SEC) is currently a stand-alone organizational unit. The merger of HCTM and SEC with the Management Bureau will provide for a more simplified operational structure. It will reduce direct reports to the Administrator, increase accountability and direct oversight, allow for all human capital components to reside in a single Bureau, and support a more streamlined security clearance process. The Bureau for Management would report to the newly-established Associate Administrator for Strategy and Operations.

**Bureau for Asia**

The countries of Afghanistan and Pakistan were formerly part of USAID’s Bureau for Asia until 2010, when the previous Administration established the separate Office of Afghanistan and Pakistan Affairs (OAPA) to address the tremendous pace of operations in the two countries. Designed as an interim solution intended to help administer the ramping up of development programs in Afghanistan and Pakistan, the current maturation of those programs, and the necessity for improved regional coordination and effectiveness to carry out the President’s South Asia Strategy, warrant the reintegration of OAPA into a single Asia-wide regional Bureau.
Reorganizing the U.S. Office of Personnel Management

U.S. Office of Personnel Management

Summary of Proposal: This proposal would reorganize the U.S. Office of Personnel Management (OPM) and the process by which Federal personnel management and operations functions are coordinated. Specifically, the proposal would move OPM's policy function into the Executive Office of the President (EOP) and elevate its core strategic mission, while devolving certain operational activities, including the delivery of various fee-for-service human resources and IT services, to other Federal entities better positioned to provide transaction processing services that meet 21st Century needs.

THE CHALLENGE

Forty years ago, OPM was established instate by the Civil Service Reform Act of 1978, and was tasked with advising and advising the President on actions to promote an efficient civil service. This was the last time the Government implemented broad civil service reform. The General Schedule Federal job classification structure dates back to 1949. Today, there is broad acknowledgment that the Federal employment system is archaic in many significant respects, and does not reflect the realities of the contemporary workforce. Evidence of this recognition is the creation by the Congress in recent years of a variety of alternative personnel systems. These systems addressed problems impacting specific agencies as they arose. This has postponed a broader overhaul of the core personnel system, and left a fragmented personnel structure—roughly a third of which now lies outside the purview of OPM.

Meanwhile, the vast majority of OPM's workforce and budget are currently dedicated to operational activities—with a small minority dedicated to policy and oversight activities related to, for example, hiring, performance management, compensation, merit system compliance, and labor relations. On a reimbursable basis, OPM performs human resources-related services, including background investigations and information technology services, for other Federal agencies. In recent years, several high-profile incidents concerning these services—including a major information security breach—have created major distractions for OPM leadership that have nothing to do with the core personnel functions that are OPM's primary charge.

The 2.1 million-person civilian workforce represents one of the Federal Government's largest and most impactful investments. Like any large corporation, the Government is only as effective as its people. Yet the Government Accountability Office has designated strategic human capital management as a high-risk area since 2001, because the Federal Government does not do an effective job attracting, managing, and retaining a skilled workforce. An extensive literature review documents these failings. The causes are varied, but addressing them effectively requires an optimized management structure that is centrally situated, empowered to view the Federal workforce holistically, and free to focus on core strategic and policy concerns.
THE OPPORTUNITY

This proposal is an opportunity to elevate the Federal workforce management function and maximize the operational efficiency of human capital services. The civil service system is overdue for an overhaul, and that overhaul would best be implemented under a new management structure that is more focused on core priorities and that has not been molded around the existing, archaic framework of civil service rules and regulations.

Once complete, a transition into the EOP could create a more streamlined personnel management unit that is less expensive to operate. Such a unit would also support centralized coordination of all personnel policies for Federal employees, eliminating the confusing matrix of who does what today, as well as several key gaps in policy that are inhibiting the streamlining of mission support services. Centralizing human capital operational services at the General Services Administration (GSA) should provide economies of scale and significant cost avoidance based on reductions in contract and IT duplication as well as increased data sharing and availability.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

Current OPM Structure

OPM currently comprises seven major organizational units: Employee Services, Retirement Services, Healthcare & Insurance, Merit System Accountability & Compliance, Human Resources Solutions, Suitability Executive Agent, and the National Background Investigations Bureau. In general, current OPM activities and functions fall into two categories: human resources policy and compliance and human resources service delivery and implementation.

This proposal would elevate human resources policy functions into the EOP, and provide it with a whole-of-Government mandate that OPM currently lacks.

To drive real reform, the Federal Government needs to elevate Federal workforce policy so that evidence and leading practice can drive strategic management of the workforce. In particular, reform requires an agency steadfastly committed to:

- A holistic view of the Federal workforce;
- Assessment of innovations and contextual changes that drive the future of work;
- Data-driven policy development;
- Data analytics and strategic workforce management;
- Agency policy advice and change management assistance; and
- Identification and advancement of leading practice throughout the Federal Government.
Structure and Function of the EOP Office

Today, Federal human resources policy is fragmented, making it difficult to assess Government-wide human capital challenges. This EOP office would centralize policy decisions in areas such as employee compensation, workforce supply and demand; identification of future workforce skill needs; leadership and talent management; and other important issues. The office would work to rationalize policies, procedures, and incentives across the Government, while minimizing unintended consequences.

This new office would also modernize the approach to human resources policy, with a core focus on: strategy and innovation; workforce and mission achievement; senior talent and leadership management; and, total compensation and employee performance. Each of these units would be informed by data analytics and human resources standards.

Achieving this vision will require realignment of OPM’s current functions, some of which would be transferred and realigned to a service delivery operational entity. The new entity would be formed from a combination of OPM’s operational/service units with the existing offices of GSA, to be reconstituted as the “Government Services Agency.” This combination would yield an organization with a focus on providing Government-wide services and solutions associated with the full Federal employee lifecycle.

Immediately below is a summary of how current OPM functions could be realigned under this proposal. While the precise transition plan for all units has not been finalized, organizational units in the EOP office would subsume and expand upon the current OPM human capital policy-based activities under this proposal. At the end of this paper, there is an existing OPM organizational chart and a notions organizational chart for the office to be housed within the EOP.

<table>
<thead>
<tr>
<th>Current OPM Organizational Units</th>
<th>Function Type</th>
<th>Receiving Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Services</td>
<td>Policy</td>
<td>EOP Office</td>
</tr>
<tr>
<td>Retirement Services</td>
<td>Employee Servicing</td>
<td>“Government Services Agency”</td>
</tr>
<tr>
<td>Healthcare &amp; Insurance</td>
<td>Agency Servicing</td>
<td>“Government Services Agency”</td>
</tr>
<tr>
<td>National Background Investigations Bureau</td>
<td>Agency Servicing</td>
<td>Department of Defense</td>
</tr>
<tr>
<td>Human Resources Solutions</td>
<td>Agency Servicing</td>
<td>“Government Services Agency”</td>
</tr>
</tbody>
</table>

Note: The placement of other OPM offices and functions will be determined at a later date.

Transfer of Operational Functions to a Renamed Government Services Agency

OPM’s current human resources service delivery and implementation functions would be transferred. A strong nexus would be retained, however, between these operational activities and the personnel management office to be housed in the EOP, which would be responsible for ensuring that human resources IT operations and services evolve in a manner consistent with changes in workforce policy.

Centralizing human resources operational functions in a single entity within the newly renamed Government Services Agency would integrate the transactional and employee-centric, service-based functions currently performed by OPM with existing GSA operations, including Federal employee payroll and travel. With end-to-end services around the Federal employee lifecycle maintained in one place, considerable operational efficiencies should be attained. Currently, these services are stove-piped,
forcing burdensome processes on managers and employees. It is worth noting that HR services are rated last among all mission support services by Federal managers.

To achieve the vision outlined in this proposal, the consolidated service agency would house those functions currently performed by OPM’s Human Resources Solutions, and Healthcare & Insurance organizational units. It could also potentially carry out OPM’s responsibilities for retirement processing and servicing, but other entities, such as the Department of the Treasury, would also be considered.

As also discussed in this Volume, activities currently performed by the National Background Investigations Bureau would be consolidated with similar activities mandated to the Department of Defense.

Additional Analysis and Background

More than 85 percent of OPM’s funding and staff is dedicated to meeting the Agency’s service-based responsibilities. These include important functions, such as administering the Federal Employees Health Benefits Program for more than 9.2 million active Federal employees, retirees, and their families; administering the Civil Service Retirement System and the Federal Employees Retirement System for over 5.3 million active Federal employees, annuitants, and survivors; processing more than two million background investigations each year for over 100 Federal agencies, and managing USAJOBS, which receives over 85 million searches each month from 15 million site visitors. While these functions are vital, their scope and scale are such that they necessarily distract agency leadership’s attention from strategic human capital management and stewardship of an efficient civil service structure. OPM’s greatest visibility in recent years has stemmed from high profile challenges within these operational and service-based activities.

In 2014, a data breach into OPM’s systems exposed personally identifiable information for over 29 million individuals, including Federal employees and their families, job applicants, and contractors, creating one of the biggest national security threats in decades and requiring the Federal Government to pay for credit monitoring for 10 years. In 2007, OPM issued a stop work order marking its fourth consecutive failure to automate its retirement processing function. Since then, OPM has not attempted this effort again, and instead relies on manual reviews. From 2014 to today, OPM has increased prices on background investigations by more than 40 percent, and the timeline for processing background investigations has tripled, further straining agency budgets and the ability to fill critical positions. Currently, OPM is working to reduce an inventory that has grown to approximately 725,000 cases.

There is no significant benefit obtained from having these operational fee-based functions housed within the same agency that oversees the overarching policies. Further, it is in no way apparent that OPM has a comparative advantage relative to other Federal entities in the management of Information Technology or contractual services. Also, selling human resources and IT products to those agencies whose personnel practices it monitors, OPM is in a position that can lend the appearance of a conflict of interest.
Achieving the End-State Vision

Achieving this vision may entail both legislative and administrative actions to transfer and/or delegate certain basic OPM functions, resources, and authorities. This includes moving peripheral functions to other agencies, and moving core policy units into the EOP. There would also be a change-management and capacity-building process, led by the Director of the Office of Management and Budget and the Director of OPM, to transform and elevate the organization. Fully and effectively achieving the end-state vision presented here would necessarily require a partnership with the Congress, including the granting of statutory authorities as necessary.
A New Approach is Needed to Transform the Workforce

Status Quo

- Focus on administering and protecting Title V, excluding other 4/5 of workforce
- Responsibilities for developing policy and selling services to agencies are under same organization
- Federal personnel policy and strategy is only management function located outside the Executive Office of the President
- Human Resource IT is held back by legacy IT systems and customized to Federal standards

Future State Vision

- Focus on workforce strategy for whole of government
- Responsibilities for policy and strategy development would be separated from service offerings to agencies
- Integrate responsibilities for policy and strategy into the Executive Office of the President, similar to other functions like IT, procurement, financial management
- Human Resources IT is moved into cloud architecture and aligned with private sector standards

Enable effective strategy and workforce alignment through effective policy oversight and spreading adoption of leading practices.

New Organizational Structure

Organizational Roles


Create a Culture Focused on Mission Delivery and Performance: focus on service indicators, organizational health and performance metrics, employee engagement indicators.

Focus on the Top Career Leaders: Identify ~300 critical positions and develop leadership and executive competencies and strategies for preparing managers and leaders.

Moderate Compensation to Recruit and Retain: pay, benefits, treatment, leave, disability based on skills needed and market dynamics.

Align Federal HR standards to Private Sector: Enable agencies to leverage private sector solutions wherever possible.

Use “Data” to Inform Strategy and Actions: platform comparative analysis throughout Government including market research, identify leading practices and laggards for agencies.
Consolidation of Federal Veterans Cemeteries

Department of Veterans Affairs

Summary of Proposal: This proposal would transfer responsibility for perpetual care and operation of select military and veterans cemeteries located on Department of Defense (DOD) installations to the Department of Veterans Affairs (VA) – National Cemetery Administration. This transfer would increase efficiency, limit mission overlap, and ensure that these cemeteries are maintained to national shrine standards to continue the recognition of service of those interred therein.

THE CHALLENGE

Currently, mission overlap exists in the oversight and operations of Federal military and veterans cemeteries. Specifically, VA maintains and operates 135 national cemeteries and 30 cemetery installations. DOD is responsible for approximately 43 cemeteries located on active and inactive installations, the Department of the Interior (DOI) is responsible for 14 situated within national parks, and the Department of Agriculture (USDA) is responsible for one. In most cases, this mission overlap is inconsequential as the responsible agency has adequate infrastructure and support in place at each location, making each a suitable caretaker. However, at some facilities, responsible agencies no longer maintain an active presence, presenting unique challenges for efficient oversight and warranting reconsideration of the status quo.

This proposal recognizes an opportunity to transfer responsibility for the operation and care of select post cemeteries, 10 of which are located on inactive facilities formerly occupied by the Department of the Army (Army) and one on a re-missioned open garrison (Fort Devens), to VA by leveraging the expertise and capabilities of the National Cemetery Administration (NCA). This consolidation will enable the Army to utilize Operations and Maintenance resources for other critical mission needs while reducing duplication of effort across Government.

THE OPPORTUNITY

For several decades, DOD has maintained “post cemeteries” on inactive bases shuttered as a result of various closure and re-missioning decisions—specifically, 10 former active Army facilities. In these cases, lack of an active Army presence makes efficient operations and maintenance challenging. The National Cemetery Administration (NCA), established by the Congress in the National Cemeteries Act of 1973 and one of the three administrations that make up VA, operates a large network of veterans cemeteries, making it better suited for this mission. In addition, one open garrison—Fort Devens, Massachusetts—has been re-missioned as an Army Reserve Forces Training Area and is included in this proposal.

In addition to serving as the interface for the public in the delivery of VA burial benefits, NCA operates and maintains the network of national cemeteries to “national shrine” standards. These standards include headstone realignment, irrigation and grounds improvements, and other facility upgrades to improve accessibility and visitors’ experience. NCA’s performance is substantiated by consistently high customer satisfaction ratings from veterans, family members, and visitors.

Consolidation will alleviate duplicative mission requirements and entrust operational control to an agency with more expertise in running cemeteries. This will allow more burial options for veterans and dependents at some of the transferred cemeteries by taking advantage of NCA’s operational experience in maximizing the use of available space.
WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

VA, DOD, DOI, and USDA maintain approximately 226 Federal cemeteries where the remains of veterans and dependents from various eras and conflicts are interred. The NCA is responsible for 135 national cemeteries and 33 other cemeterial installations.

The remaining 58 cemeteries fall under the collective responsibility of DOD, DOI, and USDA as listed below. Not listed are numerous other State and/or tribal veterans cemeteries. Further, this inventory does not include American Battle Monuments Commission installations as nearly all are overseas and currently maintained to guidelines commensurate with “national shine” standards.

<table>
<thead>
<tr>
<th>Department of the Army (post cemeteries proposed for transfer)</th>
<th>Department of the Army</th>
<th>Department of the Interior National Park Service</th>
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</thead>
<tbody>
<tr>
<td>Vancouver Barracks Cemetery, WA</td>
<td>Arlington National Cemetery, VA</td>
<td>Gettysburg, PA</td>
</tr>
<tr>
<td>Fort McAllister Cemetery, AL</td>
<td>U.S. Soldier’s and Airmen’s Home National Cemetery, Washington, DC</td>
<td>Arlington, VA</td>
</tr>
<tr>
<td>Fort McAllister Prisoner of War Cemetery, AL</td>
<td>Aberdeen Proving Ground, MD</td>
<td>Battleground, VA</td>
</tr>
<tr>
<td>Fort Lawton Cemetery, WA</td>
<td>Fort Benning, GA</td>
<td>Fredericksburg, VA</td>
</tr>
<tr>
<td>Fort Douglas Cemetery, UT</td>
<td>Fort Bragg, NC</td>
<td>Yorktown, VA</td>
</tr>
<tr>
<td>Fort Varnum Cemetery, WA</td>
<td>Carlisle Barracks, PA</td>
<td>Poplar Grove, VA</td>
</tr>
<tr>
<td>Fort Gilman Cemetery, CO</td>
<td>Edgewood Arsenal, MD</td>
<td>Fort Donelson, TN</td>
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<tr>
<td>Fort Stevens Cemetery, OR</td>
<td>Fort Huachuca, AZ</td>
<td>Andrew Johnson, TN</td>
</tr>
<tr>
<td>Benicia Post Cemetery, CA</td>
<td>Fort Knox, KY</td>
<td>Stone River, TN</td>
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<tr>
<td>Fort Sheridan Cemetery, IL</td>
<td>Fort Leonard Wood, MO</td>
<td>Shiloh, TN</td>
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<tr>
<td>Fort DeRussy Cemetery, HI (active)</td>
<td>Joint Base Lewis-McChord, WA</td>
<td>Andersonville, GA</td>
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<td></td>
<td>Fort McPherson, GA</td>
<td>Vicksburg, MS</td>
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<td></td>
<td>Presidio of Monterey, CA</td>
<td>Chalmette, LA</td>
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<td></td>
<td>Fort Riley, KS</td>
<td>Cuban, MT</td>
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<tr>
<th>Department of the Air Force</th>
<th>Department of the Navy</th>
<th>Department of Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fort George Wright Cemetery, Fairchild Air Force Base, WA</td>
<td>Maine Memorial, FL</td>
<td>Fort Reno Cemetery/PPO Annex, OK</td>
</tr>
<tr>
<td>U.S. Air Force Academy, CO</td>
<td>Capt. John Robeson Memorial/Navy Cemetery, VA</td>
<td></td>
</tr>
<tr>
<td>F.E. Warren AFB, WY</td>
<td>U.S. Naval Cemetery, Great Lakes Naval Base, IL</td>
<td></td>
</tr>
<tr>
<td>Fort Crook/Offutt AFB Cemetery, NE</td>
<td>Guadalupe Naval Cemetery, U.S. Naval Base, Guantanamo Bay, Cuba</td>
<td></td>
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<tr>
<td>Volk Field, Camp Douglas, WI</td>
<td>U.S. Naval Academy, MD</td>
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</table>
Transfer of the 11 cemeteries italicized above from Army to NCA makes progress towards several Administration priorities, including, but not limited to: reducing redundancies and mission duplication across Government; streamlining operations and achieving efficiencies; increasing access to burial options for veterans and eligible dependents, and, providing veterans with benefits they have earned in service to the Nation.

This consolidation will constitute the largest transfer of cemeteries to VA since the National Cemeteries Act of 1973 (PL 93-43) established the system in place today. The proposal is limited to base cemeteries located on installations that no longer maintain an active personnel presence, as well as one re-missioned base (Fort Devens) where transfer would realize efficiencies. Although the effort is not conceived as a pilot, it will enable VA to develop and execute an implementation plan that could also inform future transfers.

This proposal would not transfer cemeteries on other active DOD installations or those located within DOI national parks where support infrastructure and presence exists.

Transferring these facilities to NCA is the optimal good-government strategy, and is consistent with the National Cemeteries Act of 1973. NCA leads the way in providing a variety of world-class burial and memorial benefits for veterans and their families and has received the highest customer satisfaction rating among the public and private sector from the American Customer Satisfaction Index (ACSI) for six consecutive years. Upon transfer, these facilities will be maintained to the same high standards as other NCA cemeteries, which have garnered public praise. VA does anticipate that each of the 11 transferred cemeteries will need to undergo some minor infrastructure improvements (e.g., roads, irrigation and drainage, marker alignment, turf renovation, etc.).
Reorganizing Economic Statistical Agencies

Departments of Commerce and Labor

Summary of Proposal: The U.S. Statistical System is composed of 13 principal statistical agencies across the Federal Government. Three of these agencies—the U.S. Census Bureau (Census), the Bureau of Economic Analysis (BEA), and the Bureau of Labor Statistics (BLS)—account for 53 percent of the System’s annual budget of $2.26 billion, and share unique synergies in their collection of economic and demographic data and analysis of key national indicators. Reorganizing these agencies under the Department of Commerce (DOC) would increase cost-effectiveness and improve data quality, while simultaneously reducing respondent burden on businesses and the public.

The Challenge

Census, BEA, and BLS are the three statistical agencies responsible for the vast majority of the economic and demographic statistics produced by the Federal Government. However, as separate agencies across multiple departments, current duplications in data collection efforts yield increased burdens on businesses and the public. For example, Census and BLS separately collect data on, and maintain different lists of, business establishments to support their statistical activities. Such duplication creates unnecessary burden on respondents, which only impedes the timely production and analysis of vital U.S. data that the public rely on to make everyday household, business, and policy decisions. Further, because these three agencies already work in close coordination with each other, their reorganization under one department would bring about efficiencies through the integration of not only data products, but staff services and IT systems, achieving cost savings while improving data quality and security.

Reorganizing these agencies under the direction of DOC’s Undersecretary for Economic Affairs will provide the policy and management oversight necessary to coordinate and streamline the production of Federal economic statistics. To achieve this goal, planning would begin in 2019 with implementation in 2020, after the peak operations of the 2020 Decennial Census are complete.

The Opportunity

This proposal would support three key opportunities for improvement:

- Reorganizing Census, BEA, and BLS within DOC would reduce redundancy by utilizing shared infrastructure – including modernized IT and human resource systems – resulting in more efficient collection and production of national data.
- Integrating survey operations, such as survey sample designs and respondent lists, would reduce respondent burdens for businesses and the public by decreasing redundant survey questions and consolidating existing surveys.
- Reorganization could also improve data quality by streamlining the approaches used to measure U.S. economic statistics, including capital investment, productivity, trade, and service industries.
WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

Reorganizing Census, BEA, and BLS is logical because all three produce national-level economic and demographic indicators whose value extends far beyond the scope of their respective departments and programs. There is general agreement within the statistical community, the Administration, and among private stakeholders that consolidating these three agencies would reduce public burdens and end duplicative practices, while simultaneously enabling a more coherent approach to developing the Nation’s principal statistics. Numerous presidential, congressional, and other studies have recommended consolidation and coordination. In addition, many other nations with high statistical capacity, including Canada, the U.K., Australia, and New Zealand, have a much greater degree of centralization of statistical functions than the United States.

While there is a sound case for reorganization, the Administration acknowledges that there are risks. Maintaining trust in the accuracy, objectivity, reliability, and integrity of Census, BEA, and BLS products is essential to meeting the needs of a wide range of end users and other stakeholders. The reorganization will provide the opportunity to move to an open-source environment that will improve transparency and confidence in statistical products. Reorganizing these agencies under DOC’s Under Secretary for Economic Affairs provides the best opportunity to preserve the quality and integrity of these products while also creating the greatest opportunity to improve the efficiency of the agencies. The Under Secretary already leads oversight activities of both BEA and the Census Bureau on high priority management, budget, employment, and risk management issues; advises Government officials on economic policy; and participates in interagency policy councils. Folding BLS into DOC would only strengthen the Under Secretary’s ability to coordinate and integrate current work with the priorities and requirements of the Department and other Government entities. To mitigate any possibility of impacts to high priority programs, such as the decennial census, reorganization would not occur until late 2020, after nationwide field operations for the 2020 Census have been completed. The Administration will continue to study this proposal to ensure that a combined agency will not be less accountable or transparent to the American people than the current division of responsibility among multiple agencies.

Reorganization would focus on the following goals: achieving increases in operational efficiencies; reductions in respondent burden; enhancements in privacy protections; and improvements in data quality and availability.

Achieving Increases in Operational Efficiencies

The integration of data products and sharing of administrative services and IT systems could yield greater economies of scale, resulting in substantial increases in operational efficiencies. For example, BLS’s headquarters lease is ending in Fiscal Year 2022. Rather than develop and finalize independent plans for relocation, BLS will explore options with Census and BEA to leverage office space as well as unique assets necessary to complete their mission, such as back-up production facilities. In addition, Census has invested heavily in its IT infrastructure ahead of the 2020 Census and intends to expand that investment to the rest of the Bureau following its completion. Starting to plan for consolidation now would allow Census to integrate the operational requirements of BLS and BEA so that the planned expansion of their infrastructure could address the needs of all three agencies. This would also provide the most cost-effective opportunity to modernize older systems at BLS and BEA.
Reductions in Respondent Burden

The potential to consolidate duplicative survey data collections and eliminate some collections and survey questions would produce tangible efficiencies for the public and the Federal Government. For example, BLS and Census currently conduct separate surveys on U.S. businesses and their activities, and because current law does not permit consolidation of the lists of business establishments, BLS and Census maintain separate lists of business establishments to support statistical activities. Consolidation of these agencies could allow for combining these surveys into a single data collection. Recognizing these agencies within one department would also provide them with access to existing administrative data in a more efficient manner, which could lead to the elimination of certain collections while producing higher quality and more timely data. For example, current agreements between outside partners and Census, BEA, or BLS only permit the agency in the agreement to use the administrative data. Through a reorganization, the administrative data agreements with outside partners could be leveraged for use across a larger suite of programs and would reduce public burden and costs.

Enhancements in Privacy Protections

Privacy risks and concerns over the safeguard of information could also be optimally mitigated by consolidating these agencies. The proliferation of information about people and businesses online increases the risk of unintended respondent re-identification. Currently, BLS and Census each release numerous business data products, including data on employment and wages of industries and occupations, values of sales and inventories, and prices received by producers and paid by consumers, with each release adding incremental risk to this re-identification issue. Current law does not permit consolidation of the administrative source data used by each agency, and each set of data products provide unique functionality such that data users would be harmed by ceasing one of the products. Consolidating these products while maintaining the best features of both could reduce privacy risks while ensuring data users’ needs are still met. Further, having these agencies at DOC would increase collaboration and allow each agency to seamlessly develop, apply, and promulgate disclosure avoidance techniques across the suite of statistical data products.

Improvements in Data Quality and Availability

Consolidation would also allow each of the three agencies to access the source data utilized by the agencies in constructing their statistics. This could result in improvements to existing products as well as the production of new statistical products. If all source data resided in a single Department, more granular data would be made available for input into key economic indicators, and could improve the timeliness of their releases. For example, GDP estimates could see reductions to the size of GDP revisions, and the Producer Price Index – released by BLS using Census inputs – could incorporate more current data and economic patterns in its estimates. Reorganization would also allow for production of new statistical estimates that would have been difficult to produce before, such as fully integrated statistics on goods and services, trade, and inbound and outbound foreign direct investment.
Consolidation of the Department of Energy’s Applied Energy Offices and Mission Refocus

Department of Energy

Summary of Proposal: This proposal would consolidate the Department of Energy’s (DOE) applied energy programs into a new Office of Energy Innovation in order to maximize the benefits of energy research and development and to enable quicker adaptation to the Nation’s changing energy technology needs. It would also establish a parallel Office of Energy Resources and Economic Strategy, which would focus on strategic delivery of solutions that support U.S. energy dominance in access to resources and infrastructure. Finally, it would maintain the Office of Cybersecurity, Energy Security, and Emergency Response, which would protect energy infrastructure from increasingly sophisticated threats and ensure energy restoration following disasters.

THE CHALLENGE

DOE’s core applied energy research and development (R&D) offices are currently organized by major energy technology or primary energy source, such as nuclear, fossil, and renewables. This structure emphasizes siloed, fuel type-driven R&D that can hinder the development of integrated solutions, inhibit effective collaboration, and impede the best possible research outcomes. DOE’s current, entrenched applied energy program organizational structure parallels the stakeholder community, and thus the programs can be influenced by the strongly held beliefs of the technology and fuel champions of their respective areas, which have biases that are often counter to identifying solutions that are good for the Nation as a whole.

DOE also maintains a separate program called the Advanced Research Projects Agency-Energy (ARPA-E) that conducts applied research. While the program features positive aspects, such as coordination with industry and cross-cutting research, it makes little strategic sense that this entity exists independent of DOE’s main applied research programs. Achieving energy dominance requires an integrated national energy strategy and scarce resources must be directed to address national concerns.

This proposal would consolidate DOE’s applied energy research programs into a single Office of Energy Innovation that would take a holistic view of energy innovation to ensure Federal research keeps pace with the changing needs of the Nation’s energy system while maximizing the value to the taxpayer. In parallel, an Office of Energy Resources and Economic Strategy would be established to capture the Department’s expertise in monitoring, analyzing, and administering the Nation’s physical energy assets and the Office of Cybersecurity, Energy Security, and Emergency Response established in 2018 would be maintained to address emerging threats to U.S. energy security from cyber, natural, or other sources.
THE OPPORTUNITY

Organizing applied energy research under one unified office has the potential to reduce a practice of picking energy technology winners and losers and pitting fuel types against one another for Government funding and attention. Breaking down the rooted R&D silos could enable greater flexibility and efficiency in decision-making and enhance the Department’s ability to set and achieve big goals. Revitalizing DOE’s applied energy R&D in this manner also provides the opportunity to integrate the positive attributes of ARPA-E into DOE’s core energy research rather than it being a wholly independent program. Many fields of research, such as materials, energy storage, and the overall enhancement of the grid’s stability and baseload capabilities, span today’s applied energy offices and would especially benefit from a fuel and technology-neutral program structure. With a unified Office of Energy Innovation, applied energy research could be directed to achieving nationally significant outcomes and breakthroughs, rather than incremental changes for individual fuel types that may have limited if any strategic connection to one another.

In addition, maintaining the Office of Cybersecurity, Energy Security, and Emergency Response and establishing the Office of Energy Resources and Economic Strategy in parallel with the new Office of Energy Innovation ensures that key missions of the Department are adequately addressed and prioritized.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

Under this proposal, DOE would create a single Office of Energy Innovation to tackle all applied R&D to further the Nation’s energy dominance. The merger would include both the operational components and programmatic R&D activities of each applied energy office to maximize savings. The new office would emphasize sector and system-level outcomes and ensure a robust, systemic focus on early-stage R&D, where the Federal role is strongest. The proposal would also integrate into the blended organization some positive elements of the ARPA-E model, such as coordination with industry and ability to incorporate cross-cutting research into program outcomes.

To minimize the potential for simply creating new silos with different foci and to move away from the risk-averse tendencies of the long-standing programs, the new office would include an energy technology and fuel source-agnostic front-end program that invests in revolutionizing energy concepts, materials, and processes, as well as incremental improvements in existing technologies across energy sectors. It would also incorporate a mechanism to translate results to either longer-term integrated R&D programs within DOE or to the private sector. Projects could be initially short-term with defined milestones and priority could be given to crosscutting technologies or solutions that demonstrate a multi-dimensional approach or that otherwise maximize public benefit.

Rather than presupposing the fraction of the budget necessary for certain energy technologies or sources, the office would undertake a broader review of energy system needs and opportunities. All R&D would be required to compete for resources in the new environment, which would drive the best projects to the top of the list for limited resources, weeding out activities that are less efficient, duplicative, and do not adequately consider the crosscutting and diverse nature of the Nation’s energy requirements.
By elevating R&D decision-making to a system-wide, cross-sector level and implementing multi-disciplinary, multi-dimensional R&D programs, this proposal would not only make effective use of Federal funding but would also facilitate new technological advancements, some of which potentially would never be envisioned or achieved in a siloed environment.

By establishing a parallel Office of Energy Resources and Economic Strategy, the Department’s expertise in monitoring, analyzing, and administering the Nation’s physical energy assets capacity can be enhanced and streamlined to more effectively enable energy dominance. Through improved oversight and solution development for both the physical and market aspects of the nation’s energy system, this office would promote multi-dimensional decision-making to better support resiliency, infrastructure improvement, and economic growth. Further, we cannot ignore emerging threats to U.S. energy security whether it be from cyber, natural, or other sources. To address this important issue, DOE established the Office of Cybersecurity, Energy Security, and Emergency Response (CESER) in 2018. In this proposal, CESER would be maintained to address this critical mission. While separate offices, both ERES and CESER would be tied to the Office of Energy Innovation and the three would work synergistically to achieve the system-wide, interdisciplinary vision and strategy.

This proposal seeks to take the action needed to break down existing stovepipes in the applied energy landscape and reap the benefits of that fundamental change, while protecting and enhancing other key energy mission priorities within the Department.
Divesting Federal Transmission Assets
Department of Energy and Tennessee Valley Authority

Summary of Proposal: This proposal would sell the transmission assets owned and operated by the Tennessee Valley Authority (TVA) and the Power Marketing Administrations (PMAs) within the Department of Energy, including those of Southwestern Power Administration, Western Area Power Administration, and Bonneville Power Administration. Eliminating the Federal Government’s role in owning and operating transmission assets, and increasing the private sector’s role, would encourage a more efficient allocation of economic resources and mitigate unnecessary risk to taxpayers.

THE CHALLENGE

The Federal Government owns, operates, and maintains over 50,000 miles of electricity transmission lines and related assets (substations, switchyards, etc.). The Federal Government’s role in owning and operating transmission assets creates unnecessary risk for taxpayers and distorts private markets that are better equipped to carry-out this function.

The vast majority of the Nation’s electricity needs are met through for-profit investor-owned utilities. Ownership of transmission assets is best carried out by the private sector, where there are appropriate market and regulatory incentives.

THE OPPORTUNITY

Reducing or eliminating the Federal Government’s role in transmission infrastructure ownership would encourage a more efficient allocation of economic resources and mitigates risk to taxpayers.

The Fiscal Year (FY) 2019 Budget estimates that selling Federal transmission assets would result in net budgetary savings of $0.5 billion, in total, over the 10-year window.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

Federal transmission assets account for roughly 14 percent of the Nation’s transmission lines. Collectively, TVA, Southwestern Power Administration, Western Area Power Administration, and Bonneville Power Administration own, operate, and maintain over 50,000 miles of transmission lines and related assets. By contrast, the vast majority of the Nation’s electricity needs are met through for-profit investor-owned utilities. The Federal Government’s role in electricity production and marketing dates largely to the New Deal. Since then, the Federal Government has expanded its involvement to include owning and operating electric transmission assets. Today, a strong justification no longer exists for the Federal Government to own and operate these systems. The private sector already meets the vast majority of

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the Nation’s electricity needs. Private ownership of transmission assets could result in more efficient operations and capital improvements while reducing the subsidies (both implicit and explicit) that the Federal Government now provides to the respective regions’ ratepayers.

Federal transmission infrastructure assets (lines, towers, substations, and/or right of ways) could be broken off from the generation assets and sold separately, and the private sector and/or State and local entities could carry out the transmission functions now provided by TVA and the PMAs. The Federal entities that would result after such sales could contract with other utilities to provide transmission service for the delivery of Federal power just as the Southeastern Power Administration, which does not own transmission lines, already does.

The private sector is best suited to own and operate electricity transmission assets. Private ownership of Federal transmission assets could result in more efficient operation, greater innovation, stronger regulatory oversight, and direct and/or greater access to private capital markets. Further, selling these transmission assets could encourage market efficiency resulting from competition and impose market discipline resulting from both shareholder and greater regulatory scrutiny. The sale of Federal transmission assets would result in more efficient allocation of economic resources and help relieve long-term pressures on the Federal deficit related to future Federal capital investment and spending on transmission.

Prior administrations also have recognized the policy merits of divestiture and have proposed to privatize the Federal electricity infrastructure a number of times. For example, in the FY 1987 Budget, President Reagan proposed privatizing the PMAs, stating, “Utilities are not normally a Federal responsibility.” In the FY 1996 Budget, President Clinton also proposed to sell four out of five existing PMAs, and successfully sold the Alaska Power Administration in 1996. In the FY 2014 Budget, the Obama Administration announced it was undertaking a strategic review of options for addressing financial challenges at TVA, including a possible divestiture of TVA, in part or as a whole.
Restructure the Postal Service

United States Postal Service

Summary of Proposal: This proposal would restructure the United States Postal System to return it to a sustainable business model or prepare it for future conversion from a Government agency into a privately-held corporation. Like many European nations, the United States could privatize its postal operator while maintaining strong regulatory oversight to ensure fair competition and reasonable prices for customers. The President’s Task Force on the United States Postal System will make recommendations on reforms towards this goal in August 2016.

THE CHALLENGE

When the United States Postal Service (USPS) was created out of the Post Office Department in 1775, the Congress tasked it with binding the Nation together through correspondence; half a century later, that role has been increasingly supplanted by less expensive digital alternatives. USPS has extremely high fixed costs as a result of relatively generous employee benefits combined with a universal service obligation that is understood to require mail carriers to visit over 150 million addresses six days per week. Historically, this level of service was supported by a high volume of mail. Despite significant decline in volume in the internet age, the size of the delivery network has continued to grow to meet expectations of the current operating structure. USPS can no longer support the obligations created by its enormous infrastructure and personnel requirements. USPS already has over $100 billion in unfunded liabilities, a substantial capital investment backlog, has posted losses for over a decade, and has no clear path to profitability without reform. A new model that adequately finances USPS while meeting the needs of rural and urban communities, large mailers, and small businesses is needed.

THE OPPORTUNITY

A privatized Postal Service would have a substantially lower cost structure, be able to adapt to changing customer needs and make business decisions free from political interference, and have access to private capital markets to fund operational improvements without burdening taxpayers. The private operation would be incentivized to innovate and improve services to Americans in every community.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

This proposal would restructure USPS by aligning revenues and expenses to restore a sustainable business model and possibly prepare it for future conversion from a Government agency into a privately-held corporation. Like many European nations, the United States could privatize its postal operator while maintaining strong regulatory oversight to ensure fair competition and reasonable prices for customers. A private Postal Service with independence from congressional mandates could more flexibly manage the decline of First-Class mail while continuing to provide needed services to American communities.
Profitability and Privatization: Considerations for the Future of USPS

In 2007, USPS experienced faster than expected declines in both First-Class Mail and Marketing Mail. First-Class Mail has declined 48 percent since 2001, but is incredibly sensitive to price and market downturns. At the same time, USPS has continued to grow its package delivery business, particularly the last-mile delivery that is relatively cheaper for them because of the huge fixed network they must maintain to support mail delivery. However, the revenues from lower-margin package delivery and other competitive products cannot replace declining revenue from the market-dominant (monopoly) products in the long-run. This year, USPS continued its six-year string of defaults and for the first time defaulted on pension-related payments rather than just health benefit payouts. USPS’s current model is unsustainable. Major changes are needed in how the Postal Service is financed and the level of service Americans should expect from their universal service operator.

One successful model of Postal reform internationally has been to transition to a model of private management and private or shared ownership. USPS is caught between a mandate to operate like a business but with the expenses and political oversight of a public agency. A private postal operator that delivers mail fewer days per week and to more central locations (not door delivery) would operate at substantially lower costs. A private entity would also have greater ability to adjust product pricing in response to changes in demand or operating costs. Freeing USPS to more fully negotiate pay and benefits rather than prescribing participation in costly Federal personnel benefit programs, and allowing it to follow private sector practices in compensation and labor relations, could further reduce costs. A privatized Postal Service could be structured like an investor-owned utility and continue to be regulated by the Postal Regulatory Commission (PRC), a successor agency, or another Federal regulator such as the Federal Trade Commission, consistent with the existing models of privatization in Europe. Even with continued regulation, a privatized Postal Service would be more insulated from politics and more likely to succeed as a financially-viable business. A private entity would also have access to private capital markets to raise money for needed improvements like new vehicles without burdening taxpayers with additional liabilities.

USPS privatization through an initial public offering (IPO) or sale to another entity would require the implementation of significant reforms prior to sale to show a possible path to profitability. Most foreign posts that have been privatized have been profitable at the time of the sale. In contrast, USPS has lost over $65 billion since the last recession and recorded a $2.7 billion loss last fiscal year. To reach profitability, most international postal operations have gone through significant restructuring, including shrinking their physical and personnel footprints. In some cases, foreign governments have had to absorb legacy retirement liabilities to in order to prepare a postal operator for sale. The existing unfunded liabilities in USPS’s retirement programs total more than $100 billion. USPS owes an additional $15 billion to Treasury’s Federal Financing Bank and has further liabilities to the Department of Labor’s Workers Compensation program. According to the Postal Service’s own estimates, the Agency is insolvent, with liabilities exceeding assets by more than $120 billion.1

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Forthcoming Recommendations by the Task Force on the United States Postal System

To address these major issues and identify solutions, possibly including private ownership, the President has issued Executive Order 13629: Task Force on the United States Postal System. The Task Force will conduct a thorough evaluation of the operations and finances of the Postal Service and make recommendations for reform consistent with this reorganization proposal. The Task Force will examine:

1. The expansion and pricing of the package delivery market and the USPS’s role in competitive markets;
2. The decline in mail volume and its implications for USPS self-financing and the USPS monopoly over letter delivery and mailboxes;
3. The definition of the “universal service obligation” in light of changes in technology, e-commerce, marketing practices, and customer needs;
4. The USPS role in the U.S. economy and in rural areas, communities, and small towns; and
5. The state of the USPS business model, workforce, operations, costs, and pricing.

The recommendations will include administrative and legislative reforms to the United States postal system that promote our Nation’s commerce and communication without shifting additional costs to taxpayers. The report will be available by August 10, 2019.
DOT Mission Adjustments
Department of Transportation

Summary of Proposal: This proposal would reorganize the Department of Transportation (DOT) to better align the agency's core missions and programmatic responsibilities, reduce transportation program fragmentation across the Government, and improve outcomes. The proposal would spin-off Federal responsibility for operating air traffic control services and locks along the Saint Lawrence Seaway, integrate into DOT certain coastal and inland waterways commercial navigation activities and transportation security programs, and reassess the structure and responsibilities of DOT's Office of the Secretary.

THE CHALLENGE

While DOT is not in need of wholesale reorganization, the Department does administer several programs that do not fit neatly within its core missions of financial assistance and safety oversight. The most significant misalignment is where DOT still has operational responsibilities, principally the Federal Aviation Administration's (FAA) air traffic control services, and to a much smaller degree, the Saint Lawrence Seaway. DOT also administers two defense-related sealift programs that are outside of its core missions. In addition, there is unnecessary fragmentation in transportation programs across the Executive Branch. For example, the U.S. Army Corps of Engineers (Corps) is responsible for coastal and inland waterways navigation, while the Department of Homeland Security (DHS) manages certain surface transportation security programs.

This proposal addresses these challenges. The proposal would spin-off FAA's air traffic control services and the Saint Lawrence Seaway from the Government; transfer to DOT responsibilities for coastal and inland waterways navigation from the Corps; and integrate into DOT certain DHS programs related to surface transportation security, including transit security grants.

THE OPPORTUNITY

Spinning-off Federal responsibility for air traffic control services to a non-profit entity would better enable our aviation system to respond to consumer needs and modernize services. Having DOT take over responsibility for coastal and inland waterway navigational development would take advantage of DOT's strengths in infrastructure finance and would make DOT's maritime responsibilities analogous to DOT's role in other transportation sectors. Shifting commercial navigation to DOT would also create long-term opportunities to adjust ownership and financial relationships between the States and the Federal Government, resulting in more efficient project delivery outcomes. Consolidating within DOT surface transportation security programs would streamline the Federal Government's interaction with surface transportation agencies and operators, clarify the Federal Government's role in surface transportation, consolidate planning and grant processes for both safety and security investments, and facilitate more effective Federal inspections and interactions with relevant surface transportation agencies and operators.
WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

DOT, created in 1967, has one of the largest discretionary budgets (in terms of outlays) of any domestic Cabinet-level agency. It has a decentralized management structure in which the Office of the Secretary of Transportation (OST) coordinates the programs, regulatory activity, and research and development of nine operating administrations, or “modes.” In 2017, the Department had total budgetary resources of $78 billion and employed 54,676 full time equivalents. DOT’s modes generally focus on three primary missions:

1. **Financial Assistance.** Approximately 70 percent of DOT obligations in any given year are in the form of grants to States and localities, primarily for highway, transit, and airport infrastructure, though DOT has smaller grant programs for passenger rail and multi-modal projects (e.g., BUILD grants).
2. **Safety Regulation.** DOT ensures the safety of the aviation system (including aircraft, air traffic control, and emerging technology, such as drones or commercial space), motor vehicles, motor carriers, railroads, transit systems, pipelines, and the movement of hazardous materials.
3. **Operations.** Air traffic control operations constitute the single largest operational budget item, and also comprise a majority of DOT’s workforce. DOT also operates a lock on the Saint Lawrence Seaway.

This proposal recognizes that most of DOT’s activities are oriented around financial assistance to States and localities and safety oversight, that there are several programs within DOT that do not align with those two focus areas, and that several programs outside of DOT should be merged into the Department.

**Air Traffic Control and Saint Lawrence Seaway**

The most significant misalignment is in areas where DOT operates transportation systems, principally the FAA’s air traffic control services, and to a much smaller degree, the Saint Lawrence Seaway. Both of those components could be spun off from the Government, which would allow them to have better governance structures and insulation from the political system, and allow them to better assess fees based on actual usage of their systems. Spinning FAA’s air traffic control services out of the Government, to a non-profit entity, similar to the Canadian system, has strong policy merits, evidenced by the approximately 60 countries that have shifted air traffic control responsibilities to non-governmental providers.

**Maritime Consolidation**

Unlike all other modes of transportation, DOT has a very limited role in the Nation’s commercial maritime systems. The Maritime Administration (MARAD) is DOT’s operating administration engaged in the promotion of the U.S. maritime sector, yet its mission is dominated by educating cadets at the U.S. Merchant Marine Academy and carrying out two defense-related programs designed to meet the Department of Defense’s military sealift needs in a time of crisis. In contrast to DOT’s other operating administrations, MARAD has no safety regulatory function and limited financial assistance activities, which leaves DOT under-represented in commercial maritime issues.

There are opportunities to add to DOT’s responsibilities for coastal ports, inland waterways, and navigation permitting activities. Under this proposal, responsibility for coastal port dredging and operation of the inland waterway system, currently carried out by the Corps, would be shifted to DOT, which already has some limited expertise in the port and inland waterway sectors. Shifting these programs to DOT would also be an opportunity to reassess the type of Federal involvement in both sectors. Given DOT’s
extensive experience in providing financial assistance to major infrastructure projects, a new model of Federal financial assistance to ports may be a more efficient project delivery mechanism than direct Federal control, construction, and ongoing maintenance. A similar financial assistance model could be applied to the inland waterway system, though some portions may require continued Federal ownership, control, and operation. In addition, transferring current U.S. Coast Guard responsibilities for permitting alterations to bridges and aids to coastal navigation to DOT would better align those functions with similar functions already carried out by DOT’s.

Surface Transportation Security

DHS has two security-related surface transportation functions that would be transferred to DOT under this proposal: transit security grants currently administered by the Federal Emergency Management Agency (FEMA) and Transportation Security Administration (TSA) surface transportation inspection and guidance activities.

FEMA currently provides security grants to transit and rail operators. The Federal Transit Administration, which manages much larger financial assistance programs aimed at these same agencies and operators, could integrate FEMA’s programs into its existing industry relationship. In fact, security and emergency preparedness are already eligible expenses in FTA’s programs, highlighting the duplicative nature of the separate FEMA grants. Consolidating all transit and rail grant funding within DOT would eliminate confusion among transit agencies about which agency funds their emergent needs.

More generally, DOT has a strong focus on the safety of our Nation’s transportation networks, while DHS is responsible for the security of those assets. However, both agencies have programs for the same non-Federal agencies, operators, and companies that own and manage surface transportation assets. Furthermore, the Federal Government traditionally provides guidance, financial assistance, technical assistance, and in certain cases, oversight and regulation for the surface transportation sector. The Federal Government has no operational role in managing or securing surface transportation assets, nor should it. That is clear in DOT’s mission and history, however, since its creation TSA has been primarily tasked to expand its operational programs for surface transportation. Despite the compelling case for Federal aviation security operations, establishing a corresponding Federal role in surface transportation would be duplicative of non-Federal efforts, cost-prohibitive, and impractical to manage.

Currently, TSA has a small component ($129 million enacted in Fiscal Year (FY) 2018) dedicated to assessing threats to surface transportation facilities, encouraging security planning and threat reporting, overseeing compliance with certain rail security regulations, and disseminating best-practice guidance to transportation companies and government agencies. Under this proposal, TSA’s surface-related programs would be incorporated into DOT, which interfaces directly and regularly on safety matters, ensuring that both safety and security are addressed appropriately. While DHS receives useful intelligence reporting from current TSA programs and outreach, many other Sector Specific Agencies who lead the collaborative process for other critical infrastructure security have shown they can collaborate to share intelligence as effectively as a DHS component. As part of this proposal, the Administration will ensure any reorganization does not degrade security.
OST Organizational Structure

OST has traditionally focused on formulating national transportation policy and overseeing and supporting the Department’s operating administrations. More recently, however, the scope of activities performed by OST has broadened significantly. Now, OST has programmatic responsibilities that have traditionally been carried out by operating administrations. For example, OST houses the Build America Bureau, which, among other responsibilities, administers transportation credit programs, awards INFRA grants, allocates private activity bonds, and communicates best practices and funding opportunities to project sponsors. OST also administers the BUILD grant program, which received a large increase in funds in the agency’s FY 2018 appropriation.

Executing these programmatic responsibilities while simultaneously performing its more traditional oversight and management functions has been challenging and has stressed OST’s organizational structure. Now that OST has performed these dual roles for several years, it is time to consider whether OST’s organizational design is optimal for allowing it to most effectively carry out its statutory responsibilities. This proposal would include an assessment by the Administration and the Department of OST’s organizational structure and programmatic responsibilities, including potential alternative structures.
Reform Federal Role in Mortgage Finance

**Summary of Proposal:** This proposal would transform the way the Federal Government delivers support for the U.S. housing finance system to ensure more transparency and accountability to taxpayers, and to minimize the risk of taxpayer-funded bailouts, while maintaining responsible and sustainable support for homeowners. Proposed changes, which would require broader policy and legislative reforms beyond restructuring Federal agencies and programs, include ending the conservatorship of Fannie Mae and Freddie Mac, reducing their role in the housing market, and providing an explicit, limited Federal backstop that is on-budget and apart from the Federal support for low- and moderate-income homebuyers.

**THE CHALLENGE**

The U.S. housing market is supported by a complex system of Federal subsidies and programs intended to make mortgage financing accessible to a wide range of homebuyers. However, this system is challenged by the operation of two privately-owned Government sponsored-enterprises (GSEs), Fannie Mae and Freddie Mac, in conservatorship, a condition that has been maintained since 2008, in addition to overlapping and sometimes conflicting Federal goals. The Federal role in support of housing finance is not effectively targeted to households in need of assistance or sufficiently accountable to taxpayers, as the costs and benefits of that support are unclear.

In response, this proposal would end the conservatorship of Fannie Mae and Freddie Mac and propose better tailoring of delivery of Federal programs. Policy makers should also pursue an approach that would level the playing field with the private sector to decrease the Federal subsidies supporting housing.

**THE OPPORTUNITY**

This proposal would reorganize the way the Federal Government delivers mortgage assistance and go beyond restructuring Federal agencies and programs by transitioning Fannie Mae and Freddie Mac to fully private entities. Competition to the duopolistic role played by the two privately-owned GSEs would be an essential element of reform to decrease moral hazard and risk to the taxpayer. Both Fannie Mae and Freddie Mac, as well as other competitive entrants, would have access to an explicit Federal guarantee for mortgage-backed securities (MBS) that they issue that is only exposed in limited, exigent circumstances. Such a guarantee would be on-budget and fully paid-for. This would also ensure that the Government’s role is more transparent and accountable to taxpayers, minimize the risk of taxpayer-funded bailouts, and ensure that mortgage credit continues to be available in times of market stress for creditworthy borrowers.

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1 In order to propose changes in the Federal Government’s role in housing finance, this proposal outlines policies related to the privately-owned GSEs and ending their conservatorship. Nothing in this paper should be construed as implying that the GSEs are agencies or instrumentalties of the Government nor that FHFA as conservator is operating as an agency of the United States.
WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

Under the current system, Fannie Mae and Freddie Mac, two privately-owned GSEs, buy and guarantee mortgages from lenders and sell them to investors as MBS. Although they are private companies, they are congressionally chartered, a unique status that has been viewed as conveying an implicit Federal backstop that has in turn lowered their cost of capital relative to similarly-sized institutions. In 2008, Fannie Mae and Freddie Mac were taken into conservatorship and received (and continue to receive) an explicit but limited backing from the Treasury under a Preferred Stock Purchase Agreement (PSPA), which gives access to capital funding that covers any loss the enterprises may incur. In their Federal charters and by action of their primary regulator, the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac have goals of providing a certain amount of financing to low- and moderate-income borrowers. However, these affordable housing activities are not clearly accounted for on the Federal balance sheet.

In addition to the GSEs, other Federal programs provide mortgage support, contributing to a large Federal footprint in the housing market. The Department of Housing and Urban Development (HUD) Federal Housing Administration (FHA) provides mortgage insurance intended to aid borrowers traditionally underserved by the conventional mortgage market, including lower-income households, minorities, and first-time homebuyers. The Departments of Veterans Affairs (VA) and Agriculture (USDA) also administer mortgage insurance programs targeted to veterans and lower-income rural households, respectively. The loans guaranteed by FHA, VA, and USDA are in turn packaged into MBS that are guaranteed by Ginnie Mae, a Federal entity operated by HUD. Together, loans backed by the GSEs and Ginnie Mae comprised about 70 percent of mortgages originated in 2017.

All these entities, taken as a whole, form a complex and overlapping network of cross-subsidization, without clear accountability as to who is paying for, and who is receiving, housing subsidies. Although the Federal role in the housing market has helped to facilitate the availability of the 30-year fixed-rate mortgage, the current system has structural flaws that have also created distortions in home pricing that may actually hinder the goal of homeownership. This reorganization proposal, which includes broad policy and legislative reforms beyond restructuring Federal agencies and programs, would:

- **Increase competition.** The proposal would remove the Federal charter from statute and fully privatize the GSEs. A Federal entity with secondary mortgage market experience would be charged with regulatory oversight of the fully privatized GSEs, have the authority to approve new guarantors, and develop a regulatory environment that is conducive to developing competition amongst new private guarantors and the incumbent GSEs, ensuring they would all be adequately capitalized and competing on a level playing field. If the GSEs lost some of the benefits that have led them to dominate the market, this would enable other private companies to begin competing in this space. The regulator would also ensure fair access to the secondary market for all market participants, including community financial institutions and small lenders.

- **Increase transparency and accountability.** Under this proposal, which would also involve entities outside the Executive Branch of the Federal Government, guarantors would have access to an explicit guarantee on the MBS that they issue that is only exposed in limited, exigent circumstances. Taxpayers would be protected by virtue of the capital requirements imposed on the guarantors, maintenance of responsible loan underwriting standards, and other protections deemed appropriate...
by their primary regulator. The regulator would set fees to create an insurance fund designed to take
effect only after substantial losses are incurred by the private market, including the guarantors, in
order to ensure the continued availability of mortgage financing through shifting economic cycles.
The projected cost of this guarantee and other fees charged would be on-budget and accountable,
resulting in reduced implicit taxpayer exposure.

- **Align incentives and reduce overlap.** Under this reform proposal, which would also require legislative
and policy changes affecting the mandates of entities that are not part of the United States Government,
the GSEs would focus on secondary market liquidity for mortgage loans to qualified borrowers, while
HUD would assume primary responsibility for affordable housing objectives by providing support
to low- and moderate-income families that cannot be fulfilled through traditional underwriting
and other housing assistance grants and subsidies. To effectuate this, the newly fully-privatized
GSEs would have mandates focused on defining the appropriate lending markets served in order to
level the playing field with the private sector and avoid unnecessary cross-subsidization. A separate
fee on the outstanding volume of the MBS issued by guarantors would be used specifically for
affordable housing purposes, and would be transferred through congressional appropriations to,
and administered by, HUD.

- **Provide more targeted assistance to those in need.** The proposal would be designed so that the
affordable housing fees transferred to HUD would enable FHA to provide more targeted subsidies
to low- and moderate-income homebuyers while maintaining responsible and sustainable support
for homeownership and wealth-building. Some of the fees could potentially be used to support
affordable multifamily housing or other HUD activities. All of this support would be on-budget
and accountable.
Create the Bureau of Economic Growth

Department of Commerce

Summary of Proposal: This proposal rethinks how the Federal Government can drive economic growth in concert with private sector investments in communities across the country. By coordinating and consolidating Federal economic assistance resources at the Department of Commerce (DOC), taxpayer dollars will receive a higher return on investment on projects that are transparent and accountable.

THE CHALLENGE

Federal economic assistance programs that serve States, localities, and Tribes are broadly dispersed among Federal agencies with different purposes, eligibility criteria, time horizons, and reporting requirements. As a result, communities must navigate a complicated web of rules and regulations to determine which programs they might be eligible for, comply with different application requirements on a variety of timelines, and report on performance measures that differ in definition and reporting periods.

Consolidating these programs within DOC provides an opportunity to streamline and consolidate standards and processes for eligibility and participation, including planning and reporting requirements.

THE OPPORTUNITY

This proposal establishes a Bureau of Economic Growth in DOC, consolidating existing economic development programs to provide a central place for grants and technical assistance to communities and entrepreneurs focused on job creation, business growth, and strengthening local economies. The new Bureau will better support and empower State, local, and tribal governments to spur their economies through locally planned development projects. The streamlined Bureau will also increase transparency in regional and local Federal spending, as well as encourage and facilitate complementary private-sector spending.

Some of the programs that will be consolidated include the Department of Housing and Urban Development’s Community Development Block Grant program, the Economic Development Administration’s Economic Development Assistance Programs, and rural business and community facility grants from the Department of Agriculture. As part of the Bureau’s focus on creating job opportunities and supporting the local business community, it would absorb the economic development functions of the Delta Regional Authority, Denali Commission, and Northern Border Regional Commission. The new Bureau would also oversee technical assistance programs. These programs provide training, planning, and other business development assistance to help businesses succeed no matter where they are in their lifecycle, whether they are just starting out, looking to expand, or trying to access new domestic and international markets.
WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

The Federal Government can play an important role in bolstering economic growth, with its ability to undertake large-scale economic development projects and holistically analyze their impacts. It is uniquely positioned to help mitigate market failures, and can leverage resources in distressed communities where local/regional entities cannot. Unfortunately, the current Federal economic development model is fragmented, resulting in fractured regulatory requirements and jurisdictions, overlapping programs, redundancy, and waste. Many programs and projects are unable to clearly demonstrate their impacts on measures of economic growth.

The Bureau of Economic Growth reorganizes several Federal economic development programs into discrete functions based on mission, capabilities, and delivery method – with the intent of increasing efficiency and accountability, and improving outcomes and services to citizens, business owners, and communities. Consolidating this assistance within DOC provides an ideal opportunity to streamline and consolidate standards and processes for eligibility and participation, including planning and reporting requirements.

The new Bureau will accomplish its mission via three operational arms – planning, grant-making, and technical assistance – as well as an office of Bureau-wide administration. The Planning Office will engage State, local, and tribal community development agencies/authorities, in addition to regional consortia of these entities. Its primary function will be to leverage these agencies’ internal planning capabilities to identify each community’s unique barriers to economic growth and set community goals that are specific, measurable, actionable, relevant, and time-bound. Through this planning process, these State, local, tribal, and regional agencies can establish the criteria and milestones by which to measure the effectiveness of any subsequently awarded grants.

After completing the planning process, applicants can apply to the Bureau’s Office of Grant-Making for the funds to implement their plans in a manner consistent with their established goals. The Office of Grant-Making will craft criteria to assure that the implementation activities are sufficiently comprehensive, actionable, and consistent with the applicant’s plan.

The Office of Technical Assistance will work directly with non-profit and educational organizations operating within the State, local, tribal, or regional areas to build capacity through strategic and operational training and dissemination of best practices in economic development to local businesses and practitioners. These non-profits will apply directly to the Office of Technical Assistance for funding for technical assistance activities that support the community’s economic development plan. In addition to providing funding, the Office of Technical Assistance could provide access to assets that support the non-profit’s implementation. This direct engagement with non-profits will allow the Office of Technical Assistance to function in an efficient and scalable manner, without duplicating staff or other resources that already exist in the local community. Recognizing the unique challenges faced by small businesses, this proposal does not include the Small Business Administration’s Office of Entrepreneurial Development, which provides planning and educational services exclusively to small businesses, within the new bureau.

Centralizing these economic development programs and activities under DOC is advantageous for several reasons. DOC is already tasked with the missions of “promoting job creation and economic growth” and “leading the Federal economic development agenda by promoting innovation and competitiveness, and preparing American regions for growth and success in the worldwide economy.” As such, Commerce is well-equipped with resources and expertise to support the proposed economic development consolidation and advance economic growth.

Through its Bureaus of Economic Analysis and the Census, DOC has access to comprehensive economic data which can be used to inform economic development strategies, measure outcomes, and improve accountability. Additionally, DOC has wide-ranging capabilities within its offices and Bureaus which make it uniquely suited to address the intrinsically multi-faceted nature of economic development. For example, it can leverage technical expertise to assist businesses with existing international footprints, or those looking to export through trade functions like export assistance and attracting foreign direct investment; facilitate technological innovation and commercialization; and help businesses register and protect their intellectual property.
U.S. Public Health Service Commissioned Corps
Department of Health and Human Services

Summary of Proposal: This proposal would transform the Commissioned Corps (Corps) into a leaner and more efficient organization that would be better prepared to respond to public health emergencies and provide vital health services. It would do this through a series of management improvements, including reducing the size of the Corps and building up a Reserve Corps for response in public health emergencies.

THE CHALLENGE

The Corps consists of approximately 6,500 uniformed public health professionals, who work alongside their civilian counterparts performing the same jobs but often receive higher total compensation. Corps officers receive military-like benefits, even though they have not been incorporated into the Armed Forces since 1952, and generally do not meet the Department of Defense’s criteria for the military compensation system. Further, the Corps’s mission assignments and functions have not evolved in step with the public health needs of the nation.

The Fiscal Year 2019 Budget raised questions about the value of having Corps officers in roles that civilians can fill, given they are more expensive than equivalent civilians. Only a small percentage of Corps officers deploy for public health emergencies, and many officers encumber positions that could be filled by civilians. In addition, a 1996 Government Accountability Office (GAO) Report raised questions about the need for Corps officers in positions that did not provide direct health services.

THE OPPORTUNITY

This proposal would reduce the Corps force from approximately 6,500 officers to no more than 4,600 officers, and create a Reserve Corps that can provide additional surge capacity during public health emergencies. These reforms would result in a Corps that is more appropriately equipped to provide critical public health services and support in public health emergencies.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

Reduce the Size of the Corps

This proposal would reorganize the Corps through a number of administrative and legislative reforms that would reduce unnecessary positions within the Corps and utilize Federal funds more effectively. The Department of Health and Human Services (HHS) would hold the Corps to a new standard, and require that officers fill critical public health roles and respond to public health emergencies.

1 Issues on the Need for the Public Health Service’s Commissioned Corps. GAO-96-105. Published: May 1, 1996. Publicly Released: May 15, 1996
Under this proposal, HHS would reduce the size of the Corps to no more than 4,000 officers. Specifically, the agency would: 1) civilianize officers who do not provide critical public health services or support in public health emergencies; 2) require that Corps officers initially work in a hard-to-fill area and continue to serve there, or deploy as needed in a public health emergency (at least once every three years); and 3) enforce standards for Corps eligibility and readiness.

Create a Reserve Corps

This proposal would also create a Reserve Corps—similar to those used by other uniformed service programs—that would deploy either in a public health emergency or to backfill critical positions left vacant during Regular Corps deployments. The Reserve Corps would consist of Government employees and private citizens who agree to be deployed and serve in times of national need. The Reserve Corps would be an integrated part of the HHS response to public health emergencies.

Budgetary Reforms

In addition to restructuring the Corps workforce, this proposal would more appropriately allocate the cost of Corps officers to ensure each agency pays its fair share for Corps officers moving forward. Currently, if an agency employs a Corps officer the agency does not pay the accruing retirement costs for that officer, even though it pays the accruing retirement costs of civilian employees. This can result in an agency employing a Corps officer instead of a civilian because the Corps officer appears less costly than is actually the case. This proposal would require agencies to pay the accruing retirement costs for Corps officers moving forward.

Under this proposal, the Corps would deliver on its mission in a more efficient and effective manner and spend taxpayer dollars more effectively. At the end of this transformation, the Corps would be leaner and have an improved ability to provide public health services and respond to public health emergencies.
Improving NASA's Agility through Increased Use of Federally Funded Research and Development Centers
National Aeronautics and Space Administration

Summary of Proposal: This proposal would establish an accelerated process for determining whether one or more of the National Aeronautics and Space Administration's (NASA) Centers should be converted to, or host, a Federally Funded Research and Development Center (FFRDC). FFRDCs can potentially allow the agency to be more agile in rapidly responding to changing needs and in recruiting and retaining scientific and technical expertise.

THE CHALLENGE

The missions and programs of NASA are conducted across 10 geographically-dispersed Centers, augmented by several testing and support facilities. While nine of the Centers are Government owned and operated, the Jet Propulsion Laboratory is operated by the California Institute of Technology as an FFRDC.

In 2004, the President’s Commission on Implementation of United States Space Exploration Policy found that NASA Centers: 1) needed to modernize their infrastructure; 2) lacked institutional incentives to align them with new policy; and 3) utilized often outdated personnel practices. The Commission recommended that NASA Centers be reconfigured as FFRDCs to enable innovation, work more effectively with the private sector, and stimulate economic development. With the advent of the President’s National Space Strategy, a renewed look at the FFRDC operating model is warranted as part of NASA’s broader strategy to meet the Administration’s ambitious space objectives. This proposal would establish a process for determining whether one or more of NASA’s other Centers should be converted to, or host, an FFRDC.

THE OPPORTUNITY

The new National Space Strategy and National Space Policy Directive 1 require the full agility of NASA, in concert with its commercial and international partners, in order to realize the President’s goals to return American astronauts to the moon and follow with human missions to Mars. In order to bolster NASA’s agility, increased use of FFRDCs could provide greater flexibility than civil servant organizations, potentially allowing them to better meet the agency’s evolving needs.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

Background on FFRDCs

FFRDCs are research institutions that are owned by the Federal Government, but operated by contractors. They are intended to provide Federal agencies with Research and Development (R&D) capabilities that cannot be effectively met by the Federal Government or the private sector alone, and can convey a number of benefits, including the ability to recruit and retain scientific and technical expertise, and to more rapidly respond to the R&D needs of a Federal agency than would be possible with a civil servant workforce.
The new National Space Strategy and National Space Policy Directive 1 make examining the potential advantages of an FFRC model at NASA particularly timely. FFRCs may offer a powerful approach to enable NASA to better align its workforce skillsets with Agency priorities, while simultaneously engendering an entrepreneurial spirit that better allows NASA to infuse talent from industry and commercial partners.

FFRCs offer a number of advantages over traditional NASA Centers in terms of their competitive compensation to employees, flexibility, and technical skills available to the Agency. They occupy a unique position in the Nation’s R&D base: they are free from many of the outdated mechanisms inherent in the civil service, and can also perform work for non-Government customers. As a result, FFRCs are noted for their technical excellence, strong integration with the U.S. industrial base, and agility. All of these are essential as NASA works to meet the bold objectives laid out in the National Space Strategy and National Space Policy Directive 1.

Process to Determine Best Role for FFRCs

This proposal lays a process to determine if one or more of NASA’s other Centers should be converted to, or host, an FFRC. NASA would oversee this process and provide an analysis, including recommendations, to the White House by the end of August 2018 so that the outcome can be reflected in future budget and policy plans and proposals. NASA’s analysis would draw from prior studies of this topic and evaluate the potential of an FFRC to further the Administration’s policy goals more effectively. In addition to studying whether one or more Centers could potentially be converted to an FFRC in whole or in part, NASA would also establish whether it may be effective to perform new programs and projects using an FFRC structure.

The additional analysis needed before increasing the use of FFRCs will address the following:

- Although FFRCs have several advantages over Government-owned and operated facilities, they can also have drawbacks. A 2017 report by the Congressional Research Service, for example, noted concerns with FFRCs including mission creep, ineffective Federal agency oversight, and competition between FFRCs and the private sector for Federal R&D funding. The analysis will weigh the specific costs and benefits of establishing an FFRC for particular NASA Centers.
- It is possible that a new FFRC hosted at a Center may be effective in running new programs or projects that are part of the Administration’s space policy but are not yet underway. The analysis will examine whether these programs could more effectively be run by establishing a new FFRC.

Conversion of a Center, or parts of a Center’s operation, to an FFRC would require several steps related to developing the sponsoring agreement with the organization managing the FFRC, and addressing human capital issues. The analysis will examine these steps and estimate their feasibility.

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Management Consolidation of Federal Graduate Research Fellowships
National Science Foundation

Summary of Proposal: This proposal would consolidate the administration of graduate fellowships for multiple Federal agencies under the National Science Foundation (NSF) in order to reduce the total cost of administering those fellowships.

THE CHALLENGE

Multiple agencies are administering many different graduate research fellowships across the Federal Government. Some of the larger programs fund over a thousand fellowships annually while smaller programs support only a handful of fellowships each year. Each awarding agency devotes resources to administering these fellowships, but some are similar enough that their management could be consolidated at one agency, potentially resulting in lower costs.

This proposal would consolidate the administration of Federal graduate research fellowships for smaller fellowship programs at NSF. NSF would leverage the efficiency of its existing graduate-fellowship program to coordinate the fellowship application, selection, and award processes for other agencies, and be reimbursed by the other agencies for this work.

THE OPPORTUNITY

Consolidating the management/administration of graduate fellowships for smaller agencies at NSF could lead to reduction of duplicative administrative efforts and yield savings across the Federal Government.

WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

Graduate fellowships provide one or several years of funding support for students pursuing a Masters or Ph.D. degree. Awarders are selected based on a range of criteria, from their academic accomplishments to the broader societal impacts of their research work. Fellowships are a source of funding for student researchers in addition to research grants obtained by university faculty, and because fellowships tend to be highly competitive, they are viewed as prestigious in the scientific community. The Federal Government is by far the largest funder of graduate fellowships in the United States, but fellowships are also offered by foundations and private companies.

NSF awards the highest number of graduate fellowships of all Federal agencies (more than 1,000 new fellows every year), and has an efficient system in place to do so. For agencies with much smaller fellowship programs, using NSF's fellowship process instead of their own could be more efficient and produce savings if fellowship offices at other agencies can be downsized or eliminated. Even if NSF requires additional resources to process the increased workload, the Government-wide resources spent on administering graduate fellowships would be reduced compared to the status quo.
An initial step to implement this proposal would be to take a thorough inventory of existing graduate fellowship programs across the Federal Government. At the same time, NSF would evaluate which types of programs and associated tasks would benefit from using NSF’s expertise and grants management infrastructure. Depending on the number and size of other agencies’ fellowship programs identified in the inventory, a phased approach could be implemented where less complex programs are the first to move under NSF management.
Rationalize the Federal Real Property Approach

Government-wide Application

Summary of Proposal: The Federal Government is the largest single employer and owner of real property in the United States, and as such, has a huge impact on the Nation’s communities. Despite these far-reaching implications, its management of that real property is a mixed bag of smart space use, underutilized assets, liabilities, and leases. The Federal Government can do a better job strategically managing these assets, including utilizing private sector best practices, to improve our communities, right-size the Federal real property portfolio, and provide better value and services to the taxpayer. This proposal encompasses moving Federal offices and jobs for better quality of life and a more capable workforce; a new budgetary mechanism for capital projects; better incentives for agencies to divest unnecessary assets; and smarter leasing practices.

THE CHALLENGE

Since 2004, the Federal Government has improved its real property management and has disposed of many properties that were no longer needed. These actions have addressed low-hanging fruit, but many opportunities remain for agencies to improve their decision-making and identify transactions that provide greater value for the Government. Unlike the private sector, Federal agencies sometimes lack incentives to think strategically about their workforce and shifting mission needs, and how those factors influence where they are located. Without transformative real property-related authorities, the Federal Government’s ability to meet its mission needs and make smart real estate decisions will continue to stagnate and fall behind the private sector.

THE OPPORTUNITY

A combination of administrative and statutory changes would provide opportunities to optimize the Federal footprint by making smart investments in renovations and new facilities, driving down lease costs, and disposing of unneeded real estate through a streamlined process that results in the greatest return to the taxpayer. Together, these reforms would allow agencies to have the facilities they need to fulfill their missions and serve the American people, while at the same time freeing up unused or underutilized properties to generate a return for taxpayers and spur local economic development.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

Title 40 Disposal Process improvements

Title 40 of the U.S. Code governs the process by which most agencies seek to dispose of unneeded Federal real property. The Title 40 process is complex, with many required steps prior to the disposal of real property: vetting for surplus, excess, public benefit conveyance, and finally sale. GAO has highlighted that the complexity of disposal under Title 40 impacts the decisions that agencies make and can lead to decisions and outcomes that are not economically rational. In response, prior Administrations have proposed modest disposal reforms, but those proposals did not advance in the Congress. In December 2016, the Congress enacted legislation, the Federal Assets Sale Transfer Act (FASTA), which created a new Public Buildings Reform Board to review agency submissions for disposal, and also included some limited disposal process streamlining. While FASTA is a substantial step forward—and the enhanced visibility
from the Board will generate additional interest—the legislation did not tackle the major impediments to accelerating and expanding agency disposals.

The Administration believes major new authorities are necessary to fully utilize the disposal process to return unnecessary Federal property back to productive non-Federal use. As part of its Infrastructure Initiative, the Administration proposed a series of improvements to streamline, accelerate, and incentivize the Title 40 disposal process. These improvements include: eliminating the public benefit conveyance authorities, allowing agencies to take unneeded Federal property directly to sale; retention of net proceeds of sale dedicated to real property use without further appropriation; and expansion of the allowable uses of the Government Services Administration (GSA) Disposal Fund to support agencies with the upfront costs of disposition in advance of making a report of excess. The Administration is proposing the elimination of all conveyance provisions, allowing surplus properties to go straight to market, maximizing the return to the taxpayer. Several Government Accountability Office (GAO) engagements since 2004 have highlighted the benefit of allowing agencies to retain some or all of sales proceeds associated with the disposition of Federal real property. Without this reform, agencies currently incur substantial work and costs to dispose of properties, with little to no financial upside for them, reducing their incentive to pursue such disposals.

Federal Capital Revolving Fund (FCRF)

The Administration recognizes that the Federal Government must have modern facilities to carry out agency missions and serve the American people. However, over the last decade, it has been difficult to secure the necessary appropriations to renovate existing buildings and construct new Federal facilities, such as the replacement of the Federal Bureau of Investigation Headquarters Facility in Washington, D.C. This inability to secure sufficient, timely funding to execute capital transactions often results in project cost escalation and costly lease extensions.

To address this, in the Infrastructure Initiative and the Fiscal Year (FY) 2019 Budget, the Administration has proposed creating a new funding mechanism for large, civilian real property projects that is similar to the capital budgets that States employ. The proposal would establish a mandatory revolving fund for the construction or renovation of Federally-owned civilian real property, thus allowing agencies to budget for acquiring major assets incrementally while operating within the established, transparent Federal budget rules. This proposal is supported within the FY 2019 Budget, providing $10 billion for the corpus of the Fund. GAO has conducted frequent reviews of real property acquisition methodologies and challenges encountered with funding large projects. In 2014, GAO supported a similar approach to this proposal; however, the Administration’s proposal provides even more flexibility and cost savings opportunities that those identified by GAO.

Relocation Analytics

Due to mission and cost considerations, agencies are considering opportunities to reposition their real property footprints, including relocating staff and offices to locations outside of the National Capital Region. Unlike the private sector, which has considerable flexibility and often takes a holistic approach to real estate and corporate mission requirements, agencies do not do a good job thinking holistically about their mission, physical location, and how they could deliver services differently. The Administration believes there are many lessons that can be drawn from the private sector on how to assess changing
organizational requirements and how real estate footprints can be adjusted given information technology
and management practices. The goal of this effort, led by GSA, is to provide agencies with thought process,
tools, and data to drive smarter decisions in agency relocations, and work is already underway.

GSA Leasing Improvements

In addition to managing Federal buildings, GSA also engages in extensive leasing with private sector
lessors, who provide office and other space to Federal agency tenants. GSA’s lease portfolio includes
approximately 180 million rentable square feet in more than 8,000 separate leases. In any given fiscal
year, GSA executes an average of 25 prospectus-level lease transactions, defined as lease awards where
the annual cost of the lease payments exceed more than approximately $3.1 million.

GSA has seen considerable improvement in their leasing practices in recent years, demonstrating
significant reductions in the number of holdover leases and reductions in the size of the lease portfolio.
However, more can be done to ensure that GSA makes smart leasing decisions, particularly when
running lease replacement competitions. GSA will be undertaking two policy changes: executing longer,
non-cancelable lease terms to secure lower rates, and undertaking a more rigorous cost analysis before
executing space reductions to ensure cost effective decisions. GSA continues to assist other Federal
agencies in making the most cost effective decisions under the Administration’s Reduce the Footprint
policy. Agencies are looking to reduce square footage and GSA helps to ensure that any reduction leads
to a cost-effective solution.
Consolidate and Streamline Financial Literacy Efforts

**Summary of Proposal:** More than 20 Federal agencies have some form of financial education or literacy program. To ensure effective allocation of Federal financial literacy resources and avoid unneeded overlap and duplication, this proposal consolidates and streamlines these programs.

**THE CHALLENGE**

The Federal Government spends an estimated $250 million annually on financial literacy and education programs and activities across more than 20 Federal agencies to educate Americans about a wide array of financial literacy and education topics. These programs lack meaningful coordination, clear measures of effectiveness, and are oftentimes overlapping or duplicative. Furthermore, very few agencies appear to monitor the effectiveness of their programs and only a handful of these programs have been formally assessed or evaluated for impact.

In addition to Federal programming, many non-Federal organizations provide financial literacy services and resources, including nonprofit organizations, consumer advocacy organizations, financial services companies, employers, and State and local governments. Given the large number of participants served by Federal financial literacy and education programs, the Federal Government should consider the most effective ways to deliver these services while maximizing limited Federal resources and supporting the efforts of other public and private participants in this field.

The Financial Literacy and Education Commission (FLEC) was established by law in 2003 and is made up of the heads of 22 Federal agencies and the White House Domestic Policy Council. Chaired by the Secretary of the Treasury, FLEC is tasked to improve “the financial literacy and education of persons in the United States through the development of a national strategy.” However, the FLEC has had limited success rationalizing Federal efforts to promote access to quality financial literacy and education tools for all Americans.

**THE OPPORTUNITY**

Consolidating and streamlining financial literacy efforts will increase Government efficiencies and reduce fragmentation among Federal programs. Reform would also improve coordination with entities outside of the Federal Government and develop a data-driven approach to financial education that will increase the impact of the programs and make financial literacy information more accessible.

**WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO**

This proposal would require the Department of the Treasury (Treasury) to develop recommendations for Federal financial literacy and education activities that will be shared with the Office of Management and Budget before October 1, 2018.
The Administration will consider streamlining and consolidation proposals as part of the Fiscal Year 2020 Budget, including but not limited to:

- Using an evidence-based approach to articulate a national vision that outlines the appropriate role for the Federal Government and leverages the current work of non-profit organizations, the private sector, and State and local governments.
- Elimination and development of programs based on how much knowledge participants are acquiring from the financial literacy and education program, as well as how likely the program is to result in behavior that leads to greater financial capability.
- Consolidation of financial literacy programs into fewer agencies, with a mandate that they consult with relevant experts in other agencies.
- Consolidation of financial literacy policy and research into a single agency or commission that would evaluate both existing programs and proposals for future programs.

Challenges Posed by Status Quo

In addition to the $250 million that the Federal Government spends annually on financial literacy and education programs and activities, $370 million is spent on technical assistance and education for entrepreneurs by the Small Business Administration, one component of which addresses financial literacy. Six of the more than 20 Federal agencies that administer financial literacy programs account for almost 90 percent of the Federal funds expended on financial literacy for individuals and households. Some areas of potential overlap and duplication among Federal financial education activities, include:

- **Financial Counseling:** The Bureau of Consumer Financial Protection (BCFP), the Department of Defense (DoD), the Department of Housing and Urban Development (HUD), the Department of the Interior, and the Department of Veterans Affairs all fund or provide general or topic-specific financial counseling.
- **Retirement planning:** BCFP, DoD, the Department of Labor (DOL), the Department of Health and Human Services (HHS), the Office of Personnel Management, the Social Security Administration, and Treasury all support activities that address retirement planning and decision-making.
- **Research:** BCFP, DOL, the Department of Education (ED), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, HHS, HUD, and Treasury are supporting (or have recently supported) research and evaluation of financial literacy and education.
- **Financial Education for military members:** BCFP, DoD, and the Federal Trade Commission (FTC) all administer financial education and counseling programs for military members and their families.
- **Financial Literacy for youth:** BCFP, ED, FDIC and Treasury all support initiatives that address financial literacy for youth.
- **Websites with financial education content:** Many Federal agencies manage duplicative web content on financial education (e.g., BCFP, FTC, the National Credit Union Administration, and Treasury).

However, limited evaluation is performed by Federal agencies on the effectiveness and impact of their financial literacy programs. For example, only three agencies have recently evaluated their programs using outcomes that measure changes in behavior. Most agencies only measure accessibility and utilization of their activities.
Scope of Treasury’s Planned Review of Status Quo

Currently, the FLEC is assessing the landscape of Federal financial literacy and education activities, with the goals of:

- Determining the appropriate Federal role and effective methods to support programs administered by non-profit organizations, the private sector, State and local governments, and others.
- Consolidating Federal financial literacy and education efforts, including streamlining overlapping or duplicative programs.
- Identifying best practices and eliminating ineffective programs, activities, or practices.
- Developing high-quality, consistent Federal financial literacy and education curriculum and resources.
- Developing an effective mechanism for oversight and governance of Federal financial education programs to strengthen effectiveness and eliminate the risk of future overlap, duplication, and ineffectiveness.
- Establishing governance and oversight to ensure that any new programs are aligned with the Government-wide vision.
Streamline Small Business Programs
Small Business Administration and the Departments of Agriculture, Transportation, Treasury, & Veterans Affairs

Summary of Proposal: This proposal consolidates the various Federal programs that assist small business owners secure access to capital and Federal Government contracts into the Small Business Administration (SBA). In instances where a Federal lending or contracting certificate program is highly specialized or industry-specific, SBA’s duplicative authority would be eliminated.

THE CHALLENGE

Small businesses play a critical role in our Nation’s economic growth. Approximately half of the U.S. private-sector labor force – nearly 58 million Americans – are employed by our Nation’s 30 million small businesses. Communities across the country rely heavily on the products, services, and jobs created by these Main Street businesses. Two of the most important ways the Federal Government supports small business creation and growth are by working with private lenders to provide capital access, and making Government contracting opportunities available to small businesses.

Unfortunately, the GAO has repeatedly identified the Federal Government’s current model for operating these programs as needing increased coordination and harmonization, citing duplicative programs at SBA and the U.S. Departments of Agriculture, Transportation, Treasury, and Veterans Affairs. Examples of issues that arise from duplicative programs include: inconsistent standards and processes for eligibility and participation; lack of consistent reciprocity between agencies and programs; and failure to realize efficiencies and economies of scale. Addressing these issues is critical for providing better service to America’s small businesses, creating jobs, and maximizing the Federal Government’s investments in communities.

THE OPPORTUNITY

The various Federal small business lending and Government contracting programs represent ideal candidates for consolidation, given the overlap in their mission and delivery method. Centralizing these programs would provide an opportunity to assess and streamline participation requirements such as eligibility criteria, application processes, and reporting. It would also help to ensure consistency in the application of small business certification criteria and reciprocal recognition across Federal agencies. Furthermore, it would optimize the value of the Federal Government’s small business programs by achieving long-term cost efficiencies through centralized operations and oversight functions. Streamlining these programs and making them less burdensome would ultimately enable America’s entrepreneurs to invest more of their time and hard-earned profits in operating and growing their businesses.
WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

This consolidation will improve services to three major stakeholders: 1) business owners seeking financing or contracting certifications; 2) the lenders that service Government guaranteed loans; and 3) the Federal agencies that contract with certified small businesses. It would help strengthen and streamline SBA's operations across two of its primary program areas: 1) capital access; and 2) Government contracting support.

Capital Access

Financing is a key component of starting, operating, and expanding a business. However, access to capital continues to be a hurdle for many entrepreneurs. Small business owners often do not have the same access to credit as larger businesses that can more readily take on a traditional loan from a bank. New entrepreneurs may not have a credit score that can guarantee them a loan, especially on a new or innovative product. Entrepreneurs in emerging markets are more likely to be denied credit and often rely on personal savings or credit cards to sustain their business. Furthermore, access to capital can be especially problematic for groups historically underrepresented in traditional commercial lending. The Federal Government helps mitigate these market failures through programs designed to offer creditworthy businesses the ability to obtain financing.

Through its Office of Capital Access, SBA fills gaps in the commercial lending market and ensures that small businesses are well positioned to access credit. It supports strategies that focus on providing reasonable credit terms and access to credit for minority-owned, women-owned, and veteran-owned small businesses and entrepreneurs. Where appropriate, other small business loan and loan guarantee programs would be folded into the SBA's Office of Capital Access. SBA’s existing expertise in providing capital access to small businesses makes it the best agency to oversee this combined lending portfolio. In addition to streamlining assistance, this proposal would create the opportunity for more comprehensive and cost-effective program oversight and Federal credit risk management, including loan and lender monitoring, predictive risk assessments and mitigation activities, real time reporting, and enforcement activities.

Government Contracting Support

The Federal Government is the largest procurer of good and services in the world, spending hundreds of billions of dollars annually and averaging nearly $60 billion in contracts to certified small businesses each year. Contracting with the U.S. Government presents a large opportunity for small businesses, and the Congress has recognized its importance by establishing a minimum Federal contracts set-aside of 23 percent for small businesses. In addition, as a subset of this overall small business goal, the Government strives to award no less than 5 percent of contracts to small disadvantaged businesses and women-owned small businesses, and 3 percent to service-disabled veteran-owned small businesses and those in HUBZone locations. These purchasing decisions result in high-impact investments that help grow small businesses and stimulate local economies.

Duplicative programs that support small business contracting would be consolidated into the SBA's Office of Government Contracting and Business Development. In the event that any overlapping programs require industry-specific economic expertise, these programs would remain at their respective agencies, and the SBA would retain its duplicative authority. This proposal would create a “one-stop shop” within SBA for all Federal contracting certifications for both the participating small businesses and the Federal agencies seeking to meet their contracting requirements. This would result in reciprocal recognition of small business contracting certifications across all Federal agencies and make consistent standards and processes for eligibility and participation across programs targeting similar constituencies.
The SBA currently provides expertise in this area, serving in an oversight role to ensure that the Government’s contracting goals are achieved each year. It also reports on Federal efforts to stimulate technological innovation and commercialization through small businesses, and provides unique services like the surety bond guarantee to support contractors who need bonds to access contracting markets.
Consolidation of Certain Protective Details
U.S. Marshals Service

Summary of Proposal: This proposal would consolidate protective details at certain civilian Executive Branch agencies under the U.S. Marshals Service (USMS) in order to more effectively and efficiently monitor, assess, and respond to potential threats. Threat assessments would be conducted by the USMS with support from the U.S. Secret Service (USSS). Determinations as to whether protection would be provided and its size and scope would be made by the USMS in consultation with affected agency heads.

THE CHALLENGE

The protective details of Government officials, including cabinet officials and some sub-cabinet officials, vary widely in size, scope, budget, training, and statutory authorization. To provide more effective and necessary security overall, this proposal would authorize USMS to manage protective details involving specified civilian Executive Branch agencies. Threat assessments would be conducted by the USMS with support from USSS and affected agencies upon request by the USMS. This proposal would not affect law enforcement or military agencies with explicit statutory authority to protect Executive Branch officials, including the Departments of Justice, State, Homeland Security, and Defense, USSS, or other non-civilian agencies. Instead, it would focus on standardizing protective details at civilian Executive Branch agencies that currently derive protection from a USMS deputy or other source, and assure that a uniform criteria-based determination of threat level and security need is centrally made.

THE OPPORTUNITY

The USMS currently provides the protection of judicial and designated Federal Government officials by providing Deputy U.S. Marshals (DUSM) to serve in a protective capacity, and assists in the protection of other officials by deputizing Government employees of other agencies to perform this function. Currently, the USMS provides Deputy U.S. Marshals for the Secretary of Education and the Deputy Attorney General’s protective details. In addition, the agency deputizes Government employees of the Departments of Labor, Energy, Commerce, Veterans Affairs, Agriculture, Transportation, Housing and Urban Development, the Interior, and the Environmental Protection Agency to assist in the protection of their cabinet- and sub-cabinet officials. While the USMS requires certain baseline training and law enforcement requirements in order to approve a deputation, individuals serving on protective details vary in background, training, and experience. Furthermore, these agencies have full autonomy in determining the size and scope of their details’ activities, which vary based on a perceived threat and willingness to pay for protective services rather than the detection or assessment of existing threats.

The USMS currently exercises threat assessment responsibility for all matters related to members of the judiciary, court family, and other designated protections through its Office of Protective Intelligence. The USSS currently exercises expertise in threat assessments through its National Threat Assessment Center (NTAC). NTAC provides guidance on threat assessment and training, both within the USSS and to law enforcement, public safety, and academic partners. Specifically, the Presidential Threat Protection Act of 2009 authorizes the NTAC to provide consultation on complex threat assessment cases or plans, provide training in the area of threat assessments, and implement programs to promote the standardization of
Federal threat assessments, among other activities. The USSS is therefore well-positioned to support the USMS on best practices in protection and threat assessment, as needed. Based on these resources, a centralized analysis can be performed to determine the necessity for and extent of any protective detail.

Consolidation of resources related to certain protective details under one agency would leverage expertise of Government agencies trained in protective missions and threat analysis, ensure more efficient use of Government resources, and provide designated Government officials with appropriate protection tailored to their individual circumstances.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

Under this proposal, the USMS would be granted authority over designated protective details and provide its own personnel for the purposes of threat assessment and protection. Determinations as to whether protection would be provided and its size and scope would be made by the USMS, as delegated by the Attorney General in consultation with affected agency heads. The number of Deputy U.S. Marshals provided for any approved protection of an official would vary based on the individual’s threat assessment and risk. This proposal would be phased in as necessary in order to avoid disruptive impacts to both USMS and protected officials. The Administration will consult with the Congress regarding any need for additional legislative authority. Further, the Office of Management and Budget will coordinate with the Department of Justice and affected agencies on budgetary implications and necessary implementation guidance.

Consolidation of certain protective details under USMS offers Government-wide benefits including, but not limited to:

Standardization of Protective Service Levels

Consolidating resources and authority for certain protective details under the purview of the USMS would standardize those protective details Government-wide. USMS would work with USSS as necessary to determine threat levels for covered Federal officials in a consistent manner across all agencies. Protectees would benefit from standard, high-quality training, as well as the USMS’ ability to set priorities and broader strategy across the force, an advantage over the current decentralized model. Operational de-confliction and coordinated processes would be easier and more efficient with fewer agencies providing protection for designated cabinet and sub-cabinet officials. Additionally, while the USMS requires general law enforcement training in order to approve a deputation, agency employees serving on protective details vary in background, capabilities, and experience. Providing USMS would ensure that every protectee has access to well-trained Federal law enforcement officials with appropriate experience and oversight.

New Efficiencies

Rather than employing separate protective details with separate resources and authorities, the USMS would professionalize and standardize this mission across multiple Executive Branch agencies.
Small Grants Consolidation
U.S. Agency for International Development, Inter-American Foundation,
and U.S. African Development Foundation

Summary of Proposal: The President’s Budget proposes to consolidate the small grants functions, expertise, and grantmaking from the Inter-American Foundation (IAF) and U.S. African Development Foundation (ADF) into the U.S. Agency for International Development (USAID) beginning in Fiscal Year (FY) 2019. The consolidation would be a significant step to reduce the proliferation of Federal international affairs agencies that are operating today, while also elevating community-led, “local works” small grants as a development and diplomacy tool for the U.S. Government.

THE CHALLENGE

As a development and diplomacy tool, small grants allow the U.S. Government to engage directly with local organizations in poor and remote communities to support lives and livelihoods and build goodwill among local populations, often within foreign policy priority countries that the United States seeks to stabilize and/or assist in their journey to self-reliance. At present, multiple U.S. Government agencies provide small grants assistance, however, each faces unique challenges in doing so. Authorizations for carrying out small grants work are also long outdated or provided in annual appropriations only.

As the U.S. Government’s lead development agency, USAID has experience in implementing small grants in political transitions, but its efforts to do so in long-term development contexts are more nascent, and often more labor-intensive per assistance dollar than traditional aid mechanisms. Meanwhile, IAF and ADF face the fixed overhead costs associated with running small independent agencies, which continue to comprise a significant share of their overall budgets, even as they have managed to keep variable costs per grant low.

THE OPPORTUNITY

This proposal would support the USAID Redesign’s goal of helping countries on their journey to self-reliance, while also furthering the core mission of the foundations to support livelihoods in poor and remote communities across Latin America, the Caribbean, and Sub-Saharan Africa, leading to an aligned and enhanced approach to small grants for the U.S. Government. It would consolidate IAF and ADF’s deep expertise, relationships, and functions into USAID, thereby enhancing USAID’s capabilities while also reducing the duplication and overhead costs associated with having three agencies carry out small grants work. The proposal would better align the two foundations with U.S. foreign policy objectives and global development programs, while elevating community-led, “local works” small grants as a development and diplomacy tool and allowing for the sharing of best practices across USAID.
WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

This proposal is consistent with the Center for Global Development’s report entitled A Practical Vision for U.S. Development Reform (2017), which advised re-visiting the role of the foundations, in light of their overlap in mission and function with USAID. The Center advised considering the transfer of the certain elements of the foundations’ operating models into USAID, “potentially including outside advisory boards and flexible tools for grant-making to local civil society groups in developing countries.” The Congress has long recognized the value in small grants as an assistance-delivery mechanism, from establishing IAF and ADF in the late 1960s and early 1970s, respectively, to introducing a directive in annual appropriations over the past decade to enhance USAID’s capabilities in this area. This proposal would enable USAID to better achieve the intent of that directive.

Through the consolidation, USAID would capitalize on the existing expertise, capacity, relationships, and tools that ADF and IAF provide, including their regional and market segment emphases, in order to reinforce the U.S. Government’s bilateral development efforts. In return, USAID would offer these programs a platform that would better integrate them with the Agency’s existing global development programs, more cohesively serve U.S. foreign policy objectives, and increase organizational efficiencies through reducing duplication and overhead. The consolidation would also serve to elevate community-led, “local works” small grants as a development and diplomacy tool for the U.S. Government, and it would allow for the sharing and integrating of best practices across USAID through the proposed Development, Democracy, and Innovation Bureau. As part of the proposal, IAF and ADF would begin to wind down as independent foundations in FY 2019, and would transfer their grants and select programmatic staff to USAID.

In support of this consolidation proposal, the FY 2019 Budget requests a total of $55 million, across the following accounts:

- $40 million in State/USAID’s Economic Support and Development Fund to support IAF and ADF’s grantmaking via USAID, beginning in FY 2019 (with $20 million per region);
- $7 million in USAID’s Operating Expenses account, to support the absorption of select programmatic staff from IAF and ADF in FY 2019; and
- $8 million for one-time costs to support the foundations’ orderly closeouts in FY 2019, in ADF’s ($5 million) and IAF’s ($3 million) direct appropriations.

In recognition of the foundations’ regional expertise, the FY 2019 Budget proposes merging IAF’s grants and select personnel into USAID’s Latin America and Caribbean Bureau, and ADF’s grants and select personnel into USAID’s Africa Bureau. The work previously performed by the foundations would be initially programmed out of stand-alone offices within the regional Bureaus, but would be further integrated into the regional Bureaus over time. Overseas, IAF and ADF’s work would be fully integrated with USAID Missions. Certain cross-cutting functions (such as the monitoring and evaluation of small grants) would be housed centrally at USAID within the proposed Development, Democracy, and Innovation Bureau, so that such technical expertise and best practices could be leveraged for other regions and the Agency as a whole.

The proposal would also entail establishing a subcommittee under USAID’s Advisory Committee on Voluntary Foreign Aid for IAF and ADF’s former boards to remain involved with the foundations’ work going forward and to advise the Administrator on small grant activities generally, and on the smooth transition of the foundations’ functions.
Transition to Electronic Government

National Archives and Records Administration (with the Department of Homeland Security and Social Security Administration)

Summary of Proposal: This proposal would transition Federal agencies’ business processes and recordkeeping to a fully electronic environment, and end the National Archives and Records Administration’s (NARA) acceptance of paper records by December 31, 2022. This would improve agencies’ efficiency, effectiveness, and responsiveness to citizens by converting paper-based processes to electronic workflows, expanding online services, and enhancing management of Government records, data, and information.

THE CHALLENGE

Federal agencies collectively spend billions of dollars on paper and paper-based records management practices. Even after decades of effort, far too many Federal Government services are still primarily paper-based. This forces NARA and Federal agencies to devote resources to actively processing, moving, and later maintaining large volumes of paper records (requiring facilities, staff, and support contracts), even as electronic communication and systems have dramatically increased the volume of information agencies must manage. To date, efforts to address this issue have been inconsistent and ineffective across agencies.

The Federal Government must confront this challenge by taking a comprehensive, lifecycle approach to records management. On the front end, it must cease paper processes to the extent possible, which will enable more efficient and effective delivery of services. Then, on the back end, it must support streamlined and secure electronic records management. These actions will facilitate citizen services and benefit the taxpayer by creating efficiencies and preserving public access to Federal records.

THE OPPORTUNITY

As agencies implement electronic processes in place of paper, it will be easier for the public to connect with the Federal Government, and apply for and receive services, improving customer satisfaction. Electronic records will reduce processing times and decrease the probability of lost or missing information. For example, the Department of Homeland Security’s (DHS) U.S. Citizenship and Immigration Services (USCIS) currently ships most immigration applications among multiple facilities, such as lockbox and pre-processing centers, prior to adjudication, which is both costly and time consuming.

Electronic records will greatly improve agencies’ ability to provide public access to Federal records, promoting transparency and accountability. Over the long term, this also will reduce agencies’ records management and storage costs and streamline the records management process, freeing resources for other high priority activities. This will also allow agencies to provide more timely and accurate assistance to their customers.
WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

The Federal Records Act (FRA) authorizes NARA to issue Government-wide guidance to agencies on how to preserve their records and directs NARA to maintain a permanent archive of Government records that will be preserved indefinitely. NARA policies and regulations cover the entire lifecycle of records, from creation to use to storage or disposal. This proposal would use these authorities to drive agencies to reassess and modernize their paper-based processes Government-wide.

Currently, NARA holds more than 5 million cubic feet (equivalent to 12.5 billion pages) of archival records, and anticipates that an additional 3 million cubic feet of permanent records will be transferred by Fiscal Year (FY) 2030. Additionally, NARA’s Federal Records Centers Program stores over 28 million cubic feet of Federal Government records on a temporary basis for other Federal agencies, costing agencies approximately $200 million annually in payments to NARA. Agencies also acquire records management and storage services from commercial providers. At the same time, agencies are trying to manage a surge in their electronic records. NARA managed archival electronic records equivalent to 12 billion pages in 2005, which grew to 34 billion in 2017.

However, the continuing need to support paper-based processes diverts resources away from investments in a modernized electronic records management system. Without focused attention to this challenge, NARA and agencies will face inadequate electronic records systems and protocols, leading to higher costs and lost records, as well as deficient practices and services for paper records.

This proposal would transition Federal agencies’ business processes and recordkeeping to a fully electronic environment, and end NARA’s acceptance of paper records by December 31, 2022. Establishing a deadline by which NARA will no longer accept paper records will force agencies to direct attention and resources to this issue in a way that has not occurred previously. To ensure this necessary transformation away from paper-based processes would occur across all of the Executive Branch, NARA will coordinate with Federal agencies to develop and provide the guidance, technical assistance, and services they will need to implement this proposal. The General Services Administration would play a supporting role by connecting agencies with commercial digitization services available in the private sector. This will allow agencies to more efficiently procure needed services, helping expedite the electronic records process.

U.S. Citizenship and Immigration Services Efforts to Expand Electronic Records

Even as the Administration moves toward electronic records management across the entire Federal Government, some individual agencies have already started to take critical steps toward this goal. For example, the USCIS National Records Center has centralized millions of paper records into a single facility, dramatically improving the integrity of USCIS’ recordkeeping and cutting the time spent on file retrieval—a vital component of application processing—from weeks and even months to only a few days.

USCIS already offers electronic filing capability for a replacement green card (I-90) and application for naturalization (N-400). It also plans to achieve end-to-end digital processing for all of the immigration benefits it adjudicates by the end of 2020. This will include the ingestion of all applications and evidence through adjudication, decision making, and communication with applicants. USCIS will create digital immigration records at the point of receipt that serve as the official record throughout the immigration
lifecycle. This will increase efficiency and reduce risk to the immigration system. To further eliminate paper, USCIS is moving to a fully automated Freedom of Information Act processing system. A subset of this electronic capability will be released to the public in summer 2015, and full deployment is scheduled to be complete by the end of 2015. Requesters will be able to file requests and receive responses online. These efforts also build on other important work USCIS has already done that uses electronic records to improve applicant services and increase efficiency, such as with its E-Verify system which electronically compares information from an employee’s Form I-9, Employment Eligibility Verification, to data from DHS and the Social Security Administration to confirm employment eligibility.

Social Security Administration Efforts to Expand Electronic Records

The Social Security Administration (SSA) also is reducing paper processes, relying on an expanding suite of automated and online options to conduct business with the public. In FY 2017, the public conducted over 155 million transactions via the SSA website, rather than through paper forms. SSA expects the number of successfully completed transactions in FYs 2018 and 2019 to increase by 36 million each year over the prior year. Additionally, SSA estimates that in FY 2019 about 50 percent of those submitting SSA retirement forms, or about three million people, will use SSA’s online services to complete their forms; this used to be a wholly paper-based, in-person transaction.
Customer Experience (CX) Improvement Capability

**Government-wide**

**Summary of Proposal:** This proposal would transform the way Americans interact with the Federal Government by providing a modern, streamlined, and customer-centric experience for citizens, businesses, and other customers, comparable to leading private-sector organizations. The Office of Management and Budget (OMB) will provide leadership and establish a Government-wide capability to partner with Federal agencies to identify key customer groups (e.g., farmers, veterans), map their journeys from end-to-end and across agencies and programs, and improve their experience across delivery channels and organizational silos. This will be done in partnership with the U.S. Digital Service and the General Services Administration (GSA) Technology Transformation Service with contributions from specific involved agencies. This capability will also serve as a central resource to better manage organizational change and ensure reform proposals achieve mission, service, and stewardship objectives.

**THE CHALLENGE**

Americans expect well-designed, efficient Government services that are generally comparable in quality to that of leading private-sector organizations. Unfortunately, customer satisfaction with Federal services lags behind every other industry, as measured by the American Customer Satisfaction Index (ACSI), causing frustration for customers and higher costs for the Federal Government. While many agencies are taking action to improve their services, customer experience can lag when customer needs and journeys cross organizational silos. Whereas Government agencies execute their missions based on their specific authorities and responsibilities, customers tend to experience Government across stovepipes. For example, while the Federal Government strives to support small business growth and competitiveness, duplicative and inconsistent programs spread across five different Federal agencies have sometimes created confusion and extra work for the small businesses they mean to serve.

As individual agencies make investments—particularly information technology investments—maturing the capability to improve customer experience across agency silos will help the Government meet 21st-Century needs and expectations. At the same line, improving customer focus can lead to greater efficiency and effectiveness in agency operations. This will require technical expertise, enhanced business processes, management support, and new Government authorities to create cross-agency, Government-wide solutions.

**THE OPPORTUNITY**

Establishing a Government-wide customer experience improvement capability would support existing agency efforts and create new Government-wide approaches to improve the way the public interacts with the Federal Government. In partnership with agencies, this new function would identify key Federal customers (e.g., veterans, students, farmers, retirees), map their journeys as they interact with Federal agencies, and work to streamline these interactions across delivery channels and organizational silos. It would work with Federal
organizations that control resources and services and convene partner agencies and programs to harmonize business processes with a more holistic customer-centric model. In many cases, Federal agencies already devote considerable resources to customer experience, and these existing efforts will benefit from more end-to-end visibility into customer needs and access to broader perspectives and tool sets. Further, this capability will support the U.S. Digital Service (USDS) and other information technology modernization efforts by evaluating how Federal services are delivered and identifying priority opportunities to leverage technology to make service delivery more customer-centric and efficient. Not only has this approach been proven to improve services in the private sector, but it also offers opportunities to reduce overlap and fragmentation and reduce costs.

**WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO**

The application of these tools and approaches has been proven in the private sector. Leading practice in the private sector now trends to having an individual Customer Experience Officer reporting directly to the CEO, supported by teams that both advocate for customer needs at an enterprise level as well as embed practices into individual business units across the organization. These CX organizations have developed a clear set of standards, tools, and capabilities—such as the use of personas and customer journey maps—and have demonstrated their utility across diverse organizations and industries.

Applying these tools and capabilities to the Government has also been proven to work. Through USDS and GSA’s Office of EIT, the Government has recruited top-tier talent in information technology and business process re-engineering. These individuals are helping the agencies that serve customers incorporate user-centered design into plans to modernize digital services—and demonstrating those investments yield a high return. For example, for many years small businesses owners have been extremely frustrated by slow, bureaucratic, paper-based processes at the Small Business Administration (SBA) that were not responsive to their needs. Due to the USDS team at the SBA, small businesses can now apply for Government Contracting Programs online in about an hour instead of days. They can also secure key information on locating their business by using a mapping application that updates in near real-time.

Further, individual agencies have developed enterprise-level customer experience capabilities that are delivering direct results to citizens, such as the Journeys of Veterans Map, which has become the centerpiece of the Department of Veterans Affairs’ (VA) success in presenting one face to veterans. For example, veterans have historically had a frustrating experience navigating over 1,000 VA phone numbers and more than 1,270 VA contact centers across its many lines of business. To address this challenge, the VA is now in the process of integrating backend data systems and providing veterans a single front door. It estimates that these efforts will produce a cost avoidance of approximately $2 billion dollars over five years while also improving veterans’ experiences.

This proposal envisions building on these individual efforts by adding the capability to tackle customer experience challenges throughout the Government. To get started, this capability and relevant agencies will conduct research to identify the most significant opportunities for customer-centric change, develop customer journey maps which cross organizational silos, and then develop action plans to execute service improvements. As needed, agencies would partner with USDS and GSA’s Technology Transformation Service to enhance their digital services. One particular area of focus would likely be the creation of user-focused Digital Front Doors—rebuilding Government web properties to focus less on Government structure and more on user experience. For example, Farmers.gov, designed by the U.S. Department of Agriculture, delivers the information, tools, and first-hand advice built around the needs of the people who produce our food, fiber, flora, and fuel.
This capability will also serve as a central resource to better manage organizational change. Managing process improvements across organizations is complex, especially given the legal structures, size, and cultures of Federal agencies. It will partner with agency leadership to support interagency change management, including project planning, convening interagency meetings and facilitating collaboration, and sharing best practices on change management.
Next Generation Federal Student Aid Processing & Servicing Environment
Department of Education

Summary of Proposal: The Next Generation (Next Gen) Financial Services Environment that will benefit Federal Student Aid’s (FSA) customers and save taxpayer millions of dollars, will create an improved, world-class customer experience for FSA’s more than 42 million customers, while creating a more agile and streamlined operating model. FSA’s initial focus will be on modernizing capabilities related to the Free Application for Federal Student Aid (FAFSA®) form and the servicing and repayment of customer loans, with additional work to come to improve the experience throughout the student aid life cycle.

THE CHALLENGE
FSA helps provide educational opportunity for more than 42 million students pursuing higher education. It manages one of the largest consumer loan portfolios in the country, rivaling those of major financial institutions. FSA’s customers deserve a world-class experience, but they do not consistently receive one today. Currently, customers interface with multiple brands and vendors throughout the student aid life cycle, creating a disjointed experience. Further, customers want additional capabilities and functionalities to enable them to make more informed decisions and make their loan experience easier and more accessible. The current student loan servicing environment is a major barrier to FSA’s ability to provide outstanding service to borrowers and taxpayers.

THE OPPORTUNITY
The Department of Education is pursuing a new approach to FSA processing and servicing with a modernized, innovative, and integrated architecture that will benefit FSA’s customers and save taxpayers millions of dollars. The Next Gen Financial Services Environment will create an improved, world-class customer experience for FSA’s more than 42 million customers, while creating a more agile and streamlined operating model.

WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO
The Next Generation Processing and Servicing Environment is being designed to meet customer expectations, improve how customers consume services and utilize different technology and media platforms, and further enhance borrower protections. The new system requires the separation of database hosting, system processing, and customer account servicing so that cost efficiencies can be achieved and current state-of-the-art technologies can be deployed and evolve in the future. Through this market research, FSA has refined its strategy to implement the Next Generation Processing and Servicing Environment.
Based on this research and discussions with a broad range of internal and external experts in student loan finance and information technology services, the Department has developed a plan for a Next Generation Financial Services Environment that will leverage best-in-business technology to improve customer experience and outcomes and drive savings for taxpayers by reducing FSA administrative costs. The key to this transformation will be a comprehensive, Department of Education-branded customer engagement layer that will create an environment through which the Department’s customers will receive clear, consistent information and readily accessible self-service options at every stage of the student aid lifecycle. FSA will emphasize a mobile-first, mobile-complete strategy — enabling and encouraging customers to fulfill all their needs on mobile devices — complemented by web, phone, chat, and in-person capabilities.

This engagement layer will foster a life-long relationship with customers, from before they apply for aid as high school students through when they plan for their children and grandchildren’s education. It will transform FSA into a trusted source of information and greatly simplify the process of helping customers choose the best options to help them manage their student debt. In addition, the creation of standardized systems, processes, and procedures—combined with the inclusion of clear performance expectations tied wherever possible to explicit contract incentives and disincentives—is expected to simplify oversight of vendor performance and better ensure compliance with consumer protection and customer service standards.

The Next Generation Financial Services Environment would provide customers a seamless, world-class experience with FSA from application through repayment, a mobile-first, mobile-complete experience that allows customers to seamlessly interact with FSA to make informed decisions about their educational experience, and improved back-end technology and operations, to allow FSA to innovate how it interacts with customers and the types of products and services it can offer.

FSA plans to leverage the latest in middleware, processing, data storage, and security to create a more efficient, cost-effective, and secure technical infrastructure. While Federal student loans are uniquely complex, the Department believes that leveraging modern commercial engagement and technical capabilities is likely to reduce FSA’s operating costs over the long-term, once the solution is fully implemented.

FSA has issued and will continue to issue solicitations focused on account processing and loan servicing in 2018. Significant customer-facing milestones will be realized throughout 2019. The Department plans to have significant elements of the Next Generation Financial Services Environment in place prior to the expiration of the current servicing contracts in 2019.
Solving the Federal Cybersecurity Workforce Shortage

Department of Homeland Security and the Office of Management and Budget

Summary of Proposal: The Federal Government struggles to recruit and retain cybersecurity professionals due to a shortage of talent along with growing demand for these employees across the public and private sectors. The Department of Homeland Security (DHS) and the Office of Management and Budget (OMB), working in coordination with all Federal departments and agencies, will establish a unified cyber workforce capability across the civilian enterprise. This Administration will work towards a standardized approach to Federal cybersecurity personnel, ensuring government-wide visibility into talent gaps, as well as unified solutions to fill those gaps in a timely and prioritized manner.

THE CHALLENGE

The Federal Government struggles to recruit and retain cybersecurity professionals due to a shortage of, and growing demand for, cybersecurity talent across the public and private sectors. The workforce shortage compounds the Government’s challenges in responding to a constantly evolving threat environment and achieving its many IT-dependent missions.

In the past, each Federal department and agency was responsible for addressing its own cybersecurity workforce gaps independently, which has led to disaggregated and redundant Federal programs. As a result, the government lacks a comprehensive, risk-derived understanding of which cybersecurity skillsets the Federal enterprise needs to develop and which positions are most critical to fill.

Moreover, the manner in which departments and agencies recruit, hire, train, retain, and compensate cybersecurity personnel varies by agency. This uneven approach has created internal competition for talent, which in turn creates disparities and discontinuities that degrade agencies’ ability to defend networks from malicious actors and respond to cyber incidents. A unified approach to attracting and retaining cybersecurity talent within the Federal Government would better support the Government’s cybersecurity enterprise.

Finally, there have not been continuous, strategic investments made in U.S. education programs to strengthen a pipeline for future cybersecurity talent. The abundance of redundant Federal programs focused on strengthening cybersecurity education illustrates how the Government’s role building the cybersecurity talent pipeline remains ill-defined.

THE OPPORTUNITY

This Administration can strengthen Federal cybersecurity and improve agencies’ ability to carry out their missions by identifying and closing workforce gaps in the near term, and can ensure long-term viability by building the cybersecurity talent pipeline.
WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

To improve recruitment and retention of highly qualified cybersecurity professionals to the Federal Government, this Administration will develop a standardized approach to identifying, hiring, developing, and retaining a talented cybersecurity workforce in a timely and prioritized manner.

In the near term, this Administration will prioritize and accelerate on-going efforts to reform the way that the Federal Government recruits, evaluates, selects, pays, and places cyber talent across the enterprise.

Taking Stock of the Current Cybersecurity Workforce and Identifying Gaps

Human Capital personnel from across the Executive Branch are currently working with the Office of Personnel Management (OPM) to categorize the Federal cybersecurity workforce, using the National Initiative for Cybersecurity Education (NICE) Framework, as required by the Cybersecurity Workforce Assessment Act of 2015. By Fall 2018, the Federal Government will have cataloged the entire cybersecurity workforce to better understand our current set of knowledge, skills, abilities, and identify any gaps; this catalog will give us Government-wide insight into where our most pressing needs are, and, for the first time, enable the development of an enterprise-wide approach to the recruitment, placement, and training of cybersecurity talent.

Using the NICE Framework analysis, the Federal Government will be able to determine which workforce gaps are most critical to address the current cybersecurity threat landscape. DHS, as the lead agency for the protection of Federal IT networks, is best positioned to drive this prioritization with Federal agencies and OMB. By the first quarter of Fiscal Year (FY) 2019, all CFO Act agencies, in coordination with DHS and OMB, will develop a list of critical vacancies across their organizations. By the end of FY 2019, all CFO and non-CFO Act agencies will have a prioritized list of critical vacancies. OMB and DHS will analyze these lists and work with OPM to develop a whole-of-government approach to identifying or recruiting new employees or reassigning existing employees in FY 2019.

Developing Innovative Recruitment, Retention, and Mobility Strategies

As agencies prioritize their cyber workforce needs, they will likely need to adopt innovative hiring techniques to ensure the best and brightest cyber talent can seamlessly enter the Federal Government. To address this challenge, the Department of Homeland Security received authority, through the 2014 Border Patrol Pay Reform Act, to modernize the traditional personnel system. With this new authority, DHS is working to create a new Federal hiring system called the Cyber Talent Management System (CTMS), exempting DHS from many of the requirements and restrictions in existing law under Title 5 for hiring and compensation of cybersecurity professionals. With an agile and innovative personnel system, DHS will be better equipped to compete for cyber talent with the private sector—speeding up the hiring process, attracting talent from non-traditional educational backgrounds, using innovative tools to assess applicants, and offering more flexible performance-based compensation. DHS will also be able to align prospective cybersecurity talent to the most pressing cybersecurity needs and will allow these technical professionals to accelerate their careers as rapidly as their aptitudes allow. In order to implement CTMS, by the first quarter of FY 2019 OMB, through its Office of Information and Regulatory Affairs (OIRA), will work with DHS to promulgate the necessary regulatory notices. By the end of FY 2019, DHS will work
with OMB and all Federal agencies to measure the performance of CTMS and determine how to expand the system so that all departments and agencies can leverage it to address their personnel gaps.

One of the main hindrances to a seamless entry into the Federal Government is the security clearance process. The success of this initiative partly hinges on the success of the Government’s security clearance reform initiative, as discussed in a separate Executive Branch reorganization proposal in this Volume. In addition to the Government-wide security clearance solution, OMB, DHS, and OPM will work with agencies to review workforce characteristics to rationalize security clearance requirements in order to expedite the vetting and onboarding process.

The NICE Framework Federal workforce assessment is expected to confirm what has been known for some time: that cybersecurity employees’ skills and competencies vary across the Government. OMB will consult with DHS to standardize training for cybersecurity employees, and will work to develop an enterprise-wide training process for Government cybersecurity employees.

As part of creating a modern hiring and compensation system that rewards cyber expertise, the Executive Branch should also evaluate opportunities to make cybersecurity positions more mobile than traditional Government jobs. Flexibilities that allow workers to easily move from one position to another, or from one agency to another, would appeal to cyber talent in the agile and fast-paced cybersecurity industry. This mobility is also useful during a major cybersecurity incident, allowing agencies to surge capacity for incident response activities. OMB, in coordination with departments and agencies, will develop a work plan to implement this initiative by the end of FY 2018. Departments and agencies will begin to exercise these authorities by the end of FY 2019.

As an alternative or supplement to surge capacity, a mobile workforce will allow agencies to surge capacity for incident response activities. OMB, DHS, and DOD will evaluate what workforce gaps might exist that would be needed during a major Federal cybersecurity incident to determine the requirements for a Federal cybersecurity reservist program. As part of this analysis, OMB, DHS, and DOD will evaluate the existing authorities of Federal agencies to rapidly mobilize talent, including those of the U.S. Digital Service, which recruits talent from the private sector. These organizations will also evaluate the feasibility of extending a reservist program to support non-Federal major cybersecurity incidents within the United States, such as those affecting critical infrastructure. These programs will be coordinated with existing cyber services, including those in the National Guard.

Reskilling Employees to Fill High-Value Cybersecurity Roles

In addition to hiring new cybersecurity talent, the Government must look for opportunities to maximize the potential of its existing workforce. This includes efforts to reskill employees whose skills have become less relevant due to automation. OMB, DHS, and OPM will build aptitude and skills assessments to identify and select current Government staff who can be reskilled to fill critically-needed cybersecurity jobs. By reskilling the current workforce, agencies will be able to quickly shift its workforce into the highest-priority vacancy gaps. OMB and DHS will establish a job reskilling work plan by the first quarter of FY 2019. OMB and DHS will then update the CIO Council on a quarterly basis on the implementation of the reskilling work plan.
Building a Pipeline of Cybersecurity Talent

While solving the immediate needs of the Federal workforce is a major challenge, the Administration will also work to educate America’s youth to build an enduring cybersecurity talent pipeline. As part of the FY 2020 Budget development process, OMB will evaluate options to rationalize the size and scope of current Federal cybersecurity education programs, including the National Science Foundation (NSF)’s CyberCorps, the Scholarship for Service program; the National Security Agency (NSA)/DHS Centers for Academic Excellence program; NSF and NSA’s GenCyber Program; the Department of Labor’s apprenticeship program; DHS’s Cybersecurity Education and Training Assistance Program; the U.S. Army Cyber Center of Excellence; and the U.S. Navy Information Operations Command program, among others.

While the cybersecurity workforce shortage has been a known challenge for Federal agencies, no other Administration has taken a whole-of-Government approach to fixing it. OMB and DHS look forward to solving this major challenge through smart analysis and creative solutions.
The GEAR Center

Summary of Proposal: This proposal would establish a public-private partnership to help the Government respond to innovative technologies, business practices, and research findings that present opportunities to improve mission delivery, services to citizens, and stewardship of public resources. The Government Effectiveness Advanced Research (GEAR) Center would be a non-governmental public-private partnership that would engage researchers, academics, non-profits, and private industry from disciplines ranging from behavioral economics, to computer science, to design thinking to use creative, data-driven, and interdisciplinary approaches to re-imagine and realize new possibilities in how citizens and Government interact.

THE CHALLENGE

Most Federal Government entities and programs were designed many decades ago, while still others have their organizational roots aligned to the missions of the 19th Century. Their designers could not have anticipated how technology and society would evolve or how the mission demands on the Federal Government would evolve in the 21st Century. Government has also been slower than the private sector to adapt operations to new realities. The bottom line is that the Government has fallen behind the curve, with reported decreases in trust in and lower customer satisfaction. The inability to keep pace with the private sector on adoption of technology has likely contributed to these failures to meet expectations as well as inefficient use of resources. This proposal makes progress toward a future vision of a more efficient and effective Government that provides a level of service that citizens deserve.

Although disparate research is available in the public and private sector, there is little work directed toward providing a forward-looking view on how the operating entities of Executive Branch should evolve management practices for the 21st Century. The Executive Branch currently lacks the capability to work with State and local governments, businesses, and institutions of higher education to assess the long-term strategic needs of the Government enterprise, and to “test and learn” how to apply innovative approaches to meeting the mission, service and stewardship needs of the 21st Century. This capability is needed to effectively apply theory to practice in a low-risk environment.

THE OPPORTUNITY

The GEAR Center would be a public-private partnership bringing together experts from disciplines ranging from behavioral economics, to computer science, to design thinking, in order to take a creative, data-driven, and interdisciplinary approach to imagining and realizing new possibilities in how citizens and Government interact.

WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

To establish the GEAR Center, the General Services Administration (GSA) could, for example, issue a new Challenge under the America COMPETES Act, and as a parallel effort, issue a Request for Information (not leading to a traditional contract but to get more information on the art of the possible) to maximize input from the public, universities, and industry to show transparency while promoting innovation from the largest group possible.

New "Challenges" under the America COMPETES Act provide agencies with the authority to conduct prize competitions to spur innovation, solve tough problems, and advance their core mission. Prize competitions under this new statute may be funded jointly by more than one agency and by private sector. These challenges can be monetary or non-monetary, and they allow for multiple phases of engagements, ideations, and competitions. The America COMPETES Act authority offers a flexible and fast method to obtain input from a wide swath of the public, including industry, non-profits, universities, and other entities.

Based on the results of the Challenge, the GEAR Center could be established at a university, think tank, other prominent research institution as a public-private partnership to inform critical areas for programs and services to meet the needs of the American public. The GEAR Center would call upon researchers, academics, non-profits, and private industry to help test hypotheses, rapidly prototype new strategies and models, and help the Government anticipate and respond to changes in technology with implications for service to citizens and Government mission.

The Center would provide the Federal Government with the opportunity to not only catch up to where the private sector services and capabilities are today, but to lay the groundwork for where Government operations and services need to be in five, 10, or 20 years or more by bringing together researchers, academics, non-profits, and private industry to inform leaders in the Federal Government of the future delivery models for programs and services that meet the needs of the American public. This Center will enable the testing of hypotheses and shape future direction in order to help the Government anticipate and respond to changes in technology and society with implications for how the Government can better serve its citizens. For example, the GEAR Center could examine the impacts to Government that are likely to occur due to broader economic forces (e.g., self-driving cars, automation), improving service in programs that rate the worst in terms of public feedback (e.g., immigration system, farmers), and exploring strategies to leverage Big Data and manage data as an asset across Government silos.

Developing this capacity supports innovation as an engine to transform the public’s experience with Government. Researchers will validate and/or develop improved ways to serve the needs and desires of the customers of Government services, and rethink the experience of Government-public interactions.

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3 The America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science Act of 2007 or America COMPETES Act was signed by President George W. Bush and became law on August 9, 2007. This was an Act “To Invest in Innovation through research and development, and to improve the competitiveness of the United States.” On January 4, 2011, President Barack Obama signed into law the America COMPETES Reauthorization Act of 2010.
Further, the GEAR Center would provide capacity to explore questions concerning how Government can best harness technological advances to address evolving challenges concerning citizen interactions with the Government, Federal workforce skill/reskilling requirements, the leveraging of Big Data, and collaboration with the private sector via grant making, procurement and public-private partnerships. In addition, it would explore opportunities to better integrate public and private sector innovative fee for service and co-investment models to ensure that infrastructure for the digital age receives appropriate investments and attention.
Transfer of Background Investigations from the Office of Personnel Management to the Department of Defense

U.S. Office of Personnel Management and Department of Defense

Summary of Proposal: That the National Background Investigations Bureau (NBIB), currently under the Office of Personnel Management (OPM), be transferred to the Department of Defense (DOD).

THE CHALLENGE

The placement and performance of background investigations for the Executive Branch has been an evolving and open issue for years.

- In October 2016, the National Background Investigations Bureau (NBIB) was established to succeed the Office of Personnel Management's (OPM) Federal Investigative Services (FIS). The NBIB absorbed the FIS's background investigation capabilities, inventory, and operational challenges, and began the conduct of background investigations for 95 percent of Executive Branch agencies.
- In August 2017, an implementation plan was provided to Congress for DOD to conduct background investigations for DOD personnel, pursuant to the National Defense Authorization Act (NDAA) for Fiscal Year 2017 (P.L. 114-328).
- In December 2017, the NDAA for Fiscal Year 2018 (H.R. 253) of P.L. 115-91) was enacted into law, legislating a phased transfer of DOD background investigations conducted by NBIB from NBIB to DOD.

The pending transfer of DOD investigations from NBIB comprises 70 percent of NBIB’s background investigation volume and raises questions with Government-wide implications regarding the remaining 30 percent. With no easy or obvious answers regarding the placement of the 30 percent, the Security, Suitability, and Credentialing Performance Accountability Council (PAC) principal agencies (OPM, DOD, the Office of Management and Budget, and the Office of the Director of National Intelligence) initiated an interagency review to determine a path forward.

THE OPPORTUNITY

This proposal would transfer the NBIB background investigation program, currently under OPM, to DOD. The transfer provides the opportunity to achieve an efficient, effective, fiscally viable, and secure operation that meets all agencies' needs. It avoids a variety of potential problems inherent in splitting the existing program into two pieces, and provides the means to achieve bold, transformative reform in the manner in which background investigations are conducted. The opportunity exists to improve timeliness, strengthen management of sensitive information and ensure a more trusted workforce.
WHAT WE'RE PROPOSING AND WHY IT'S THE RIGHT THING TO DO

The Administration recognizes that background investigations are critical to enabling national security missions and ensuring public trust in the workforce across the Government. The congressionally mandated transfer of 10 percent of NIBBI's background investigation caseload has significant implications for the conduct of background investigations Government-wide. Additionally, the mandate comes at a time when significant challenges in security, suitability, and credentialing processing continue to adversely affect Government operations. The background investigation inventory has risen to approximately 725,000; the average Top Secret background investigation takes four times longer than the target completion date, and costs have risen more than 40 percent since Fiscal Year 2014. This is an unsustainable way to do business.

Now is the time for bold, transformational change in how we vet our workforce. To that end, the Administration has concluded that to achieve an efficient, effective, fiscally viable, and secure operation that meets the needs of the Executive Branch, it is necessary for the background investigation program to remain consolidated through a complete transfer of NIBBI to DOD. Given the urgency and complexity of the issue, the Administration believes this transfer is the right thing to do because:

- **Consolidation retains “economies of scale”**. Keeping the program together prevents unnecessary duplication of functions (e.g., headquarters, back office, etc.), removes operational complexity, and provides increased opportunities for centralization and specialization that will increase continuous process improvement benefits.

- **Residing within DOD facilitates better leveraging of DOD’s existing enterprise capabilities**. DOD already provides capabilities to the enterprise by servicing industrial security clearances for 31 agencies through the National Industrial Security Program, and manages adjudications for four agencies through the DOD Consolidated Adjudications Facility. DOD already has strong, established research and training programs under the Personnel and Security Research Center and Center for Development of Security Excellence, is developing continuous evaluation capabilities that will benefit non-DOD agencies, and has a global footprint that is well-suited to the increased need for international contact and employment investigations. Drawing on significant national security, IT, and cybersecurity expertise, DOD is also responsible for designing, building, securing, and operating a suite of end-to-end vetting shared services to be made available to all Executive Branch agencies.

- **Truly bold and transformational reforms are more achievable through consolidation**. Despite improvements, the Federal government’s vetting policies, processes, and tools, have failed to keep pace with emerging technological capabilities and opportunities to continuously identify, assess, and integrate key sources of information. Reform initiatives chartered by the Security and Suitability/Credentialing Executive Agents are underway to revamp the fundamental approach and supporting policy framework, overhaul the business process, and modernize the information technology architecture. Implementation of these reforms across a single, consolidated provider can best serve the sustainment of a trusted workforce for the Nation.
The Administration will take the requisite executive actions to ensure the background investigation program remains consolidated within DOD. Transition planning and implementation over the next several years will be critical to success and will involve interagency cooperation and coordination. The PAC will provide oversight of that transition, and will continue to be accountable for ongoing reform of the broader Executive Branch vetting program, including background investigations. The existing Security Executive Agent (the Director of National Intelligence) and Suitability and Credentialing Executive Agent (the Director of OPM) will continue to fulfill their respective policy and oversight roles for the security, suitability, and credentialing enterprise.
Strengthening Federal Evaluation

Government-wide

Summary of Proposal: Bringing evidence to bear in decision-making is a critical component of good government. However, there are large gaps and inconsistencies across Federal agencies in their ability to formally evaluate their programs. These reforms would expand upon existing capabilities and push agencies to adopt stronger practices that would generate more evidence about what works and what needs improvement in order to inform mission-critical decisions and policies.

THE CHALLENGE

Decisions about how best to allocate taxpayer dollars and improve government services involve a complex set of factors, including political priorities, resistance to change, and the availability of credible evidence. In many policy domains, however, we lack key information on program effectiveness that could help the Congress and the President make better decisions. Program evaluation is a valuable tool that can help us learn what works in order to focus limited funding on effective programs, discontinue programs that fall short of desired results, and identify ways to improve continually funded programs. For example, a decade of rigorous evaluations of the Maternal, Infant, and Early Childhood Home Visiting Program demonstrated positive impacts and future savings that warranted scaling up the program. In contrast, Project A.R.E.E., a substance abuse prevention program for adolescents, lost all Federal funding following several high-quality evaluations that determined the program was ineffective and in some cases had negative effects.

These examples illustrate how absent program evaluation, we would not know whether what we think works, does in fact work. Yet, building evaluation into program design so that we can learn and improve is currently the exception rather than the rule, and there are no formal Government-wide incentives, expectations, or guidance to Federal agencies regarding program evaluation. We must increase the capacity of Federal agencies to conduct evaluation and fill a critical gap in the Federal government’s ability to generate evidence about what works and how we can improve programs. This will lead to more and better information that the Congress and the President can use to make decisions about how to best spend taxpayer dollars and provide services for our citizens.

THE OPPORTUNITY

Passage of the Foreign Aid Transparency and Accountability Act of 2015 set an important precedent that our Nation must have expectations for monitoring and evaluating foreign assistance programs. OMB’s guidance for these programs (see M39-04) was a first step, but there is much more that can be done across Government. We must set standards for evaluation across all program activities and agencies so that Federal agencies, OMB, the Congress, and taxpayers have critical information about the effectiveness of Government programs and policies, which will lead to improved services, increased efficiencies, and a greater return on investment.
WHAT WE’RE PROPOSING AND WHY IT’S THE RIGHT THING TO DO

The Congress is increasingly compelling agencies to focus funding on evidence-based programs that we know work. Executing this vision requires evaluation to answer essential questions regarding program effectiveness and cost-efficiency that cannot be answered through performance measurement, statistics, or data analytics alone. Unlike Federal statistical and performance functions, there is currently no formal Federal system or underlying infrastructure to support evaluation. As a result, there are many programs and policies across the Government for which we have no evidence on program effectiveness, thus making evidence-based policymaking difficult.

If we expect agencies to test innovative strategies and execute effective programs, we must enhance Federal agencies’ ability to conduct program evaluation and other evidence-building activities. The bipartisan Commission on Evidence-Based Policymaking’s recommendations and subsequent draft legislation would further these goals. However, many of the necessary improvements can be accomplished administratively. Doing so will require a change in Federal agencies’ cultures and standard operating procedures so that program evaluation is integrated into program design, and evaluation experts are part of decision-making processes.

We must strengthen the role of program evaluation and better understand how we are investing in evaluation across the government. At minimum, OMB intends to ask Federal agencies to:

- **Designate a senior official responsible for coordinating the agency’s evaluation activities, learning agenda, and information reported to OMB on evidence.** This official must have expertise and experience in program evaluation, which is a different skill set than performance, statistics, and other agency functions. One approach that has worked well in some agencies is to create a centralized independent evaluation office and designate a senior career official to lead this office who is given lead responsibility for evaluation at the agency. Other agencies have multiple sophisticated evaluation offices serving different components.

- **Document the resources dedicated to program evaluation.** If taxpayers, the Congress, or the Administration were to ask how much is currently spent on program evaluation, we would not be able to state an amount nor easily calculate a reasonable estimate. Absent this information, we cannot know where our investments in evaluation are adequate and where we are under- or over-investing.

We must also strengthen the Government’s ability to build and use a portfolio of evidence, including results from program evaluations, to inform decision-making. To do this, OMB will provide direction and set expectations that encourage agencies to:

- **Strengthen the quality of the information provided to OMB on evidence-building activities, including program evaluation, as part of the annual budget process.** Currently, agency submissions vary greatly in quality and completeness. If improved, however, they could be a useful way for OMB to understand agencies’ current and planned evidence-building activities, the evidence base behind key priorities, and evidence gaps that should be addressed. By designating a senior official at agencies with relevant experience responsible for this submission, OMB expects the quality and breadth of submitted information will improve and better inform the budget and policymaking processes.
- Establish and utilize multi-year learning agendas. Learning agendas are a powerful tool that allow Federal agencies to strategically plan, evaluation and other evidence-building activities over a multi-year period. The structured agenda-setting process requires coordination within an agency to identify priority research questions and knowledge gaps. Learning agendas should be informed by key stakeholders and the public, and the resulting documents should be made available to the public to promote transparency and accountability. The studies, evaluations, and other learning that results from these agendas should be shared within the agency and with other stakeholders, OMB, the Congress, and the public in order to facilitate policy and program improvement.

A broad consensus has emerged regarding the importance of evaluation as a key part of evidence-based policymaking. We acknowledge the potential risk that establishing a more formal structure for Federal evaluation could introduce administrative rigidity and complexity in ways that may detract from innovation in the small number of agencies already excelling in this area. During implementation, however, we could mitigate this risk by allowing appropriate flexibility, recognizing the unique circumstances and capacities of various agencies, and soliciting input from stakeholders both inside and outside of the Federal Government.
“Let President Trump reorganize the
government like a business.”

– Michelle
Delaware
APPENDIX: AGENCY-SPECIFIC REFORM PROPOSALS
DEPARTMENT OF AGRICULTURE

Reorganizing the Agricultural Marketing Service

As part of the U.S. Department of Agriculture’s USDA internal reorganization effort, the Office of Science Restructuring is evaluating several proposals to merge and consolidate field and headquarters activities to improve efficiency and reduce costs. Potential options for consideration include: merging geographically associated site offices, reorganizing the Service Centers, reallocating safety and technical resources, streamlining the Office of Science organizations, and reducing staff and/or administrative support costs.

REALIGNING USDA’S MISSION AREAS

The USDA has been realigning and consolidating certain offices into more logical organizational reporting structures. The realignment has included the creation of an Under Secretary for Trade and Foreign Agricultural Affairs, an Assistant to the Secretary for Rural Development, and an Under Secretary for Farm Production and Conservation. Additionally, USDA is merging the Center for Nutrition Policy and Promotion (CNPP) into the Food and Nutrition Service (FNS). These efforts will improve service delivery by providing a simplified one-stop shop for USDA’s farmer and rancher customers, advance agricultural trade, and address the needs of Rural America.

DEPARTMENT OF ENERGY

Streamline Environmental Management

This effort will convert the Environmental Management (EM) organizational structure to streamline the management process. EM will specifically review supervision-to-worker ratios, skill gaps, and cost reduction measures such as consolidating facilities and reducing administrative support. This proposal focuses on completion of the EM clean-up mission in an efficient and cost-effective manner.

Consolidate International Staff Under Office of International Affairs

The Department is consolidating international affairs offices from DOE’s applied energy programs into the headquarters Office of International Affairs. This effort centralizes staff and resources with technical expertise and foreign policy knowledge to advise and carry out the Department’s international engagement efforts.

Office of Science Restructuring

The Office of Science Restructuring is evaluating several proposals to merge and consolidate field and headquarters activities to improve efficiency and reduce costs. Potential options for consideration include: merging geographically associated site offices, reorganizing the Service Centers, reallocating safety and technical resources, streamlining the Office of Science organizations, and reducing staff and/or administrative support costs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Optimize National Institutes Health (NIH)

The NIH’s administrative functions to ensure operations are effective and efficient. This initiative represents the largest change management initiative in the history of NIH, and will align management with best practices and break down administrative silos through standardization of structures and processes across the wide.

Consolidate Health Research Programs into National Institutes of Health (NIH)

Integrate the research of three programs into NIH – the Agency for Healthcare Research and Quality (AHRQ), the National Institutes for Occupational Safety and Health (NIOSH), and the National Institute on Disability, Independent Living, and Rehabilitation Research (NIC/VHRP) – to improve research coordination and outcomes. These entities would be initially established as three NIH Institutes, the National Institute for Research on Safety and Quality, the National Institute for Occupational Safety and Health, and the National Institute for Disability, Independent Living, and Rehabilitation Research. NIH will assess the feasibility of integrating health services research activities more fully into existing NIH Institutes and Centers over time.

Reorganize the Strategic National Stockpile (SNS) to the Assistant Secretary for Preparedness and Response (ASPR)

The SNS is a strategic national stockpile of essential medical supplies and equipment necessary to enable the rapid delivery of medical supplies and equipment to response partners. This organization is intended to enhance enterprise effectiveness by more fully integrating the Stockpile with DHS’s other preparedness and response capabilities.

DEPARTMENT OF HOMELAND SECURITY

DHS Air & Maritime Programs

This proposal would identify efficiencies and cost savings by streamlining the existing processes for planning, acquisition, and deployment of transportation security programs, including the Transportation Security Administration’s Technology Investment Program (TIP) and the Air and Maritime Transport Infrastructure (AAMI) Program. This proposal would also identify efficiencies and cost savings by reducing the number of security programs and reducing the number of security programs and reducing the number of security programs.
Coordinated Operations, Planning & Intelligence

This proposal will evaluate how DHS headquarters and components will produce information and intelligence that is comprehensive, current, coordinated, operationally-focused and analytically-defensible, and increase the effectiveness of coordinated operational plans and policies. DHS’s Office of Intelligence and Analysis, the Office of Strategy, Policy and Plans, and Office of Operations Coordination will explore areas such as analysis over lay, duplication and/or fragmentation, joint and integrated strategies and operations, common operating picture (COP) and alert warning, and operations centers overlay, duplication and/or fragmentation.

National Bio and Agro-Defense Facility (NBAF) Transfer from DHS to USDA

This FY 2019 Budget proposal would transfer operational responsibility for the National Bio and Agro-Defense Facility (NBAF) from DHS’s Science and Technology Directorate (S&T) to USDA’s Agricultural Research Service (ARS) in FY 2019. DHS would finish the construction and commissioning of the laboratory facility, while USDA would operate the facility in the future.

Organizing Headquarters Functions

This proposal would identify how DHS headquarters can more effectively align Business Support and Mission Support functions to support Homeland Security mission delivery by enabling: (1) strategic governance, oversight, policy-making, and internal and external coordination; and (2) strengthening service and delivery of the business support and mission support functions to the Department. In tandem, the DHS Management Directorate is advancing agency-wide initiatives such as field efficiencies, modernizing financial systems and processes, and SOC consolidation.

Reform Rental Assistance

HUD is seeking legislative reforms to decades-old rent policies that are confusing and costly, and often fail to support HUD-assisted individuals in increasing their earnings. HUD’s Making Affordable Housing Work Act would offer public housing authorities (PHA’s), property owners, and HUD-assisted families a simpler and more transparent set of rent structures to reduce administrative burden, incentivize work, and place HUD’s rental assistance programs on a more fiscal-sustainable path.

Consolidate Headquarters Offices

HUD spends approximately $11.8 million per year on four leases within walking distance of its main headquarters at the Robert C. Weaver Federal building. HUD is in the process of consolidating these satellite offices into the Weaver building, reducing its real property footprint and annual leasing costs.

Modernizing IT, HR Operations, and Data Analytics

The State Department seeks to advance information technology (IT) modernization, including allowing real-time collaboration; strengthening workforce readiness and performance management; and improving enterprise-wide data availability. This will involve enhancing data analytics to better inform decisions and investing in and implementing cloud technologies to allow employees to work more easily from any location, improve cyber security, streamline work processes, and consolidate duplicative systems. Cloud implementation has been underway since the end of 2017. By the end of March 2018, the department had already migrated 16.6 percent of user mailboxes to cloud-based e-mail. This effort will also seek to improve connectivity between the State and United States Agency for International Development (USAID) IT platforms, thus ensuring increased collaboration and information access to improve effectiveness and efficiency.

Leadership Development and Training

The State Department seeks to enhance leadership training and development opportunities. To this end, the Foreign Service Institute is working to modernize and expand formal leadership training for all levels of the workforce and is implementing a program of mid-level leadership projects. The Leadership Advisory Board is revising the Department’s Leadership and Management Principles and promoting leadership development activities more broadly.

Special Envoys

The State Department is identifying and assigning special representatives as needed to advance the interests of the United States by pursuing specific objectives and in other areas where the expertise and availability of a special representative would be beneficial. These envoys will be designated to advance the interests of the United States in areas where the expertise and availability of a special representative would be particularly beneficial.

Enhance Global Presence and Policy Processes

The State Department seeks to improve oversight of the U.S. Government’s global presence under Chief of Mission authority, including enhanced interagency coordination to foster increased collaboration and oversight. The goal is to ensure the most efficient allocation of personnel consistent with U.S. interests around the world. State and USAID will work together to advance targeted reforms in this area, where changes are mutually reinforcing and can be effectively synchronized to maximize benefits as appropriate.

Enhance Operational Efficiencies

The State Department is examining ways to enhance human resources service delivery in order to simplify processes and reduce wasted time. Enhancements will also strengthen real property management both domestically and overseas, and achieve efficiencies in our acquisition process to improve service delivery. State and USAID will work together to advance targeted reforms in this area, where changes are mutually reinforcing and can be effectively synchronized to maximize benefits as appropriate.
DEPARTMENT OF THE INTERIOR

Aligning DOI Regions Across Bureaus
This Department of the Interior (DOI) seeks to establish common regional boundaries for its bureaus and offices to provide better coordination across the department, focus resources in the field, and ultimately improve mission delivery. Currently, each DOI bureau manages its responsibilities using regional structures that follow different geographical boundaries. This inconsistency slows coordination between DOI business units and offices, other Federal agencies, and the American public that DOI serves.

Improving Efficiency through Shared Services
DOI is working to collocate bureau offices wherever possible and to emphasize the use of shared administrative support services across its organizational units. This will drive more effective use of resources and ensure employees within each region and at the local level receive adequate support. Better utilization of the Interior Business Center (IBC) and DOI’s consolidated Financial and Business Management System (FBMS) will also further these objectives.

DEPARTMENT OF THE TREASURY

Consolidate Alcohol and Tobacco Enforcement at Treasury
The FY 2019 Budget proposes to transfer all alcohol and tobacco responsibilities from the Department of Justice’s Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) to Treasury’s Alcohol and Tobacco Tax and Trade Bureau (TTB). This transfer would leverage TTB’s resources and expertise relating to the alcohol and tobacco industries and allow ATF to continue to focus on its firearms and explosives mandates, enabling both agencies to more efficiently and effectively carry out their core missions of protecting the public.

DEPARTMENT OF TRANSPORTATION

Shared Services
The Department of Transportation (DOT) is taking a comprehensive look at implementing a shared services model for acquisitions, human resources, information technology, and motor vehicle pools across the Department. DOT is also working to consolidate office space and leases.

OST Streamlining
DOT is committed to rightsizing the Office of the Secretary (OST), which plays a critical role in overseeing DOT’s Operating Administrations (OAs). To further support the OAs, offices and positions will be consolidated in areas such as research and development.

Workforce Development
DOT workforce development grants will be transferred to the new Department of Education and the Workforce to centralize workforce development policy and to deliver more efficient and effective outcomes.

DEPARTMENT OF VETERANS AFFAIRS

Electronic Health Record Modernization
This will transition the Department of Veterans Affairs (VA) to a new Electronic Health Records (EHR) system allowing for interoperability between the Department of Defense (DOD) and VA, and other community providers. The new system will permit efficient exchange of patient health information as military servicemembers transition from DOD to VA healthcare, and will enhance the coordination of care for veterans. Having a veteran’s complete and accurate health information in a single common EHR system is critical to that care, and to patient safety. The new EHR system will enable VA to easily adopt improvements in health information technology and cybersecurity, which VA’s current system is unable to do.

Community Care
To ensure veterans get the right care, at the right time, with the right provider, the Trump Administration and VA have worked closely with the Congress and Veteran Service Organizations (VSOs) to create legislation to merge all of VA’s community care efforts, including the Choice Program, into a single, streamlined Federal program. The new community care program will improve veterans’ experiences and healthcare outcomes and transform VA into a high-performing and integrated 21st Century healthcare system for more than 9 million veteran enrollees.

Appeals Modernization
VA is undertaking an initiative to replace its current claims appeals process, adopted after World War II, which is slow, complex, and confusing for veterans to navigate. In an effort to advance veterans’ experience, VA is accelerating implementation of a new system under which veterans have the option to submit appeals using one of three lenses based on their unique circumstances.

Financial Management Business Transformation
This ambitious effort will transform VA’s financial management business processes and systems using an integrated approach. A modern integrated financial management and acquisition solution will enhance transparency, data accuracy, and improve fiscal accountability across the department, and will provide opportunities to improve the care and services provided to veterans.

Legacy IT Systems Modernization
Many of the 120 legacy information technology systems that VA relies on to administer and deliver veterans benefits are no longer supportable, and do not meet security compliance standards or support new, more efficient business processes. In addition, the inability of these systems to interface with one another results in severe redundancies which, in turn, results in inefficiencies and impairs the department’s customer service to veterans. Collectively, modernizing legacy IT systems will streamline benefit delivery and appeals processing, ensure compliance with new security and accessibility standards, and expand veteran self-service capabilities while also promoting greater transparency.

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REFORM PLAN AND REORGANIZATION RECOMMENDATIONS
Tailoring State Oversight

The Environmental Protection Agency (EPA) will reallocate resources devoted to oversight of state-delegated programs, including the role of EPA National Programs and Regions, and their respective levels of effort. EPA will recognize States as the primary implementers and enforcement authorities where States have assumed delegation of Federal environmental programs. With input from the Environmental Council of the States (ECOS) and the States, EPA will streamline, reduce, and tailor its oversight activities to focus on national consistency and technical assistance to States as needed.

Examining EPA Field Presence

After streamlining and tailoring State oversight activities, EPA will assess the best locations from which to provide key functions and services to customers. Some functions may be performed more effectively with enhanced proximity to customers, while others may be more efficient, but equally effective, if consolidated. EPA will assess owned space vs. leasing space for field operations.

Improving Management of EPA Laboratories

EPA will review the current laboratory enterprise in an effort to operate EPA labs in a more strategic, corporate, and efficient manner. This project starts with the identification and implementation of an enterprise-wide framework to create a more agile work environment and manage lab capabilities and capacity to meet the scientific demands associated with achieving the Agency’s mission more efficiently and effectively.

Federal Motor Vehicle Fleet Management

The Federal Government operates more than 440,000 motor vehicles, including cars, trucks, buses, and other specialty vehicles. The cost of operating motor vehicles can vary widely among Federal agencies. The President’s Management Agenda initiative on improving mission support services includes consolidating Federal fleet management. This will reduce taxpayer costs and introduce efficiencies into Federal fleet management. To achieve these objectives, the General Services Administration will conduct studies of agency fleets to identify recommendations on improving fleet management. The study will include analysis of operational, maintenance, and inventory data to assess whether centrally leasing and managing motor vehicles is more cost-effective than separate agency ownership and management of vehicles. GSA studies will also identify opportunities for reducing the overall size of the Federal fleet through car sharing or other such shared activities.

Introduce Two Convergence Accelerators to Support Interdisciplinary Research

The National Science Foundation (NSF) will introduce two “Convergence Accelerators” that will facilitate the agency’s funding of interdisciplinary research. The Accelerators will focus on “Harnessing the Data Revolution” and the “Future of Work at the Human-Technology Frontier.” Staff, budget, and resources for the Accelerators will be realigned from the current directorates and offices. Accelerator directors will be part of the NSF scientific leadership team. With separate staff, budget, and resources, the Accelerators will be NSF’s primary units for conceiving, funding, and managing NSF-wide interdisciplinary activities in these areas.

Implement a 21st Century Approach to Federal Employee Records and Data Management

The Office of Personnel Management (OPM) seeks to establish a secure Electronic Digital Record (EDR), with as close to live updates as technologically feasible. By creating a permanent EDR, OPM can drive a data collection strategy that, among other things, collects employee data once and uses it many times across the employee lifecycle. This will reduce redundancy, inefficient and inaccurate reporting, costly vendor management, and incomplete data that creates challenges in applying modern business processes to core HR functions.

Merge the Office of New Reactors (NRO) and the Office of Nuclear Reactor Regulation (NRR)

The Nuclear Regulatory Commission (NRC) recognizes that a merger of NRO and NRR will provide flexibility and improved agility to manage uncertainties associated with the workloads in both the new and operating reactor business lines. As part of the merger of NRO and NRR, the NRC will conduct an assessment of technical review functions to identify efficiencies and eliminate redundancies.
Implement Metrics and Quality
The proposal would implement quality and quality metrics for employees across SSA. This change will provide several significant benefits, including: improving productivity and accuracy; ensuring that employees are fully engaged in work and can learn from feedback about their work; ensuring efficient and effective use of taxpayer dollars; and helping managers better address both outstanding and poor performance.

Implement Standard Office Design
SSA is improving facility design to meet business requirements and reduce design and build costs for offices while at the same time evaluating the security of these offices.

Additional Footprint Reduction
SSA continues to find ways to increase real property efficiency and reduce the size of its real property portfolio. SSA will continue to co-locate offices, consolidate space while merging components, and ensure space savings when implementing telework.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Journey to Self-Reliance
USAID will realign its strategies, policies, and programs to more thoughtfully, strategically, and purposefully assist developing countries in becoming more self-reliant. USAID will reorient its relationship with partner countries by more clearly defining expectations up front, giving more clarity and focus to the objectives of assistance, and establishing tangible and meaningful goals to which partner countries can aspire.

Advance National Security
This USAID effort includes three components: operating more effectively in non-permissive environments; preventing violent extremism; and improving coordination with DoD.

Empower People to Lead
USAID seeks a human capital system that leverages and supports employees, enables a high return on investment, and supports workforce mobility and agility. This effort includes: management of human capital, workforce flexibility and mobility; knowledge management; streamlining coordinators; reviewing HR functions; and creating a culture of accountability and learning.

Respecting the Taxpayer’s Investments
USAID will maximize how each and every dollar of the taxpayer’s money is spent by developing systems and processes that allow for structuring USAID’s presence domestically and abroad in the most efficient way possible.
“Reform is necessary to create more efficient and effective government.”

— Neil Olmstead
Reorganization and Modernization Plan for the Department of Energy

Office of the Secretary
Rick Perry
Secretary
Don Brouillette
Deputy Secretary

Office of the Under Secretary for Nuclear Security and National Nuclear Security Administration
Under Secretary for Nuclear Security

Office of the Under Secretary for Science
Under Secretary for Science

Office of the Under Secretary of Energy
Under Secretary

Chief of Staff

Federal Energy Regulatory Commission
Inspector General

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*Proposed for the elimination of AES-40 and the incorporation of reports and into the new Office of Energy Innovation.
* Proposed for the elimination of reports and into the new Office of Energy Innovation. Draft
United States Department of the Interior
OFFICE OF THE SECRETARY
Washington, DC 20240

SEP 1 0 2018

The Honorable Lisa Murkowski
Chairman, Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Chairman Murkowski:

Enclosed are responses to questions received following the appearance of Susan Combs, Senior Advisor to Secretary Zinke, before your Committee at the July 19, 2018, hearing on the Secretary’s efforts to modernize the Department of the Interior.

Thank you for providing the Department with the opportunity to respond to these questions.

Sincerely,

[Signature]
Legislative Counsel
Office of Congressional and Legislative Affairs

Enclosure

cc: The Honorable Maria Cantwell
Ranking Member
Senate Energy and Natural Resources Committee
Hearing on Agency Reorganization
July 19, 2018

Questions from Ranking Member Cantwell

Question 1: The Army Corps of Engineers Civil Works program operates and maintains about 700 dams nationwide. These dams simultaneously serve multiple purposes, including navigation, flood control, water supply, hydroelectric power generation, fish and wildlife conservation, and recreation.

The President’s reform plan recommends splitting up these functions and transferring navigation functions to the Department of Transportation and flood control, hydropower, aquatic restoration, regulatory, and other functions to the Department of the Interior.

How would this work? How can a multipurpose dam’s functions be separated and given to different agencies? At Bonneville Dam, for example, will the navigation lock be given to the Department of Transportation and the powerhouses and spillway be given to the Department of the Interior? How will putting two agencies in charge of different functions of the same project “facilitate the consideration of projects on a basis of comprehensive and coordinated development” as called for by the Flood Control Act of 1944, which authorized the Corps to build and operate multipurpose dams?

Response: The goal of the Administration’s proposed realignment is to create efficiencies, increased certainty, and better alignment in federal program administration and policymaking. The more significant recommendations will require legislative action, and the Administration’s proposals serve as a foundation for constructive dialogue on the implementation of such a realignment. With regard to this particular reform, the Administration believes that aligning and consolidating the Corps of Engineers civil works mission areas into the Department and the Department of Transportation will increase consistency in policy and actions in both transportation and natural resource management; result in more rational public policy outcomes; enable the broadest possible view of transportation and land and water management infrastructure; and lead to improved decision-making for federal investments.

Question 2: Secretary Zinke is not the first person to call for standard, uniform regions. Nearly 50 years ago, in 1969, President Nixon ordered five agencies engaged in social or economic programs (the Department of Labor, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Office of Economic Opportunity, and the Small Business Administration) to adopt standard uniform boundaries and field office locations. He originally called for 8 standard federal regions for these regions, which a few months later he increased to 10 standard regions. The Office of Management and Budget thought that this was such a good idea that, in 1974, it issued Circular No. A-105, which directed all domestic federal departments and agencies to adopt the standard federal regions and field office locations. Secretary Morton directed the Department of the Interior to comply with the OMB directive. But in 1995, OMB decided that standard federal regions were not necessary after all and rescinded Circular No. A-105. It said that “changes in the way the Federal Government manages resources; agency efforts to reduce duplicative levels of management and oversight; and expanded use of
technology to interact with the public makes a strict regional structure inefficient and unnecessary."

What lessons were learned from the Department's experience with standard regions in the 1970s?

Please provide the Committee with electronic copies of:

1. All decision documents and supporting studies and reports relating to Secretary Morton's decision to adopt the standard federal regions for the Department of the Interior's bureaus, services, and offices.

2. Any decision documents and supporting studies and reports relating to any exemptions (e.g., the Bureau of Indian Affairs) from Secretary Morton's directive to adopt the standard federal regions.

3. All documents, studies, and reports relating to the efforts made by the Department's bureaus, services, and offices to comply with the directive to align their regions with the standard federal regions, including any estimates of the cost of the realignment.

4. All decision documents and supporting studies and reports relating to the decision to abandon use of the standard federal regions by the Department's bureaus, services, and offices following rescission of OMB Circular No. A-185.

Response: This Administration is moving to ensure that the federal government meets the needs of the 21st century. The government-wide effort to reform and reorganize the Executive Branch and Secretary Zinke's efforts to modernize the Department derive from the inability of today's federal government to provide the level of service and flexibility that the public expects. Today's federal government operates much like it did 50 years ago - with outdated infrastructure, organizational constructs, and processes - despite dramatic changes in technology.

Question 3: The Administration is proposing to merge NOAA Fisheries, also known as the National Marine Fisheries Service, which is part of NOAA in the Commerce Department, with the Fish and Wildlife Service in the Department of the Interior in order to "consolidate the administration of the Endangered Species Act and Marine Mammal Protection Act in one agency...." Important as those functions are, they are not the sole purpose of NOAA Fisheries.

NOAA Fisheries is responsible for managing our multi-billion commercial fisheries as well as protecting endangered marine species.

Merging the commercial marine fisheries program with the Fish and Wildlife Service is not a new idea. It has been done before, by Franklin Roosevelt in 1939. But in 1976, in view of the increasing importance of our commercial marine fisheries, the Nixon Administration
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decided to merge the commercial fisheries program with other marine science and management programs in a single agency within NOAA. It was thought at the time that marine resource programs should be approached in a unified and coordinated way, and experience over the past 50 years has shown this to have been the correct decision.

What new evidence do you have that our commercial fisheries will be better managed if NOAA Fisheries is now merged under the Fish and Wildlife Service?

Response: The proposal contained in the Administration’s report Delivering Government Solutions in the 21st Century recommends that NMFS be returned to the Department and merged into the U.S. Fish and Wildlife Service in order to consolidate administration of the Endangered Species Act and the Marine Mammal Protection Act. This would result in more consistent federal fisheries and wildlife policy and improved services to stakeholders and the public, particularly with regard to infrastructure permitting.

The proposal also aligns with Secretary Zinke’s vision to take a more integrated interagency approach to natural resource management founded on science; reduce administrative redundancy and jurisdictional and organizational barriers that get in the way of making sound decisions informed by superior knowledge of local circumstances, make smarter use of resources; improve collaboration and coordination in government; and facilitate joint problem solving that is important and necessary to bring the Department into the 21st century. The hope is that the Administration’s plan serves as a foundation for constructive dialogue and we look forward to working with Congress to see these proposals implemented.

Question 4: I assume the Interior Department undertook a cost-benefit analysis before proposing to reorganize the Department into new regions. But I am not aware that any of this analysis has been made public.

- Has the Department completed a cost-benefit analysis on the proposed reorganization? If so, please provide the analysis and any other detailed justifications.
- What will be the total cost to reorganize the Department as the Secretary is proposing? How much do you project to save as a result of the reorganization?
- How many DOI employees will need to be relocated as a result of the reorganization? What will the total cost be to relocate employees? Will any employees be laid off? If so, how many?

Response: We have not, at this stage, conducted a cost-benefit analysis, but continue to gather information that will give us more detail on both the costs and the benefits of the plan. We are assessing the Department’s IT and procurements/acquisition functions, and are evaluating an internal study of the human resources management function. We expect that these efforts will provide us with additional information related to the costs and benefits of the Department’s modernization. While we may consider the use of Voluntary Early Retirement Authority and Voluntary Separation Incentive Payments, if authorized by OMB and the Office of Personnel
Management, the Department has no plans to implement any Reduction in Force related to the reorganization.

**Question 5:** In addition to the proposal to reorganize the Interior Department into new regions, I understand that Secretary Zinke has also proposed establishing new Interior Regional Directors that would oversee all bureaus, and be in addition to each bureau's existing regional management organization. However, the Department's written testimony didn't mention the proposal for the new Regional Directors.

Is the Secretary still proposing to add Interior Regional Directors as a new level of management for each of the new regions? If so, please provide details on how the new Regional Directors will interface with the existing management organization for the Department and each bureau.

**Response:** As the unified regional boundaries are put in place, the intention is that Interior Regional Directors (IRDs) will be in charge of managing shared services and facilitating coordination on projects involving multiple bureaus within a region. As part of their facilitation role, IRDs would assist when necessary to resolve conflicts among bureaus. Existing chains of command will stay the same and all other specific bureau management will stay in place.
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Questions from Sen. Wyden  

Question 1: As my colleagues mentioned during the hearing, this proposed reorganization appears to be a solution looking for a problem. During Secretary Zinke’s confirmation, I had cautioned him against spending valuable time and resources reorganizing. A reorganization such as what is proposed has the potential to end up with arbitrarily reassigned career staff. The Office of Inspector General has already taken issue with how senior managers were reassigned under Secretary Zinke’s leadership, indicating the administration did not gather the information needed to make informed decisions about the reassignments, nor did it consistently apply its stated justification.  

Please outline steps your agency will take to ensure transparency and retain existing subject matter experts and in-house experience should you pursue reorganization.  

Response: The implementation of these new Unified Regions will be a ground-up approach that will tap into the expertise and experience of the Department’s dedicated career civil servants. While the Department may consider the use of Voluntary Early Retirement Authority and Voluntary Separation Incentive Payments, if authorized by OMB and the Office of Personnel Management, we have no plans to implement any Reduction in Force related to the reorganization. No one will be forced to move.  

Question 2: Climate change is one of the biggest challenges of our generation. To assist with planning, response and recovery, I’d like to reemphasize the importance of programs such as the DOI’s Climate Science Centers. The Secretary currently oversees eight regional DOI Climate Science Centers, including an active center at Oregon State University.  

How will you ensure that this reorganization does not create an interruption to ongoing climate change research and education at these eight centers?  

Moreover, science is at the foundation of the DOI’s mission.  

What is the agency’s plan to ensure that the Department’s scientific integrity policies remain robust, reliable and at the forefront of the agency?  

Response: The new boundaries should have little impact on operations in the field. The goal of the reorganization is to create mechanisms within the Department to streamline communications and inter-bureau decision-making at the local level. Organizing the Department’s bureaus within common geographic areas will allow for more integrated and better coordinated decision making across bureaus and help streamline operations. Bureaus within a region will also be focusing on common issues, geographies, and landscapes, and thus taking a comprehensive approach instead of a bureau-centric approach from Washington, D.C.  

With regard to scientific integrity, Secretary Zinke and the senior staff at the Department have been clear in their strong support of and respect for scientific integrity and the work that our
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scientists carry out at the Department and that support and respect will not be affected by this modernization.

Question 3: The Department of the Interior has experience managing federal lands and natural resources in freshwater and terrestrial areas of the United States, and familiarity with habitat conservation for freshwater fish species. However, the agency has very little, if any, experience managing the nation's marine resources.

Please outline how DOI assuming control of an entire marine fisheries management agency – the National Marine Fisheries Service – will lead to more effective and efficient fisheries management that benefits coastal commercial and recreational fisheries?

Response: The Administration’s recommendation would move the National Marine Fisheries Service back into the Department and merge it into the U.S. Fish and Wildlife Service. This would result in more consistent federal fisheries and wildlife policy and improved services to stakeholders and the public, particularly with regard to infrastructure permitting.

Question 4: In May, the Status of U.S. Fisheries Report revealed the National Marine Fisheries Service’s continued progress in rebuilding fishery stocks. It found that the number of stocks on the “overfished list” is at an all-time low and stocks on the “overfishing list” remain near all-time lows.

If the DOI is to assume control of the National Marine Fisheries Service, what specific steps will be taken to ensure that the recent rebuilding efforts continue and the economic health of coastal commercial and recreational fisheries communities is also supported?

Response: As indicated in the June report the Administration’s proposals serve as a foundation for constructive dialogue on the implementation of such a realignment. However, the Administration believes that returning NMFS to the Department and merging it with the FWS would result in more consistent federal fisheries and wildlife policy and improved services to stakeholders and the public, particularly with regard to infrastructure permitting.

Question 5: During the hearing, Senators from both sides of the aisle raised concerns about tribal consultation. The process laid out focused on how you would neatly fit the tribes’ feedback into your reorganization and check the box. Government to government consultation is more than just sending a letter and checking the box.

Please outline the steps the DOI will take to ensure robust tribal consultation during any attempted reorganization.

Response: The Office of the Assistant Secretary – Indian Affairs carried out consultation sessions at various locations throughout this summer, and tribes have been asked for their input on the unified regional boundaries and whether Indian Country should opt in by making changes to the existing Indian Affairs regions. The Department will review the information that tribes provide to determine the appropriate level of involvement of Indian Affairs programs.
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Questions from Sen. Hirono

Question 1: The Department of the Interior benefits immensely from the service of dedicated career staff who care deeply about carrying out the missions of the agencies and have on-the-ground knowledge of program effectiveness. How many career staff at the Departments of Energy did you or the OMB consult in preparing the plan released last month, and how did you conduct the consultation?

Response: Following the issuance of Executive Order 13781 in March 2017, Secretary Zinke began his internal review of the Department of the Interior’s functions and structures. We defer to OMB and the Department of Energy with regard to the views of those agencies and the analysis and development of modernization plans for the Department of Energy. Overall, however, the proposals and recommendations in the Administration’s June report were informed by input from each agency and the public on the best path forward to reorganize governmental functions within each agency. The report itself, issued by the Office of Management and Budget, represents the Trump Administration’s collective analysis and recommendations from all departments and agencies for the structural realignment of the Executive Branch. We are continuing to seek feedback from employees, tribes and states.

Question 2: Which parts of the June 2018 plan affecting the Department of the Interior require legislative changes? Will you carry out the other parts of the plan even if Congress does not make the changes included in the plan?

Response: The more significant recommended changes in the June report, including consolidating and re-aligning certain civil works missions of the Army Corps of Engineers into the Department, will require legislative action. The hope is that the Administration’s proposals serve as a foundation for constructive dialogue. We look forward to working with Congress to refine and prioritize these proposals for implementation.

Question 3: Will the reorganization proposal change the number of federal employees in the Department of the Interior, and, if so, what change do you expect?

Response: The Administration’s realignment, announced in June, recommends bringing the National Marine Fisheries Service back into the Department and consolidating and re-aligning certain civil works missions of the Army Corps of Engineers into the Department. With regard to the Secretary’s modernization effort within the Department, while we may consider the use of voluntary Early Retirement Authority and Voluntary Separation Incentive Payments if authorized by OMB and the Office of Personnel Management, the Department has no plans to implement any Reduction in Force related to the reorganization.
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Questions from Sen. Alexander

Questions: I appreciate the Department of the Interior's efforts to improve efficiency and applaud efforts better align resources to be more responsive to states. In the current proposal to create twelve Unified Regions, the state of Tennessee would be in the North Atlantic-Appalachian region which does not include any other southern states. In nearly all of the current regional boundaries, the state of Tennessee is grouped with other southern states which has worked well. For example, Tennessee is in the Fish and Wildlife Service's Region 4 – the Southeastern region – and is in the National Park Service's Southeast Region – which has made it easier to coordinate. Also the Great Smoky Mountains National Park would be split between two different regions under the new Unified Regions proposal because North Carolina would be included the South Atlantic Gulf region and Tennessee would be in the North Atlantic-Appalachian region. As the Department looks to finalize the proposed regional boundaries for the twelve Unified Regions, I hope the Department will carefully consider whether Tennessee might need to be included in the South Atlantic Gulf region, which would keep responsibilities for the Great Smoky Mountains National Park within one region.

1. What are the benefits of including Tennessee in the same region as other southeastern states with similar climates, wildlife, and resources?

2. What are the benefits of having the Great Smoky Mountains National Park – the nation's most visited national park – included within one single region?

Response: The current map of the 12 unified regions includes Tennessee in the South Atlantic-Gulf region. Including Tennessee and other southeastern states with similar climates, wildlife, and resources within the same, unified region will allow for a stronger focus on ecosystem and watershed analysis with regard to that region. Organizing the Department's bureaus within common geographic areas will allow for more integrated and better coordinated decision making across bureaus and help streamline operations. Bureaus within a region will also be focusing on common issues, geographies, and landscapes, and thus taking a comprehensive approach instead of a bureau-centric approach. It will improve service delivery across the Department. For recreation, it will reduce complexity and empower decision-makers with a shared geographic frame of reference, making stakeholders' interactions with the Department easier and more accessible. For conservation, it will foster a collaborative approach, meaning more coordinated and timely management actions on our federal lands and resources. With regard to permitting, it will allow the same landscape, geography, and environmental factors to be taken into account.
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Questions from Sen. King

*Question 1:* Please supply before and after organizational charts of the Department of Interior that reflect the new changes that are intended for the Department.

*Response:* With regard to the Secretary's modernization of the Department, we are continuing to seek feedback from employees, tribes and states, on the potential for improved services and opportunities for modernization. At this stage there are no proposed organizational charts, but each bureau is currently constituted with its own chain of command and statutory authorities and that will not change with the adoption of common regions. A copy of the map of unified regional boundaries and other information can be found at: https://www.doi.gov/employees/reorg/unified-regional-boundaries.

*Question 2:* Why does the Interior Department feel that bringing the National Marine Fisheries Service into the US Fish and Wildlife Service is necessary?

*Response:* The proposal in the Administration’s report *Delivering Government Solutions in the 21st Century* recommends that NMFS be returned to the Department and merged into the U.S. Fish and Wildlife Service in order to consolidate administration of the Endangered Species Act and the Marine Mammal Protection Act. This would result in more consistent federal fisheries and wildlife policy and improved services to stakeholders and the public, particularly with regard to infrastructure permitting.

*Question 3:* In dollar amounts, what specific savings will result from a merger of the NMFS and USFWS?

*Response:* We have not conducted a cost-benefit analysis on the Administration’s proposal at this time. The hope is that the Administration’s plan serves as a foundation for constructive dialogue. We look forward to working with Congress to see these proposals implemented.

*Question 4:* What do the relevant officials and experts at the Department of Commerce have to say about the potential for the NMFS merging with USFWS?

*Question 5:* What is Secretary of Defense Mattis’ point of view on the proposed reorganization of the Army Corps of Engineers?

*Response to Questions 4 and 5:* While the Department defers to Secretary Ross and Secretary Mattis for their views on the Administration’s proposal, the recommendations in the June report were informed by input from each agency and the public on the best path forward to reorganize governmental functions within each agency. The report itself, issued by the Office of Management and Budget, represents the Trump Administration’s collective analysis and recommendations from all the Department and agencies for the structural realignment of the Executive Branch.
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Questions from Sen. Duckworth

**Question 1:** The U.S. Department of Interior (DOI) is responsible for managing more than 600 million acres of public land and provides a diverse set of services from resource protection to recreation management. However, within the next five years, 40 percent of DOI’s workforce will be eligible to retire and the Department may lose a staggering amount of institutional knowledge and subject matter expertise.

Rather than developing a comprehensive human capital plan, Secretary Zinke announced plans to eliminate 4,000 important jobs and attacked dedicated career civil servants by falsely claiming that a third of DOI’s workforce is “not loyal to the flag” – and offensive and unfounded accusation against hard-working Americans. I am concerned by Secretary Zinke’s contempt for our land management workforce.

As DOI continues to devote resources towards Secretary Zinke’s push to eliminate agency positions, please provide the cost-benefit analysis and economic impact analysis that DOI produced to justify its efforts to eliminate thousands of good paying American jobs.

**Response:** The Department’s 2019 budget request maintains core functions important to the American people and supports transformation the Department needs to accomplish more effective management over the next 100 years. While we may consider the use of voluntary Early Retirement Authority and Voluntary Separation Incentive Payments, if authorized by OMB and the Office of Personnel Management, the Department has no plans to implement any Reduction in Force related to the reorganization.

We continue to gather information that will give us more detail on both the costs and the benefits of the plan. We are also assessing the Department’s IT and procurements/acquisition functions, and are evaluating an internal study of the human resources management function. We expect that these efforts will provide us with additional information related to the costs and benefits of the Department’s modernization.

**Question 2:** In 2013, the U.S. Government Accountability Office (GAO) examined your proposal to merge the U.S. National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service (FWS). While the report found both benefits and drawbacks associated the proposal, GAO concluded that the drawbacks of combining the two offices outweighed the benefits. NMFS heavily relies upon the National Oceanic and Atmospheric Administration for legal services, law enforcement, research and programmatic connections. The report further states that “a major reorganization unavoidably disrupts agency programs in the short term. Some officials and stakeholders estimated that such disruptions could last for as long as 5 or 10 years.” The GAO report also highlighted “that even a 1-year disruption in approving fishery management plans would cause problems for the industry.”

Instead of causing upheaval, disruption and uncertainty through a major reorganization at DOI, GAO suggested there are steps component agencies should take to improve efficiency.
and coordination. For instance, three of NMFS and FWS share the same field offices and the two Agencies' realigned regulations, policies and guidance for implementing the Endangered Species Act to be more consistent.

Please provide the Committee with all the analysis DOI conducted and produced to determine the estimated cost of merging NFMS and FWS, how much time would be diverted from fulfilling programmatic goals and the impact in terms of disruption in services and management during and after the transition. In addition, please confirm whether DOI is committed to maintaining the funding levels for NMFS and FWS despite increased competition for budgetary resources.

Response: The proposal contained in the Administration’s report Delivering Government Solutions in the 21st Century, recommends that NMFS be returned to the Department and merged into the U.S. Fish and Wildlife Service in order to consolidate administration of the Endangered Species Act and the Marine Mammal Protection Act. This would result in more consistent federal fisheries and wildlife policy and improved services to stakeholders and the public, particularly with regard to infrastructure permitting.

The proposal also aligns with Secretary Zinke’s vision to take a more integrated interagency approach to natural resource management founded on science; reduce administrative redundancy and jurisdictional and organizational barriers that get in the way of making sound decisions informed by superior knowledge of local circumstances, make smarter use of resources; improve collaboration and coordination in government; and facilitate joint problem solving that is important and necessary to bring the Department into the 21st century. The hope is that the Administration’s plan serves as a foundation for constructive dialogue and we look forward to working with Congress to see these proposals implemented.
Questions from Sen. Cortez Masto

Question 1: The Administration’s budget allocates $18 million to begin the process of reorganization of the Department of the Interior along 13 different regional offices, yet the Department has provided little information to Congress and little opportunity for Congressional offices to weigh in on any proposals. Will you commit to providing timely information to this committee in its entirety as well as to the offices of all those states impacted by this decision, regardless of party?

A. What studies or analyses has been done in order to determine if there are needs for reorganization?

B. Have any analyses been prepared on how the proposed changes will correct identified needs?

C. Do you have any analyses on how much this will cost?

Response: Over the past year, the Department has met with hundreds of organizations and stakeholders; has met with, testified before, and briefed Members of Congress; and has held consultations sessions in Indian Country in an effort to gather input on the current proposal to migrate the Department to 12 unified regions. We are not, at this stage, in a position to estimate the total costs of the proposed reorganization because we are taking a flexible iterative approach to implement the reorganization, which allows us to fine-tune our approach to the situation in particular regions.

We are continuing to gather information that will give us more detail on both the costs and the benefits of the plan, including assessing the Department’s IT and procurements/acquisition functions and evaluating an internal study of the human resources management function. Our data collection will focus on the use of shared services and inter-bureau coordination efforts and will help ensure that the eventual nationwide implementation of these unified regions will have considered the full complexity of our operations and is sensitive to regional differences. We look forward to continue working with all interested Members of Congress.

Question 2: The proposal to establish boundaries beyond state borders has been met with confusion and concern from both states and stakeholders (per letters and comments received by Western Energy Alliance, Western Governors Association, Nevada Association of Counties, and Nevada Farm Bureau, in particular). What has Interior done to engage these stakeholders, and what has been done to address their concerns? How has the plan been changed to adapt to what has been brought to you by these stakeholders?

A. What are your future plans for state and stakeholder consultation on the proposed boundary changes?
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B. How did the Interior evaluate the proposal's impact on the ability of its bureaus and agencies to consult and coordinate with those states that are split into multiple management areas?

Response: The Department has met with hundreds of organizations on multiple occasions to gather input on this proposed reorganization, including from Department staff, Congress, governors, tribes, and stakeholders. Many provided valuable input on the Secretary’s proposal. We heard from the overwhelming majority during those discussions the importance of following state lines, and that is reflected in the map of the 12 unified regions. Our efforts will focus on the use of shared services and inter-bureau coordination efforts and will help ensure that the eventual nationwide implementation of these unified regions will have considered the full complexity of our operations and is sensitive to regional differences. We look forward to continue working with Congress.

While the Department has not established a schedule for public meetings, we have been clear in our intention to continue to work with Department staff, Congress, governors, tribes, and stakeholders. For those projects, agreements, or plans that are split between two or more regions, the region that is designated the lead region will be the one whose staff and expertise is best positioned to bring the activity to a successful completion.

Question 3: Nevada contains the highest percentage of public lands in the United States. Why not give Nevada its own Region instead of pairing it with California and lopping off the bottom?

Response: Instead of focusing on individual states, organizing the Department’s bureaus within common geographic areas will allow for more integrated and better coordinated decision making across bureaus and help streamline operations. Bureaus within a region will also be focusing on common issues, geographies, and landscapes, and thus taking a more comprehensive approach. Because of the Colorado River’s importance to Clark County, we propose to include it in the Lower Colorado unified region.

Question 4: Adding the proposed reorganization changes from the government-wide reorganization effort recently put forward by the Administration, it appear that the Interior would gain programs from other departments and lose some authorities to other agencies. Considering that Secretary Zinke has been talking about the Department’s own reorganization plan since early last year, was Interior consulted prior to the release of the government-wide plan?

A. How much was Interior involved?

B. Were relevant stakeholders consulted?

C. Particularly in regards to environmental clean-up effort that would be transferred to EPA, how would this affect Tribal communities?
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a. Were they previously consulted?

Response: The President’s Executive Order 13781 directed the Office of Management and Budget to propose a plan, informed by input from each agency – including the Department, the public, and our stakeholders, on the best path forward to reorganize governmental functions within each agency. That Executive Order resulted in the development and issuance of the report, Delivering Government Solutions in the 21st Century, which contained recommendations to realign responsibilities from several agencies and the Department, including bringing the National Marine Fisheries Service back into the Department; consolidating and re-aligning certain civil works missions of the Army Corps of Engineers into the Department; and consolidating portions of the environmental cleanup programs at the Department into the Environmental Protection Agency’s Superfund program. These proposals are intended to improve the management and regulatory processes that these agencies carry out.

Regarding the consolidation of environmental cleanup programs, the Administration believes it would give project managers greater control over cleanup work, and the affected states, tribes, and communities surrounding these sites would have a single point of contact for raising concerns. Many of the proposals in the report establish a vision for the Executive Branch that will require further exploration and partnership with the Congress.

Question 5: Do you believe that the creation of new administrative regions would create an additional layer of bureaucracy for local governments and stakeholders to navigate, increasing confusion and decision-making backlogs?

A. How will this proposed reorganization ensure that local government and stakeholders have more of a voice in federal land use decisions?

B. Taken in a broader context with your recently proposed budget that proposes funding cuts to all agencies and also eliminates a few thousand positions, it really sounds more like you are tightening a grip on local managers through having less resources, while consolidating decision-making authority in the hands of just a few people with more direct access to the Secretary’s office. Please tell me how you think this would not be the case.

Response: The reorganization will create mechanisms within the Department to streamline communications and inter-bureau decision-making at the local level. Organizing the Department’s bureaus within common geographic areas will allow for more integrated and better coordinated decision-making across bureaus and help streamline operations. Bureaus within a region will also be focusing on common issues, geographies, and landscapes, and thus taking a comprehensive approach instead of a bureau-centric approach from Washington, D.C. For recreation, these changes will reduce complexity and empower decision-makers with a shared geographic frame of reference, making stakeholders’ interactions with the Department easier and more accessible. For conservation, they will foster a collaborative approach, meaning more coordinated and timely management actions on our federal lands and resources. With regard to permitting, they will allow the same landscape, geography, and environmental factors to be taken
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into account. These changes will make collaboration on all of these issues simpler and the process more efficient.

**Question 6:** What is Interior going to do make sure its consultation with Indian Tribes is meaningful and that Indian Tribes actually have a say in Interior’s decision?

A. Can you describe what consultation has been made thus far with Tribes?

B. How will Tribes factor into this process and what benefits do you expect they will see from this process?

C. The Bureau of Indian Affairs (BIA) budget includes $900,000 to support the DOI reorganization effort. What exactly is this amount of money to be used for?

**Response:** The Office of the Assistant Secretary – Indian Affairs carried out consultation sessions at various locations throughout this summer, and tribes have been asked for their input on the unified regional boundaries and whether Indian Country should opt in by making changes to the existing Indian Affairs regions. The Department will review the information that tribes provide to determine the appropriate level of involvement of Indian Affairs programs. The requested $900,000 would facilitate Indian Country’s participation in the unified regions, should that be the result of the ongoing tribal consultations.
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Questions from Sen. Smith

Question 1: For purposes of the reorganization, the Interior Department is describing its core functions as “Conservation, Recreation and Permitting.” Tribal government leaders are concerned that treaty rights and the trust responsibility are also a core function of Interior, and have been since Interior was founded in 1849. How can we make sure that the obligations to tribes are included among the core functions as Interior considers reorganization?

Response: We anticipate that the unified regions might strengthen and certainly would not weaken the Department’s ability to serve the tribes. The Office of the Assistant Secretary – Indian Affairs is currently leading a process of consultation with Indian tribes regarding this proposed reorganization. Consultation sessions occurred at various locations throughout this summer, and tribes have been asked for their input on the unified regional boundaries and whether Indian Country should opt in by making changes to the existing Indian Affairs regions. The Department will review the information that tribes provide to determine the appropriate level of involvement of Indian Affairs programs.

Question 2: Tribal consultations regarding the proposed reorganization have focused on Bureau of Indian Affairs, but tribal interactions with Interior are broader in scope. For instance, Tribes have water agreements with the Bureau of Reclamation, endangered species management with Fish & Wildlife, and drilling permits, fire management and other interactions with non-BIA agencies. How will Interior ensure that tribes’ interests are incorporated into the entire DOI reorganization and not just with respect to the Bureau of Indian Affairs?

Response: Each bureau is currently organized with its own chain of command and statutory authorities and that will not change with the adoption of common regions. We are continuing to seek feedback from employees, tribes, and states on the unified boundary concept and the potential for improved services and opportunities for modernization. We have encouraged tribes, when broader issues have been raised, to provide comments that will be considered as we move forward.

Question 3: Tribes are encouraging Interior to use the reorganization to establish an Under Secretary for Indian Affairs position. An Under Secretary would report directly to the Secretary, and supervise and coordinate activities with the BIA and with the non-BIA agencies and bureaus. Will you encourage the Secretary to consider establishing the Under Secretary position as a part of the reorganization?

Response: The Department will review the comments and information collected in Indian Country and determine the appropriate level of involvement of Indian Affairs programs.
May 29, 2018

The Honorable Ryan Zinke
Secretary of the Interior
U.S. Department of the Interior
1849 C Street Northwest
Washington, DC 20240

Dear Secretary Zinke,

Defenders of Wildlife (Defenders) appreciated the invitation to participate in the Conservation Roundtable (Roundtable) earlier this month, and the opportunity to offer our views on your proposed reorganization of the Department of the Interior (Department). As a national organization dedicated to the conservation and restoration of native species and their habitats, Defenders shares a common interest with the Department in the protection and proper management of America’s public lands, waters and wildlife, and we are committed to working with you and all stakeholders in pursuit of this goal. During the Roundtable, you emphasized your intention to “pivot” to reorganization of the Department. For the reasons highlighted below, we believe your proposed reorganization is misguided. We urge you to instead pivot to addressing the major conservation challenges the Department and the nation now face.

The agencies, bureaus, and programs administered by the Department are profoundly important to conserving and properly managing the natural resources that define our nation and the values we share. Three Interior agencies, the U.S Fish and Wildlife Service (FWS), National Park Service (NPS), and Bureau of Land Management (BLM), steward vast areas of public lands and waters and manage fish, wildlife and plant species that touch the lives of every American and are an indispensable part of our nation’s natural heritage. Other bureaus bear vital responsibilities for water management, scientific programs, management of the nation’s minerals, and government to government relationships with tribes.

We recognize that the operations and public responsiveness of federal departments and agencies can be improved. Defenders itself maintains a Center for Conservation Innovation whose explicit mission is to identify and develop innovative ways to implement the Endangered Species Act (ESA) and other conservation programs, and we have long supported efforts such as the Department’s Landscape Conservation Cooperatives to coordinate conservation programs on a landscape level.
We are deeply concerned, however, that your intended reorganization of the Department may interfere with and distract the Department’s bureaus and personnel from carrying out their essential missions. Indeed, if implemented as you described at the Roundtable, we believe the reorganization would be both imprudent and illegal.

First, the model of a unified military command is an inappropriate conceptual frame for coordination of the bureaus of the Department. Unlike the military services, which share an overarching mission of national defense, the Department’s bureaus have distinct missions and responsibilities established by law. Those missions sometimes align, but sometimes diverge or even conflict – and that is by design. The public lands systems administered by FWS, NPS and BLM have distinct statutory missions, with management directed and constrained by the specific laws that govern each system. Energy development may be among the proper purposes of BLM’s public lands, for example, but not the National Wildlife Refuge System or the National Park System. Moreover, some of the Department’s bureaus, such as FWS and the Bureau of Safety and Environmental Enforcement (BSEE), exercise regulatory authority over the activities of other agencies to ensure protection of paramount values such as wildlife resources and public safety.

The bureaus’ actions carrying out their distinct responsibilities can properly be coordinated to achieve timely outcomes for things like permitting, but they cannot legally be subordinated to the control of a single unified regional “commander.” Only the FWS, for example, has legal authority to manage the National Wildlife Refuge System or enforce the ESA; only the NPS has authority to manage the national parks; only BSEE can determine whether offshore drilling authorized by the Bureau of Ocean Energy Management complies with appropriate environmental and safety requirements. No other office or administrator of any other bureau can direct decisions reserved by law to these agencies. The concept of a unified regional commander, drawn by rotation from the bureaus within the region, is thus both inappropriate and fundamentally unlawful.

Second, we are gravely concerned that reorganization of the Department at the scale and pace you contemplate will disrupt the essential functions of the Department’s bureaus, undermine employee morale and sense of mission, and siphon away funding that the bureaus desperately need to carry out their missions. Your previous actions reassigning numerous Senior Executive Service managers to duties with which they were unfamiliar and sometime unqualified to manage has been widely condemned as disruptive to the Department’s operations; key questions regarding the legality and procedural propriety of those abrupt transfers remain unanswered. Transferring thousands of Department staff to new duty stations will magnify the disruption of the Department’s important work.

You expressed confidence at the Roundtable that the potential for employee distraction and impacts on staff morale would be alleviated by the imminent retirement of many of the Department’s employees and their replacement with less experienced and less qualified staff. If that proves true, the Department will suffer enormous disruption from the loss of experienced and capable personnel who have the knowledge and professional relationships essential to
managing the Department’s natural resources and maintaining its collaborative engagement with the states, tribes, property owners and the public.

Moreover, a reorganization at the scale you propose would cost hundreds of millions of dollars to implement at a time when the Department faces critical shortfalls in funding. You specifically identified the maintenance backlog faced by the NPS and other Department bureaus as your highest priority in coming years. The Department’s budget is already failing to keep pace with critical needs, and the Trump administration’s proposed budget would slash funding for the Department even further, to the point where bureaus would be unable to sustain their responsibilities for land management, resource protection, and protection of imperiled species. It cannot be responsible to propose a massive reorganization in the face of such dire budget needs. We think it highly unlikely that Congress will appropriate the significant sums you would need for this proposed reorganization, and it would be squarely illegal for the Department to attempt to reprogram funds provided for other functions in the Department’s budget.

Ultimately, we believe your proposed reorganization of the Department is almost certain to fail and, is therefore a wasteful and disruptive distraction for you, the Department’s other leadership and the Department’s hard-working employees, who will face years of uncertainty about their professional careers and their personal lives. Besides the numerous concerns raised by the Department’s senior executives, you have already experienced vehement opposition to changes in the Department’s organization from western governors and have been compelled to respond by excluding BLM from your proposal. The purported benefits of a more unified approach to resource management that you advance as the purpose of your proposed reorganization are fatally undermined by the exclusion of BLM, which manages the nation’s largest system of public lands and whose resource management decisions are of central importance throughout the West. The opposition of western governors to your proposed reorganization is a bellwether for the institutional resistance such a massive and disruptive proposal will face politically.

We respectfully urge you to rethink your commitment to this superficially attractive, but ultimately distracting and disruptive proposal for large scale reorganization of the Department. The nation’s lands, waters, and wildlife will be better served by focusing your leadership on the critical conservation and natural resource management challenges the Department faces today. In preparation for the Roundtable, we provided to you Defenders’ Wildlife Conservation Agenda for the Next Administration, which we had previously shared with you at the beginning of your term. It outlines our sense of the great challenges and opportunities that face the Department, including protecting and restoring endangered plants and wildlife, responsibly managing federal public lands and waters, investing in wildlife-responsible renewable energy development, maintaining our commitment to science-based conservation, and helping our youth and diverse and changing communities to connect with our public lands and wildlife conservation heritage.
We would welcome the opportunity to discuss these pressing conservation issues with you and your colleagues, either in future meetings of the Roundtable or in separate conversations. But pushing forward with this ill-considered proposal for massive reorganization of the Department will inevitably interfere with your and the Department’s ability to engage with these critical challenges, to the detriment of the Department’s conservation mission and to the nation.

Thank you again for inviting Defenders to the Roundtable and for having your priorities and intentions. We look forward to working with you and your colleagues to ensure the Department’s conservation mission is achieved as fully as possible in this administration. Our stewardship responsibility to future generations deserves no less.

Respectfully,

Jamie Rappaport Clark
President and CEO