

Modernizing Government

2019
BUDGET
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Modernizing Government for the 21st Century: An American Budget

The business of the Federal Government is to serve the American people in core mission areas. But public trust in Government is declining to near-historic lows because it is not meeting the American people's expectations. Government must transform its outdated approaches, technology, and skillsets so that Federal programs, capabilities, and workforce can meet today's mission demands and public expectations. Rather than pursue short-term fixes that quickly become outdated once again, this Administration will pursue deep-seated transformation. But it will not happen in one or two years. The Budget makes important down payments on this work and foreshadows efforts still to come.

President's Management Agenda

In March, the Administration will release the President's Management Agenda, which will set forth a long-term vision for an effective Government that better achieves its missions and enhances key services on which the American people depend:

- **Mission:** The American people count on the Federal Government every day, in areas ranging from national security to infrastructure to food and water safety. Public servants must be accountable for mission-driven results and have the necessary tools to deliver.
- **Service:** Federal customers range from small businesses seeking loans, to families receiving disaster support, to veterans owed proper benefits and medical care. They deserve a customer experience comparable to that offered by leading private organizations.
- **Stewardship:** Effective stewardship of taxpayer funds is a crucial responsibility, from preventing fraud to maximizing program impact. Taxpayer dollars must go to effective programs that efficiently produce results. The Budget conservatively projects that \$187 billion in savings can be achieved over the next decade through the prevention of improper payments alone.

To advance this vision, the Administration will work not through isolated efforts, but at the junctions where key drivers of change intersect. Three key drivers will, over time, produce broad impacts on how Government works:

- **A modern workforce** that builds on the Budget's civil service reforms to empower senior leaders and front line managers to align staff skills with evolving mission needs. This includes \$1 billion in FY 2018 for a new workforce fund that directs recruitment and retention incentives towards top performers with mission-critical skills.
- **Modern information technology (IT)** will function as the backbone of how Government serves the public in ways that meet their expectations and keep sensitive data and systems secure. This includes \$80 billion in IT and cybersecurity funding, representing a 5.2 percent increase.
- **Data, accountability, and transparency** will provide the tools to deliver visibly better results to the public and hold agencies accountable to taxpayers.

In March, the Administration will announce specific efforts to advance this vision and improve the three drivers of reform, establishing concrete goals and trackable metrics to ensure public accountability. This agenda will address critical areas where Government as a whole uses outdated practices, such as:

- Modernizing IT to Increase Productivity and Security

- Creating a 21st Century Framework for Data that Drives Efficiency, Accountability, and Transparency
- Developing a Workforce for the 21st Century
- Improving the Customer Experience with Federal Services
- Shifting from Low-Value to High-Value Work
- Improving the Efficiency and Effectiveness of Administrative Services across Government.

In addition to cross-agency efforts, each major Federal agency is publishing an updated strategic plan with the Budget, establishing strategic objectives for the Administration's first term and committing to agency priority goals for the next two years. A full list of agency performance plans is available at www.performance.gov.

The Federal Government must partner with Congress to fully meet modern management challenges. In some cases, real change may demand different agency structures. In other cases, the Administration may require flexibility from existing requirements that impede constructive change. For example, the Budget proposes that Congress eliminate or modify approximately 400 agency plans and reports because they are outdated or duplicative (a list of these proposals is available on www.performance.gov), bolstering the Administration's goal to shift the efforts of Federal employees to high-value activities and away from unnecessary hours of paperwork.

By acknowledging shortcomings, setting a modern vision, and delivering on concrete goals, the Administration can adapt Federal programs, capabilities, and the Federal workforce to meet mission demands and public expectations more efficiently, effectively, and accountably.

Federal Workforce Reform

The Civil Service Reform Act of 1978 turns 40 this year, but it has not substantially changed to meet the evolving needs of the 21st century mission. The private sector continually finds new ways to adapt its management programs to maximize the return from its most valuable asset: people. The Federal Government should learn from this success and adapt leading practices for the 21st century.

The workforce and the workplace have evolved in recent decades. But the Government personnel system remains a relic of an earlier era. Federal workers themselves overwhelmingly agree in surveys that the existing system fails to reward the best performers or appropriately deal with the worst performers.

With annual civilian personnel costs of almost \$300 billion, the Federal Government should always be seeking an optimally sized and skilled workforce operating out of locations best suited to accomplish its various missions. The Administration intends to partner with Congress on overhauling the statutory and regulatory rules that have, over time, created an incomprehensible and unmanageable civil service system:

- **Realigning the workforce to mission:** The Administration is committed to redefining the role of the Federal Government by reprioritizing Federal spending toward those activities that advance the safety, security, and prosperity of the American people. Agencies must critically examine their workforces to determine what jobs they need to accomplish their core missions.
- **Aligning total compensation with private sector:** It is important to appropriately compensate personnel based on mission needs and labor market dynamics. The existing compensation system fails in this regard. The Budget foregoes an across-the-board pay increase for 2019, while proposing to realign incentives by enhancing performance-based pay and slowing the frequency of tenure-based step increases. It also proposes a \$1 billion interagency workforce fund as part of the FY 2018 appropriations, and supplemented by an additional \$50 million in the FY 2019 Budget. This will replace the across-the-board pay raise that provides Federal employees with increases irrespective of

performance with targeted pay incentives to reward and retain high performers and those with the most essential skills. The Budget also contains several changes to bring Federal retirement benefits closer to those in the private sector, most notably by increasing the employee share to match that contributed by the Government.

- ***Human Capital Management Reforms:*** An Analytical Perspectives chapter on the Federal workforce outlines a vision for change that would streamline the hiring and dismissal processes, modernize human resources technology, better utilize data to inform workforce management, rebalance labor-management relations, and reduce unnecessary red tape in order to bring the Federal workforce into the 21st century.

Government Reorganization

Last March, the President issued a call for change in Executive Order 13781, “Comprehensive Plan for Reorganizing the Executive Branch,” where he tasked the Office of Management and Budget (OMB) with providing a plan to reorganize the Executive Branch. The Budget is a first step in presenting this plan to the American people. These initial reform proposals include, for example:

- Eliminating unnecessary political positions;
- Using shared services to improve IT services and reduce procurement costs by leveraging the Government’s economies of scale;
- Consolidating or realigning regional offices and personnel (for example, improving customer service at the Department of the Interior by shifting employees away from Washington, D.C., and closer to the citizens they serve).

In addition, the Administration is undertaking specific reviews of important agency structures and activities. For example:

- Streamlining Federal statistical functions across multiple Federal agencies;
- Minimizing duplication in and maximizing outcomes from Federal development finance activities across multiple Federal offices and agencies; and
- Increasing efficiencies across the Department of Energy’s existing laboratory network.

In the months ahead, the Administration plans to share additional reorganization proposals designed to refocus programs around current and future needs.