

8. REORGANIZATION

The Federal Government has operated for too long under outdated technology, organizational constructs, and processes, leaving the American people and Federal workforce frustrated. In June 2018, the Administration laid the groundwork for transformation by issuing the “Delivering Government Solutions in the 21st Century” plan, which provided a cornerstone for bipartisan dialogue on how the Executive Branch can operate effectively in the 21st Century.

Evidence from the private sector indicates that reorganization is best implemented in phases to ensure a focus on successful results over the long term. Therefore, the Budget prioritizes critical areas to transform how the Federal Government serves the American people. In particular, the Budget would restructure governance of one of the Government’s larger and more impactful investments—a Federal workforce of 2.1 million civilians—by supporting a full reorganization of the Office of Personnel Management.

Reorganizing and Reforming the Office of Personnel Management

The President’s Budget for FY 2020 reflects a full reorganization of the Office of Personnel Management (OPM). Some policy and workforce strategy functions will be elevated to the Executive Office of the President (EOP), and the conduct of background investigations will transfer to the Department of Defense (DOD). All remaining functions, including Merit System Accountability and Compliance, Retirement Services, and Healthcare & Insurance, will transfer to the General Services Administration (GSA).

Federal Workforce Management Today

Forty years ago, the Civil Service Reform Act of 1978 established OPM to aid and advise the President on actions to promote an efficient civil service. This was the last time the Government implemented broad civil service reform. There is widespread acknowledgment that OPM and the Federal employment system, as both are currently structured, are archaic in many significant respects and do not reflect the realities of the contemporary workforce.

Core strategic and policy concerns about the Federal workforce have gone unaddressed for too long, according to most observers, including the Government Accountability Office, which has had Federal human capital on its high-risk list since 2001. Dissatisfaction with the existing statutory and regulatory regime has led the Congress to exempt an increasing portion of the civilian workforce from its purview. One consequence is that OPM’s ability to manage the Federal workforce holistically is reduced.

More fundamentally, OPM’s resources are misaligned to its mission of promoting an efficient civil

service. Its original mission focus has become blurred by new responsibilities, such that more than 80 percent of OPM’s workforce and budget are now dedicated to transactional activities. These include important functions, such as administering the Federal Employees Health Benefits Program for more than 8.2 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 workforce management and stewardship of an efficient civil service structure. Less than 20 percent of the agency’s workforce and budget is now dedicated to policy and oversight activities related to hiring, performance management, compensation, merit system compliance, and labor relations.

In addition, high-profile operational challenges with its transactional obligations have distracted OPM leadership from the core workforce policy functions that are its primary charge. In 2014, a data breach into OPM’s information technology (IT) systems exposed personally identifiable information for over 20 million individuals, including Federal employees and their families, job applicants, and contractors. The breach constituted a major national security threat and required the Federal Government to pay for credit monitoring for affected individuals for 10 years. Between FY 2014 and FY 2018, OPM increased prices on background investigations by more than 40 percent, and the timeline for processing background investigations tripled, further straining agency budgets and the ability to fill critical positions. Currently, OPM is working to reduce a background investigation inventory of over 550,000 cases. Additionally, in 2007, OPM issued a stop work order marking its fourth consecutive failure to automate its retirement processing function.

The 2.1 million-person civilian workforce represents one of the Federal Government’s larger investments and one with great impact. Like any large organization, the Federal Government is only as effective as its people. To address serious shortcomings in the areas of hiring, retention, and performance management, the Executive Branch needs a workforce management structure that elevates personnel strategy and policy, allows for a holistic view of its human capital, and continually optimizes the human resources transactional services necessary to administer one of the largest workforces in the world.

Federal Workforce Management of Tomorrow

Federal employees underpin nearly all the operations of the Government, ensuring the smooth functioning of our democracy. To build a Federal workforce management structure for the 21st Century, the Administration must improve alignment and strategic management of the Federal workforce by strengthening leadership of human capital systems; developing better human resources processes and capabilities; and enhancing the workforce culture.

To address longstanding workforce management issues, the Administration's June 2018 "Delivering Government Solutions in the 21st Century" included a proposal to merge all of OPM's transactional and consultative services (e.g., those within Human Resources Solutions (HRS), Retirement Services, and Healthcare & Insurance) into GSA; to transfer in full the National Background Investigations Bureau (NBIB) to DOD; and to transfer elements of OPM's workforce policy function into the OMB. The 2020 President's Budget reflects the end-state organizational structure and resources necessary to achieve this reorganization of OPM, to build and sustain the Federal workforce of tomorrow.

Building Organizational Effectiveness and Efficiency

Since June 2018, the Administration has been developing plans to execute transfers of OPM functions to GSA and DOD using a combination of existing legal authority and legislation. The reorganization is under way in FY 2019 with implementation planning for affected functions, including the transfer of background investigations and other OPM functions that can move administratively. Through legislation and a request for a direct appropriation to cover transition costs, the reorganization of further OPM functions, such as Retirement Services and Healthcare & Insurance, would be completed in FY 2020. Specifically, the 2020 President's Budget proposal reflects the following end-state for OPM's existing services:

- Establishment of a new Federal workforce policy office in OMB focused on strategic workforce planning and employee performance management policy by elevating elements of these policy functions from OPM to OMB. This new office, and its relationship with GSA, will be modeled on OMB's statutory Office of Federal Procurement Policy, which provides leadership on Federal procurement issues, while working closely with GSA on Government-wide implementation.
- Transfer of all OPM transactional services (e.g., those within HRS, Retirement Services, and Healthcare & Insurance) to GSA as a third "Service," comparable to GSA's current Public Buildings Service and Federal Acquisition Service.
- Transfer of OPM's NBIB in its entirety to DOD pursuant to Executive Order and the National Defense

Authorization Act for FY 2018 (Public Law 115-91).

- Transfer of OPM's oversight functions to GSA, including the OPM Office of Inspector General (OIG), which will complement the GSA OIG's expertise conducting audits, investigations, and evaluations and providing recommendations to help improve the efficiency and effectiveness of agency operations.
- Transfer to GSA of OPM's Merit System Accountability and Compliance division, which ensures Federal agency human resources programs are effective and meet merit system principles and related civil service requirements.

Delivering on Our Goals

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 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.

With the complete reorganization of OPM, the 2020 President's Budget delivers on the Administration's Delivering Government Solutions in the 21st Century plan and the PMA. The PMA provides a long-term vision for modernizing the Federal Government to improve agencies' ability to deliver mission outcomes, provide excellent service, and effectively steward taxpayer dollars on behalf of the American people. The reorganization of OPM specifically supports six Cross-Agency Priority Goals, to include:

- *Workforce for the 21st Century*: Improve alignment and strategic management of the Federal workforce by strengthening leadership of human capital systems, developing better human resources processes and capabilities, and enhancing the workforce culture.
- *IT Modernization*: Enhance OPM mission effectiveness and reduce cybersecurity risks to the Federal enterprise through IT Modernization.
- *Improving Customer Experience*: Provide a modern, streamlined, and responsive customer experience improving transactional services provided to Federal applicants, employees, retirees, annuitants, and survivors.
- *Sharing Quality Services*: Implement process improvements through greater sharing of quality services.
- *Shifting from Low-Value to High-Value Work*: Streamline time, effort, and funding spent performing repetitive administrative tasks and complying

with unnecessary and obsolete policies, guidance, and reporting requirements.

- *Security Clearances, Suitability, and Credentialing Reform*: Protect the Nation's interests by ensuring an aligned, secure, and reciprocal process to support a trusted Federal workforce.

Overall, the path laid out in the 2020 President's Budget provides the best opportunity for a greater Government-wide strategic focus on Federal workforce management and policy. With end-to-end services around the Federal employee lifecycle maintained in GSA, considerable operational efficiencies can be achieved, as well as stronger cybersecurity, and improved customer service. Ultimately, this important reorganization effort will position the Federal Government to achieve a state where Federal agencies and managers can hire the best employees, remove low performing employees, and engage employees at all levels of the organization, putting a framework in place that drives and encourages strategic human capital management.

Government must recognize that it can no longer meet modern needs with the same approaches, technology, and skillsets from centuries past. By acknowledging shortcomings, setting a modern vision, and delivering on concrete goals, the Administration can adapt Federal programs, capabilities, and the Federal workforce to more efficiently, effectively, and accountably meet mission demands and public expectations.

Other Reform Priorities

The complete reorganization of OPM is a leading development as the Administration moves forward with its reform and reorganization plan. Additional proposals that the Administration is taking include:

- *Optimizing a Fragmented and Outdated Humanitarian Assistance Structure*. In the President's June 2018 Government Reform and Reorganization Plan, the Administration committed to make fundamental changes to optimize the effectiveness of our fragmented and outdated humanitarian assistance structure. In addition to the previously announced merger of humanitarian offices at the U.S. Agency for International Development (USAID), the 2020 President's Budget consolidates the overseas humanitarian assistance programming currently conducted by the Department of State (DOS) into the new bureau at USAID. In addition, all humanitarian assistance would be funded through a single flexible appropriations account. This reorganization builds on each organization's comparative advantages by leveraging USAID's program implementation and partner oversight expertise with DOS expertise on humanitarian policy, diplomacy, and refugee issues. The 2020 President's Budget pairs this restructuring with a high-level, dual-hat humanitarian leadership structure at DOS and USAID under the authority of the Secretary of State. DOS will continue management and implementation of the U.S. Refugee Admissions Program through the Migration

and Refugee Assistance account. This restructuring and consolidation will facilitate dynamic funding allocations and program coordination to assist refugees abroad, those displaced within their own country, and other victims as conflict-driven crises evolve. This restructuring is critical to establishing a strong, unified U.S. voice that can extract optimal reforms from the United Nations and deliver long-overdue optimal outcomes for both beneficiaries and taxpayers.

- *Reorganizing Economic Statistical Agencies*. Relocating the Bureau of Labor Statistics within the Department of Commerce (DOC) alongside the Bureau of the Census and the Bureau of Economic Analysis will improve the delivery of America's economic statistics. Recognizing the importance of economic statistics for businesses and everyday citizens to make informed decisions and confidently invest in America's future, consolidating critical economic statistics programs at the Census Bureau, the Bureau of Economic Analysis, and the Bureau of Labor Statistics within DOC will make agency operations more efficient, improve products, and reduce the burden on respondents, while preserving the agencies' brand recognition and independence.
- *Transitioning to Electronic Records*. This initiative will begin moving 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. Electronic records will greatly improve the Government's ability to provide public access to Federal records, promoting transparency and accountability. Over the long term, this transition also will reduce agencies' records management and storage costs and streamline the records management process, freeing resources for other high priority activities. In support of this important effort, the Budget includes \$22 million to modernize NARA work processes and accelerate its electronic records activities.
- *Solving the Federal Cybersecurity Workforce Shortage*. 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. OMB is working with the Department of Homeland Security and all Federal agencies to establish a unified cyber workforce capability across the civilian enterprise. This Administration is standardizing its approach to federal cybersecurity personnel by ensuring Government-wide visibility into talent gaps, as well as finding unified solutions to fill those gaps in a timely and prioritized manner.
- *Government Effectiveness Advanced Research (GEAR) Center*. OMB is working with business, academia, and other partners to co-establish capacity to improve operational and management challenges

across the Federal enterprise through applied research. For example, reskilling Federal employees to adapt to today's work environment and commercializing appropriate Federal data sets to drive economic growth are potential areas of focus where cross-sector pilot projects will help drive the best outcomes for the American people. Stakeholders can follow the latest information on the GEAR Center through <http://www.performance.gov/GEARcenter/>.

- **Strengthening Federal Evaluation.** Bringing evidence to bear in decision-making is a critical component of good government, and agencies need the infrastructure and commitment to credibly build and use evidence and to develop a culture of learn-

ing and continuous improvement. However, current capacity in Federal agencies to build and use evidence varies widely. In order to generate more evidence about what works and what needs improvement, and consistent with requirements in the recently enacted Foundations for Evidence-Based Policymaking Act, the Administration is tasking Federal agencies with establishing and utilizing multi-year learning agendas to strategically plan their evidence-building activities and carry out priority studies in order to facilitate policy and program improvement. Agencies will also designate an Evaluation Officer responsible for overseeing the agency's evaluation efforts and playing a leading role in other evidence-building activities.