Qualitative Business Case and Value Proposition for the GSA/OPM Merger

May 2019
I. Executive Summary

The Federal workforce represents one of the Government’s largest investments and is at the heart of every mission that serves the American people. Like any large organization, the Federal Government is only as effective as its people. To address serious shortcomings in employee service, 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 human capital, and continually optimizes the transactional services necessary to administer one of the largest workforces in the United States.

In the Federal Employee Viewpoint Survey, our Federal employees have consistently voiced the need for this change. It is incredible that 96% of employees say they will put in extra effort and 90% feel the work they do is important. But when it comes to the core questions of merit, two thirds of employees feel pay raises and promotions are not based on job performance or merit.

The nature of civil service work has changed significantly in recent decades, as mission needs and technology tools have evolved, and our committed civil servants stay focused on serving the American people. But unfortunately, our Federal human resource capabilities have not kept pace. Over the last 40 years, well-intentioned but overzealous laws and regulations have multiplied, tying the Federal personnel system into bureaucratic knots. At the same time, failure to continuously invest and realign operational, organizational, and technology capabilities to meet modern work requirements have resulted in well-known backlogs, service quality issues, and Government-wide concerns about our ability to hire and retain top talent. The result is a Federal personnel system that cannot meet the needs of today’s modern workforce. The Government Accountability Office (GAO) has repeatedly warned of the need for fundamental transformation in the human capital arena, but our archaic policies and organizations have been unable to respond as needed.

The Office of Personnel Management (OPM) and General Services Administration (GSA) reorganization proposal will provide long term financial and operational sustainability, technology stability, and ability to meaningfully deliver on OPM’s human capital mission. Merging OPM and GSA will create synergies from which Federal managers and line employees – and ultimately all Americans – will benefit. These synergies - around people, facilities, technology, business processes and contracts – are expected to ultimately create savings of approximately $23 million dollars annually, when fully implemented. This plan is about creating better support for human capital delivery across the Federal Government by centralizing and integrating the services both agencies currently provide, reducing duplication, and empowering our workforce to shift to higher value work – all in a financially responsible manner. Given the recent designation of GSA as the Quality Service Management Organization for transactional human resources (HR) services, and on-going efforts in establishing New Pay capabilities, the merger will further accelerate and expand the delivery of services.
through a modernized technology infrastructure. The case and the timing for effecting this proposal has been made more urgent by the enactment of legislation transferring the majority of OPM's National Background Investigations Bureau (NBIB) background investigations to the Department of Defense (DOD). Implementing this provision in a responsible manner will further strain OPM's resources, hampering its ability to effectively deliver human capital services to the 2.1 million-person Federal workforce. The following sections detail the plan to merge GSA and OPM and provides evidence as to why this makes sense financially and operationally for both entities, and the workforce they serve.

This proposal would move nearly the entirety of the OPM mission, services and people to GSA. It also proposes to establish an Office of Federal Workforce Policy within the Office of Management and Budget (OMB) to support and coordinate an enterprise-wide policy strategy across the many personnel systems existing within the Federal Government. The renewed focus on enterprise-wide strategy will ultimately help to address those areas where Federal employees themselves have long argued that Federal merit system principles are not being achieved, and the leveraging of GSA's information technology excellence will help facilitate modernized service delivery from which these same employees will also benefit.

II. The Need for Change

Created more than 40 years ago, OPM was designed to drive human capital policy and protect merit-based employment principles for the more than 2 million Federal civilian employees. OPM currently administers a financial balance sheet with over $1.1 trillion in assets and $2.4 trillion in liabilities associated with earned health care, insurance and retirement benefits - supporting over 8 million Federal employees, retirees and their families in health care coverage and 5 million retiree and survivor stakeholders.

When OPM was designed, very few of today’s critical Government jobs even existed. Perhaps even more importantly, the entire OPM organization was designed to provide transparency about job classifications, compensation equity and “just-in-time” job postings, in a world before online tools like Monster.com and Glassdoor offered real-time job data for free. As a result, most of the OPM organization is structured to provide old-world, bureaucratically-intensive solutions to problems that the private sector has solved with technology. The OPM organizational construct itself makes it difficult to realign resources to use data, analytics and technology tools. This construct, in which programs are siloed, makes it nearly impossible to take advantage of efficient cloud or software as a service (SaaS) solutions. OPM consequently remains a manual transaction processing organization ill-equipped to address strategic, modern-day
human capital issues, such as reskilling, agile workforce deployment and mobility solutions.

OPM employees continue to struggle to deliver 21\textsuperscript{st} century HR solutions with 20\textsuperscript{th} century organizational tools and technology. The challenge now grows, with the pending transfer of the NBIB mission to DOD. Precipitated by recent legislation, this operational shift will entail the transfer of thousands of OPM employees and more than a billion dollars in annual OPM funding to DOD.

In sum, the need to fundamentally reform OPM is driven by a number of interrelated challenges that cumulatively weigh on its mission-delivery capacities.

**The Strategic Case for Change**

The need for reform is incontrovertible. Despite its efforts, OPM has failed to improve the hiring process or employ other recruitment and retention strategies to address known skill gaps across the Government. Human capital management is one of the highest priority missions in the Federal Government and yet “Strategic Human Capital Management” has been on GAO’s High Risk List since 2001. Further, GAO reports that "of the 34 other high-risk areas, skill gaps played a significant role in 16 areas, such as veterans’ health care.” With more than 30 % of Federal employees eligible for retirement in the coming years, the problem will worsen.

In the High-Risk reports, as well as many other reports issued by GAO and other informed observers, various Federal personnel problems are continually highlighted:

- **Hiring** - there are well-known government-wide challenges in attracting, developing and retaining highly-qualified staff; and time to hire is woefully long and exacerbates the ability to hire.
- **Performance management** – despite many efforts to enhance the government’s ability to “reward the best,” most Federal workers indicate repeatedly in surveys that they do not believe their hard work is linked to financial rewards or promotions, because the system to reward initiative and results is overly complicated. Even more worrisome is employees’ fundamental belief that the personnel system itself prevents managers from dealing appropriately with the minority of poor performers who siphon time and attention away from the hard-working employees who strive to do their best.
- **Flexibility/agility** – as the world moves at a faster pace, the needs for government workers and skills are changing and evolving constantly. However, OPM, as structured and staffed, cannot keep up. In fact, the basis for most OPM activities,
such as the job classification system, is inherently inflexible and not well aligned to leading practices for managing and deploying talent in the 21st century.

The present structure of OPM does not provide the support needed to address these challenges or sustain OPM’s missions. The agency is focused almost entirely on processing transactions, and has little to no bandwidth for developing strategic human capital approaches across the entire Government. This is why the legislative proposal submitted to Congress seeks to establish the Office of Federal Workforce Policy under the Deputy Director for Management at the Office of Management and Budget. Under the proposal, this small office would have a relationship with GSA similar to that currently maintained by OMB’s Office of Federal Procurement Policy, which partners primarily with GSA in coordinating Government-wide procurement policy. This office would also be tasked with analyzing strategic HR issues and working with Executive Branch agencies and with Congress to drive a strategic policy transformation agenda to address structural modernization opportunities to enhance our human capital approach across the many Federal personnel systems.

**Financial Case for Change**

The OPM mission includes critical support for the earned healthcare, insurance and retirement benefits of government employees across all branches of Government. In addition to its core mission of human capital for the Federal Government, OPM is responsible for operating a $2.4 trillion balance sheet and its related trust funds. For example, the retirement trust fund is a critical source of monthly income for more than 2.5 million retirees, including former public servants from both Legislative and Executive Branch agencies.

Of OPM’s $265 million in discretionary budget authority, roughly $133 million is utilized to directly support trust fund operations and $9 million is being utilized to modernize the trust fund financial system. Approximately $60 million in additional mandatory budget authority is also used to support trust fund support operations. This funding structure, while meaningful, is not sufficient to support the full modernization requirements associated with upgrading the underlying technology infrastructure. When compared to other trust funds of similar mission, the contrast between funding to maintain the OPM trust fund is stark. As shown in the chart below, the California Public Employees’ Retirement System (CalPERS), the largest State pension fund, has 240% more administrative funding available than OPM does to manage its Earned Benefits Trust Funds, even though CalPERS is only 36% the value of OPM’s Earned Benefit Trust Funds.
After removing what is comparatively a small amount for administering the Earned Benefit Trust Funds, OPM is left with less than half of its discretionary budget to carry out other OPM missions, including the attainment of merit system principles and the strategic human capital capabilities highlighted above. Over time, the management of these Trust Funds have resulted in a competition of resources causing OPM’s other core functions of merit systems principles and strategic human capital policy to become among the smallest of OPM offices, representing less than a combined 10% of the overall agency’s FTEs.

This problem was exacerbated by the mandate to transfer most of the background investigations of NBIB, and related staff and resources, to DOD as mandated by Section 925 of the National Defense Authorization Act for Fiscal Year 2018 (P.L. 115-91).
The transfer of NBIB creates an initial funding gap for OPM of up to $70 million in Fiscal Year 2020. This reduction in revenue, even after accounting for final short-term buy-back services, only exacerbates the agency’s fundamental structural and funding challenges. The OPM Office of the Inspector General wrote in its Top Management Challenges: Fiscal Year 2018 report that, “assuming the handover of the background investigations function proceeds according to the Administration’s plan, OPM will face the challenge of efficiently transferring NBIB caseload and assets to DOD, while coping with the impact that transfer will have on OPM’s resources.”

If nothing is done to reform this structural imbalance and systematically upgrade legacy systems, the result is the potential increase in risk for the 5 million retiree stakeholders and 8 million Federal Employee Health Benefits Program beneficiaries dependent on those systems. It could take up to hundreds of millions of dollars to comprehensively update legacy systems to meet 21st century customer needs and expectations under the current structure.

The financial benefits of the OPM/GSA portion of the merger address part of this structural financial challenge since they are estimated to save an average of $23 million per year primarily via contracting savings and facilities/building efficiencies, with some reductions in personnel expenses also accruing, through natural attrition.

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3 See OPM Case for Change document submitted to COR.
More importantly, the merger of OPM and GSA will help dramatically increase the joint entity’s ability to self-fund via “fee-for-service” activities of the Human Resources Solutions (HRS), which today is not able to meet all agency demand for services given the structural and technology challenges of the existing OPM structure. In addition, integrating the HR expertise from OPM with the procurement and real property management expertise of GSA through the merged entity will allow for better support of all agencies seeking to better align HR and physical space requirements. This should result in more efficient use of existing Federal buildings and a reduced need for expensive operating leases, which conceivably could save hundreds of millions of dollars.

**Technology Case for Change**

OPM’s current organizational structure ill-equips the agency to shoulder the burden of its multi-faceted mission. An aging technology infrastructure exacerbates the problem. Comprehensively modernizing this IT infrastructure and the business processes it supports has proven difficult. One problem is that a significant portion of the annual direct non-personnel IT spending is not managed directly by the CIO and there are still instances of IT activities being conducted in a siloed fashion under individual OPM programs. In the Fiscal Year 2018 Federal Information Security Modernization Act (FISMA) Audit report, the OPM Inspector General (IG) discussed enormous hurdles that OPM has faced in reaching its desired outcome of modernizing its legacy infrastructure and applications. The complexity not only involves stabilizing core elements of an effective IT program, but planning and executing the migration of mission critical legacy IT systems to modern technology. The OIG also highlighted OPM’s inconsistent history and high turnover in key positions. As a result, the IG noted, sustained improvement would be a major challenge going forward despite the effort and focus that OCIO has placed on improving its overall governance program. OPM officials in place at the time of the issuance of the FISMA audit report concurred with these points and responded that the agency is committed to appropriate staffing and maintenance of sufficient resources to support OPM’s cybersecurity needs.

OPM’s current posture presents efficiency challenges and stretches existing IT resources across a wide range of fragmented technology capabilities. Moreover, the way these systems evolved over years structurally limits the ability to re-architect individual systems or move to more shared services capabilities to drive efficiencies. The resulting IT infrastructure, even with current improvements, is piecemeal and lacks the flexibility and agility needed to meet modern customer needs, as reflected in OPM’s Federal Information Technology Acquisition Reform Act (FITARA) score.
In this archaic environment, where critical systems like Retirement Services run on a 1980s-era technology platform, the IT team is forced to focus its time and resources on operations, maintenance and urgent system remediation, with little capacity remaining to plan a path forward for operational modernization.

OPM’s new CIO and Deputy CIO (who both joined OPM recently after years leading U.S. Digital Service technology modernization projects at the Internal Revenue Service and Veterans Affairs) believe that the structural change being proposed is the most prudent path forward. Ongoing cooperation with experienced technologists and architects at GSA has persuaded them that a merger with GSA represents the best opportunity to modernize OPM’s IT capabilities, methods, and skills. GSA has a proven track record of investing in and sustaining investments in technology modernization via its TTS organization, Centers of Excellence, and general leadership in IT acquisition.

**Operations Case for Change**

Of all of the challenges facing OPM, those most directly apparent to Federal employees and retirees concern operations and service. Slow processing times, backlogs and service quality issues are all too frequent. The current manual transaction processing environment overlaid with out-of-date technology inhibit OPM’s ability to offer standard customer service tools such as self-service portals, online statements and case management capabilities. GSA, as a leader in shared service modernization efforts, is well-positioned to help OPM with these challenges.

**III. Value Proposition**

The Administration’s reorganization proposal aims to merge two entities that, together, can provide services to the Federal Government far exceeding what each could provide separately. The merger will allow for redress of a critical technology deficit and fundamental structural problems that have plagued OPM for many years, forging a path to long-term sustainability and stability.

The reorganization will drive four key outcomes: 1) financial sustainability; 2) operational and IT stability; 3) strategic agility; and 4) integrated, whole-of-government focus. OPM’s critical mission and operations will be modernized and enhanced in a way that effectively stewards taxpayer dollars. By merging OPM and GSA, we envision synergies and efficiencies leveraging our workforce, facilities, and contracts. The reorganization will better support human capital delivery across the Federal Government by
centralizing the services both agencies currently provide, reducing duplication, and empowering our workforce to shift to higher value work (e.g., focusing on key human capital policy issues). Increased mission, service, and stewardship across the Federal government is attainable, and in a manner that produces ongoing, annual savings.

While we believe seeking efficiencies and empowering our workforce are basic tenets of good government, the need to find efficiencies to lower operational costs is also vital to supporting OPM’s mission because of the budgetary impact of transferring NBIB to DOD. Our research indicates that OPM’s administrative/management costs, post-NBIB transfer, will be somewhere in the range of $232-373 million. The reorganization could eventually result in annual savings between $11 million and $37 million through reduced overhead and administrative costs, by eliminating redundant functions, consolidating operations and leveraging scale efficiencies.

The merged organizations will enable higher impact services to implement policies and direction expressed in the President’s Management Agenda (PMA) and Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations.

A transition of this magnitude and significance is no simple undertaking, but the benefits to taxpayers outweigh the challenges, and GSA and OPM have already begun to lay the logistical groundwork to ensure a successful merger. Since the summer of 2018, GSA and OPM have been actively working together to develop transition plans to address a transfer of OPM’s HRS organization and associated IT support to GSA. GSA began its transition planning with the establishment of a cross-agency task force, which included members from each department and staff office. OPM followed suit, organizing an equivalent task force within OPM. These task forces have met weekly on transition planning since last summer and established project management best practices to govern activities. GSA and OPM counterparts have met regularly to coordinate planning in each specific functional area. In addition, GSA and OPM convened a joint GSA/OPM Change Management and Communications Workgroup, with representatives from both agencies working together on a weekly basis to guide an overall change management and communications strategy in support of a successful transition of OPM employees and functions into GSA. The two agencies established a strong working relationship at the leadership and staff levels to manage transition activities in a manner that meets the unique needs of both agencies’ operations and culture. These activities, combined with regular interactions with OMB partners and briefings to Members of Congress (see Appendix A), have established a transition framework and planning partnership between the two agencies that can be easily scaled to transition other OPM components.
Human capital management is one of the highest priority missions in the Federal Government. Across government, agencies face challenges in attracting, developing, retaining highly-qualified staff, and adequately supporting the workforce throughout the human capital lifecycle. The Administration’s proposal addresses each of these challenges, and also seizes opportunities to better align with other related efforts and achieve significant cost savings. The benefits of this proposal include:

1) **Integration of OPM functions with GSA will help stabilize operations and offset financial challenges.**

    Merging OPM with GSA will create economies of scale and stabilize OPM’s current operations by leveraging GSA’s strength in administrative support functions and enabling OPM to focus more of its resources on mission delivery. Evidence from both the private and public sectors show that, over time, business consolidations and shared services can lead to reductions in infrastructure costs, which can be reinvested into the mission and higher-value mission support. Investment will be required to execute this proposal including significant investments in IT that would be required even without the merger. In examining a number of similar consolidations that have occurred in public and private sector environments, the resulting savings range across various scenarios from 5-50%. However, taking a conservative range of savings projections of 5% (lowest among all studied) to 10% (GSA’s own experience), our research indicates that the reorganization could eventually result in annual savings of between $11 and $37 million, realized through long-term efficiencies and rationalization of duplicate systems and infrastructure. **Note: the savings estimate does not include transition costs or other investments required.**

GSA has demonstrated the value of this approach through its own consolidation of administrative services. Between Fiscal Years 2014 and 2018, GSA consolidated its administrative support and back office functions, including human resources, IT, financial management, and facilities management. These functions were previously distributed across GSA’s many business lines and geographic locations. An independent, third-party study verified that GSA reduced administrative and infrastructure costs by 10.1% through the centralization and consolidation while, at the same time, GSA’s core mission was expanding. GSA’s total obligations increased 14% over this time period, driven by a 23% increase in the Acquisition Services Fund and a 2% increase in the Federal Buildings Fund. Yet, to support that expansion, GSA’s internal Working Capital Fund increased only 1%. Centralization and transformation enabled the GSA’s administrative functions to achieve $57 million in efficiency savings between Fiscal Years 2015 and 2018 while providing a level of support ranked in the
top third of CFO Act Agencies (as measured by customer satisfaction scores for Finance, HR and IT).

GSA continues to find opportunities for efficiency and to shift its administrative workforce to higher-value work. GSA is investing in automation capabilities such as Robotics Process Automation (RPA) to relieve staff of manual, repeatable tasks across its administrative functions, while simultaneously investing in training and retooling existing staff to take on new challenges. Given the recent growth in GSA’s core mission, this enables GSA’s workers to shift their focus to higher-value and more rewarding activities, and it enables GSA to support growth in its business without commensurate growth in expenses. The merger of OPM and GSA envisions utilizing similar approaches to gain similar benefits.

Without the merger, OPM’s options are much more limited. OPM will need to rely on increased appropriations, reduced service levels, and/or price increases to existing customers to achieve financial benefits similar to those projected through the merger, and to ameliorate the funding gap caused by the transfer of NBIB function to DOD. More importantly, OPM is not in a position to invest in automation or efficiency-producing technologies without GSA’s support. And none of these options address OPM’s immediate IT challenges, which are sufficiently dire in themselves to warrant taking action.

2) GSA has the expertise and capabilities required to address OPM’s Information Technology vulnerabilities.

OPM’s IT operations suffer from significant “technical debt,” meaning that OPM has underinvested in IT over time as it has continued making efforts to address shortcomings in program support. Unfortunately, this chronic underinvestment has resulted in significant deficiencies that must be addressed to improve the reliability and availability of the OPM system environment. It is likely that OPM’s IT operations will require increased investment in the near term before any long-term savings can be realized.

GSA is a trusted leader and valued partner in helping improve agencies’ use of information technology. GSA’s Technology Transformation Service, and service lines within that organization such as 18F and the Centers of Excellence, have become recognized as premier consulting and transformation services that agencies across Government have turned to for advice, support, and access to best-in-class industry partners with advanced technical expertise. GSA’s position as a leader in Federal IT is bolstered by its B+ grade on the latest GAO FITARA scorecard, which is the highest
grade achieved by any agency across the Federal Government. The FITARA scorecard is the measuring stick by which GAO and Congress evaluate agencies' efforts to align IT with business priorities and to centralize management and authority over IT spending. GSA’s high grade on this scorecard recognizes that GSA is doing the right things to manage its IT environment and ensure that Government-wide priorities such as IT modernization and cybersecurity are properly managed and aligned with the agency’s mission objectives.

GSA and OPM are already partnering to stabilize, secure and accelerate the modernization of OPM’s legacy applications and systems. Currently in the planning stages for this effort, GSA and OPM intend to use a cloud-first approach for modernizing the legacy OPM IT environment, applying GSA lessons learned as a first-mover in Government for cloud strategy and implementation. This will enable OPM to leverage new technologies that have already been explored and proven by GSA, while also gaining assistance in exiting outdated technologies. GSA will utilize its experience replacing legacy technology and moving to API-driven, data-centric implementations to provide OPM with improved, more cost-effective user experiences and better security.

GSA has accomplished many of these same objectives for itself in recent years. This is a significant reason why we believe that merging OPM’s IT operations into GSA will result in the best and clearest path to achieving a modern, secure IT environment to support OPM’s mission.

For instance, in the realm of utilizing cloud-first approaches to accelerate IT modernization, GSA IT recently migrated several infrastructure and application development efforts to the cloud, aimed at increased efficiencies, rapid deployments, reduced costs and improved service delivery. By using cloud-based email and collaboration tools, instead of owning and maintaining the legacy tools and infrastructure, GSA realized a 5-year savings of $19 million.

GSA also led the way in implementing the data center consolidation initiatives supported by both this administration and the previous administration. Between Fiscal Years 2012 and 2015, GSA IT closed more than 110 data centers and consolidated their functionality into the agency’s core data centers. This consolidation resulted in cost avoidance of more than $35 million and significantly reduced the agency’s power footprint.

In the realm of IT security, GSA has a robust IT Security Program with best of breed cyber tools and capabilities and a centralized security governance program that allows it to provide enterprise services in an efficient and timely manner. GSA has met or
exceeded expectations laid out for Federal agencies, including the Federal Information Security Management Act (FISMA) Inspector General and Risk Management scorecards and the Cybersecurity CAP goal. GSA is also a leader in the implementation of the Continuous Diagnostic and Mitigation (CDM) program which allows it to implement capabilities and tools to identify cybersecurity risks on an ongoing basis.

GSA has developed a variety of tailored assessment and authorization processes such as the lightweight authority to operate (LATO), Security Reviews for Low Impact Software as a Service (LiSaaS), and Moderate Impact Software as a Service (MiSaaS). These processes allow GSA to rapidly deploy new technologies while guaranteeing a baseline level of control. GSA’s processes have been scaled government-wide through the FedRAMP tailored process.

Merging OPM’s IT operations into GSA will allow OPM to take advantage of GSA’s security frameworks, technology and subject matter expertise to improve its application and systems security posture. This will be especially critical for legacy portfolios such as Retirement Services. GSA will work with OPM to take advantage of constructs such as GSA’s LATO and LiSaaS/MiSaaS processes to ensure that new technologies are secure and to allow OPM to modernize their portfolio in a security environment that is more agile than OPM’s current IT environment.

Ultimately, this effort will require long term investments in people, processes, and technology to fully realize the improvements and benefits envisioned. However, GSA’s proven leadership in accelerating IT modernization and improving cybersecurity posture demonstrate why we believe this partnership can serve to put OPM on a more solid IT footing.

3) Moving OPM’s services operations into the General Services Administration creates opportunity for synergies across management functions and improved value to Federal agency customers.

Merging OPM and GSA will create a unified human capital services delivery organization for the Federal government. Mission-critical skills gaps both within Federal agencies and across the Federal workforce pose a high risk to the nation because they impede the government from cost-effectively serving the public and achieving results. Across government, agencies face well-recognized challenges in attracting, developing, and retaining highly-qualified staff, and in adequately supporting the workforce throughout the human capital lifecycle.
GSA has a well-earned reputation as the organization Federal agencies turn to for expertise in shared services, facilities (places) and contracts (acquiring services and products). Adding OPM’s workforce-related services to GSA’s portfolio, GSA will be where agencies turn to for support in the realm of “people, places, and things.”

In the 21st century, technology improvements are driving changes in where people work, how they work, and the tools they use to get their jobs done. GSA is already developing initiatives to provide agencies with turnkey workplace solutions that include the “anytime, anywhere” aspects of remote and mobile work with the tools and services required to be operational and effective in that environment. Adding services such as staffing, talent management, and benefits management to the mix, GSA may be able to provide integrated solutions that help agencies identify, compete for, and onboard the talent they need, to be 21st-century-ready, from all over the nation.

The delivery of complex, government-wide services is not new for GSA and is indeed its primary mission. The agency has a proven track record for delivering a diverse range of shared services, which is a result of infrastructure and process investments in customer outreach, technical and functional expertise, acquisition, data analytics and technology – areas directly relevant to facilitating the work all agencies must do to manage administrative functions critical to their respective missions.

In addition, in many cases, GSA is able to leverage the purchasing power of the Federal Government to secure better deals for the taxpayer. For instance, GSA’s SmartPay Program is the world’s largest commercial payment solution program, providing services to more than 560 Federal agencies, organizations and Native American tribal governments. With 3.5 million account holders, total spend through the SmartPay program in 2017 was $28.6 billion. However, through GSA’s consolidated negotiating leverage, the program also returned $217 million in net refunds to agencies who participated in the program.

GSA’s Fleet program is another example of a shared service GSA operates that results in efficiencies and savings. GSA operates one of the largest non-tactical fleets in the United States, providing over 214,000 quality vehicles and efficient and economical fleet management services to over 75 participating Federal agencies. Independent studies have shown that agencies who participate in GSA’s Fleet program save 26% compared to those agencies who maintain independent Fleet programs.

These examples highlight GSA as a natural best-fit for supporting and growing OPM’s services to the Federal workforce. Consolidating overhead functions and reducing repetitive operations such as contracting and IT duplication from OPM to GSA should
provide economies of scale and significant cost-avoidance. This will allow GSA to focus on shared service delivery and allow OPM’s policy functions to focus on the government-wide HR policy challenges highlighted by GAO and others. This operational focus is in direct line with GSA’s core mission since its establishment by President Truman in 1949 to streamline the administrative work of the Federal government. This is an opportunity to elevate the Federal workforce management function and maximize the operational efficiency of human capital services.

Turning to the future, GSA is playing a leading role in the work to improve the efficiency and effectiveness of the Federal government's mission support services through the President's Management Agenda and the Cross-Agency Priority Goal for Sharing Quality Services. As a part of this CAP Goal, GSA has been pre-designated as the Quality Service Management Office (QSMO) for Civilian HR Transaction Services. GSA has already begun work on a shared payroll and work scheduling service called NewPay which is paving the way for the Administration’s approach to shared services. A merger of OPM and GSA will provide the Government with the opportunity to design and deliver expanded shared services aligned to the merged agency’s mission.

This effort will be a big step toward the goal of ensuring delivery of exceptional, modern solutions across the Federal Government at best value for the taxpayer. Combining the strengths of OPM’s key services with GSA’s exceptional service management and delivery will establish a more efficient and effective platform from which to build a top-quality, trusted Federal workforce. Looking forward, success will be evaluated by key measures that track the progress and value of service delivery as well as the health and engagement of the workforce, both of GSA/OPM and beyond. These measures may include: engagement of migrating employees; engagement of employees across government; speed/satisfaction with the hiring process; retirement claims processing times/satisfaction; customer satisfaction with human capital and other services; management of health benefit costs; trust in the protection of merit systems principles, etc. By integrating human capital best practices, technology, and best value service delivery, this consolidated organization will provide innovative end-to-end talent management solutions for the Federal government and transform the way Federal agencies attract and retain the best civilian workforce for evolving agency missions.

IV. Conclusion

Despite the criticality of its mission, OPM is not currently structured or resourced sufficiently to maintain its mission in a financially stable, sustainable, and secure way. It is necessary to structurally change and look at an entirely new architecture for the future. GSA has that structure and framework, in addition to being a known expert in IT
contracting and procurement. GSA can provide critical elements to support the mission of OPM going forward and allow a viable way to continue to invest in world-class operational excellence.

Merging OPM with GSA provides an opportunity to deliver true end-to-end services for the Federal workforce and create a path forward for stability and sustainability of the critical IT infrastructure supporting the OPM mission. Throughout this process, the President’s goal is to prioritize people and minimize the effect of the transition on the Federal workforce. This plan aims to begin transitioning OPM offices to GSA out of necessity, but the Administration’s request is for Congress to recognize the urgency of reform and enact legislation quickly to assist in creating needed reform via a sustainable merged entity. Swift action will provide a more seamless transition not only for operations, but for our dedicated Federal workforce, while providing clarity on a path forward.
Appendix A: Alignment of Agency Reform Efforts with GAO Report GAO-18-427

On March 13, 2017, the President issued Executive Order 13781 requiring a comprehensive reorganization of Executive Branch agencies. In April 2017, OMB published memo M-17-22, providing guidance to Federal agencies for developing their reform and workforce reduction proposals. In June 2018, the Administration published its Reform Plan and Reorganization Recommendations, including the recommendation to reorganize the U.S. Office of Personnel Management and merge the organization with GSA. The following month, in July 2018, GAO published Report GAO-18-427, outlining Key Questions to Assess Agency Reform Efforts.

Since then, GSA and OPM have been heavily engaged with Congress and other key stakeholders to develop plans to implement the proposed reforms. These efforts have been aligned with the framework established by GAO in GAO-18-427. GSA and OPM have each assigned dedicated personnel to implementing the reorganization/merger. The implementation task force has developed project plans aimed at achieving the goals outlined in this business case and aligned with a set of Critical-to-Quality measures and Key Performance Indicators established at the outset of the effort. A joint Change Management and Communications Workgroup has built employee readiness and engagement plans aimed at ensuring that employees from both agencies feel informed, empowered, and prepared to leverage the benefits of the merger in achieving the mission goals of both agencies. GSA and OPM have also spent considerable time consulting with Congress and other stakeholders to ensure their objectives and points of view are adequately reflected in the agencies’ implementation plans. The timeline below outlines, at a high level, the sequencing and nature of this engagement with Congress and other stakeholders and this reorganization effort: