

July 1999

NPR's SAVINGS

Claimed Agency Savings Cannot All Be Attributed to NPR





G A O

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United States General Accounting Office
Washington, D.C. 20548

General Government Division

B-282850

July 23, 1999

The Honorable Dan Burton
Chairman, Committee on Government Reform
House of Representatives

Dear Mr. Chairman:

As you requested, this report discusses savings claims from the National Performance Review, which has been renamed the National Partnership for Reinventing Government (for both of which we use the acronym NPR) and the methodologies that the Office of Management and Budget (OMB) used in estimating these claims. NPR claimed that about \$137 billion in savings has resulted from its efforts to reinvent the federal government, including about \$34.3 billion in savings that is not expected to be realized until fiscal years 1999 and 2000. Of the \$137 billion in estimated savings, about \$44.3 billion was claimed from recommendations that were targeted toward individual agencies. About \$67.5 billion was claimed from recommendations designed to be implemented governmentwide, and another \$24.9 billion was claimed from items not originated by NPR but, according to NPR, were consistent with the principles of reinventing government.

Our objective was to describe and assess how OMB estimated savings from selected NPR recommendations targeted toward individual agencies. We reviewed recommendations representing over two-thirds of the \$44.3 billion in savings that NPR claimed had been achieved from its recommendations to individual federal agencies. Specifically, we examined the savings estimates for two recommendations each from three agencies: the U.S. Department of Agriculture (USDA), the Department of Energy (DOE), and the National Aeronautics and Space Administration (NASA). (Appendixes I through VI contain detailed information on the six recommendations.) The claims we reviewed at these three agencies constituted about 22 percent of the total estimated savings from NPR. As agreed with your office, we did not determine the amount of savings NPR should have claimed but rather focused on describing how OMB estimated savings from agency-specific recommendations, specifically these six recommendations.

Results in Brief

NPR claimed savings from agency-specific recommendations that could not be fully attributed to its efforts. OMB generally did not distinguish

NPR's contributions from other initiatives or factors that influenced budget reductions at the agencies we reviewed. Therefore, the relationship between the recommended action and the savings claimed from the recommendations we reviewed was not clear. For example, OMB attributed all \$8.5 billion of expected reductions to NASA's budget for fiscal years 1996 through 2000 directly to NPR's recommendation to reinvent NASA but did not account for other factors that influenced NASA's budget during this period. Such factors included ongoing NASA management reform initiatives undertaken separately from the NPR and budgetary spending caps.

To estimate the savings from the agency-specific recommendations, OMB said it used the same types of procedures and analytic techniques that have long been used in developing the President's budget. These procedures and techniques are intended to support point-in-time budget estimates that are based on policies and economic forecasts in effect at a given time. As our previous reviews of budget estimates have shown, it is difficult to reconstruct the specific assumptions used and track savings for estimates produced several years ago.¹ Moreover, we have reported that it is often impossible to isolate the impacts of particular proposals or recommendations on actual savings achieved due to the multiple factors involved. OMB relied on these point-in-time estimates rather than attempting to measure actual savings. OMB last updated its estimates in 1997, so any changes that have occurred since then are not reflected in NPR's claimed savings.

We identified two instances where OMB counted at least part of the estimated savings twice. OMB counted the same \$770 million in estimated savings for two different NPR initiatives—once for agency-specific changes (from reorganizing USDA) and again as part of a NPR governmentwide initiative to reduce the size of the federal workforce. OMB also counted some savings twice—potentially up to \$1.4 billion in estimated savings—for two NPR recommendations we reviewed, one made in 1993 to strengthen and restructure NASA management and another made in 1995 to reinvent NASA. Therefore, the total estimated savings from the USDA and NASA recommendations were overstated.

For one recommendation where OMB and the Congressional Budget Office (CBO) both estimated savings, we found that offsetting program costs may not have been fully included in OMB's estimates. In estimating savings that

¹ NPR Savings Estimates (GAO/GGD/AIMD-96-149R, July 24, 1996) and Budget Process: Issues Concerning the 1990 Reconciliation Act (GAO/AIMD-95-3, Oct. 7, 1994).

resulted from personnel reductions at USDA (part of the NPR recommendation to reorganize USDA), OMB and CBO considered different offsetting costs and arrived at different estimates, with CBO's estimate being \$324 million less than OMB's \$770 million estimate. According to CBO, it assumed that severance benefits and relocation costs would reduce the potential savings, while OMB assumed that the agency could absorb those costs.

Consistent with OMB's normal budget practices, OMB examiners generally did not retain documentation when estimating NPR savings. The program examiners were unable to document estimates for four of the six recommendations we reviewed, constituting \$21.8 billion in savings claims. Instead, the OMB examiners attempted to reconstruct how they thought the savings had been estimated through approximating rather than replicating savings estimates. OMB had documentation for two of the recommendations we reviewed. However, we found that the savings were reported incorrectly, understating NPR's estimated savings for those two recommendations by about \$1.9 billion.

Background

The administration launched NPR in March 1993, when President Clinton announced a 6-month review of the federal government to be led by Vice President Gore. The first NPR report was released in September 1993 and made recommendations intended to make the government "work better and cost less."² The first NPR phase, called NPR I, included recommendations to reinvent individual agencies' programs and organizations. It also included governmentwide recommendations for (1) reducing the size of the federal bureaucracy, (2) reducing procurement costs through streamlining, (3) reengineering processes through the better use of information technology, and (4) reducing administrative costs. The estimates for NPR I savings covered fiscal years 1994 through 1999.

Vice President Gore launched the second NPR phase (called NPR II) in December 1994 and reported on this phase's savings estimates in September 1995.³ According to NPR, this second phase expanded the agenda for governmental reform. NPR II efforts focused on identifying additional programs that could be reinvented, terminated, or privatized, as well as on reinventing the federal regulatory process. The estimates for NPR II savings covered fiscal years 1996 through 2000.

² From Red Tape to Results: Creating a Government That Works Better and Costs Less, report of the National Performance Review, Vice President Al Gore, September 7, 1993.

³ Common Sense Government: Works Better and Costs Less, third report of the National Performance Review, Vice President Al Gore, September 7, 1995.

As shown in table I, NPR claimed estimated savings of \$82.2 billion from NPR I recommendations. NPR similarly reported that \$29.6 billion had been “locked into place” from program changes in individual agencies under NPR II.

Table 1: Estimated Savings Claimed from NPR Recommendations

Source of estimated savings	Amount of estimated savings claimed (in billions) ^a
NPR I	
Reducing the size of the bureaucracy	\$54.8
Reducing procurement costs and reengineering information technology	12.7
Program and organizational changes in individual agencies	14.7
Subtotal of estimated savings from NPR I	82.2
NPR II	
Program changes in individual agencies	29.6
Total estimated savings claimed from NPR I and II recommendations	\$111.8

^aOMB estimated savings for NPR I in 1993 and for NPR II in 1995. It updated its savings database in 1996 and again in 1997.

Sources: NPR's web page (www.npr.gov), as of October 15, 1997, and OMB data.

In addition to the \$111.8 billion NPR claimed from the NPR I and II recommendations, NPR claimed \$24.9 billion in estimated savings based on reinvention principles. These additional claimed savings included, for example, \$23.1 billion from the Federal Communications Commission's auctions of wireless licenses. This \$24.9 billion brings the total amount of reinvention savings claimed by NPR to about \$137 billion. This \$137 billion savings figure is the one NPR most commonly cites as the savings it has achieved.

NPR relied on OMB to estimate the savings it claimed from its NPR I and II recommendations. OMB's program examiners were responsible for developing the estimates in their role as focal points for all matters pertaining to their specific assignment area. One of the examiners' major duties is to oversee the formulation and execution of the budget process. They are also expected to perform legislative, economic, policy, program, organizational, and management analyses. OMB made the initial estimates for the 1993 and 1995 NPR reports and updated its database on the savings claimed in the summers of 1996 and 1997. These updates, according to an OMB official, were primarily to ensure that all the estimates for recommendations that NPR considered implemented were included in the total amount of savings claimed.

Scope and Methodology

To describe and assess how OMB estimated the savings from NPR, we focused on three agencies (USDA, DOE, and NASA), where relatively large savings were claimed and that provided a variety of types of actions taken. At each agency, we selected two recommendations with claims of at least \$700 million in savings each. The six recommendations we reviewed accounted for \$10.45 billion of the \$14.7 billion claimed from changes in individual agencies under NPR I and \$19.17 billion of the \$29.6 billion claimed from NPR II savings. Overall, the claimed savings from the recommendations we reviewed accounted for over two-thirds of the \$44.3 billion in savings claimed from NPR's recommendations to individual agencies and 22 percent of the total amount of NPR's savings claims.

Following is a listing of the six recommendations we reviewed and the estimated savings, in millions of dollars, that NPR claimed for each of those recommendations. (See apps. I through VI for detailed information on each of the recommendations.)

- reorganize USDA to better accomplish its mission, streamline its field structure, and improve service to its customers (\$770 million);
- end USDA's wool and mohair subsidy (\$702 million);
- redirect DOE laboratories to post-Cold War priorities (\$6,996 million);
- realign DOE, including terminating the Clean Coal Technology Program; privatizing the naval petroleum reserves in Elk Hills, CA; selling uranium no longer needed for national defense purposes; reducing costs in DOE's applied research programs; improving program effectiveness and efficiencies in environmental management of nuclear waste cleanups; and strategically aligning headquarters and field operations (\$10,649 million);
- strengthen and restructure NASA management, both overall management and management of the space station program (\$1,982 million); and
- reinvent NASA, including eliminating duplication and overlap between NASA centers, transferring functions to universities or the private sector, reducing civil service involvement with and expecting more accountability from NASA contractors, emphasizing objective contracting, using private sector capabilities, changing NASA regulations, and returning NASA to its status as a research and development center (\$8,519 million).

Since these recommendations are not representative of all NPR recommendations, our findings cannot be generalized to apply to other savings claimed by NPR. As agreed with your office, we did not independently estimate the actual amount of savings achieved from these six recommendations.

We interviewed NPR and OMB officials about how they estimated and claimed savings and also requested relevant documentation. We also examined a database OMB maintained showing the amount of savings achieved from the recommendations. The NPR I data covered fiscal years 1994 through 1999, and the NPR II data covered fiscal years 1996 through 2000. Both sets of data were most recently updated in the summer of 1997. We reviewed NPR data, including a description of the status of the recommendations and reports containing background information, on the three agencies and the relevant recommendations where available. We also interviewed officials from these agencies about the savings OMB estimated for the recommendations we reviewed.

We conducted our review in Washington, D.C., from April 1998 through February 1999 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from OMB, the Departments of Agriculture and Energy, and NASA. These comments are discussed at the end of this letter.

The Relationship Between NPR Recommendations and Agency Savings Claims Was Not Clear

OMB generally did not distinguish between NPR's and other contributions for the agency-specific recommendations we reviewed. NPR attempted to build on prior management reforms and operated in an atmosphere where other factors, such as agencies' ongoing reforms as well as the political environment, also influenced actions taken to address NPR's recommendations. The relationship between the recommendations we reviewed and the savings claimed was not clear because OMB attributed a broad range of changes to NPR.

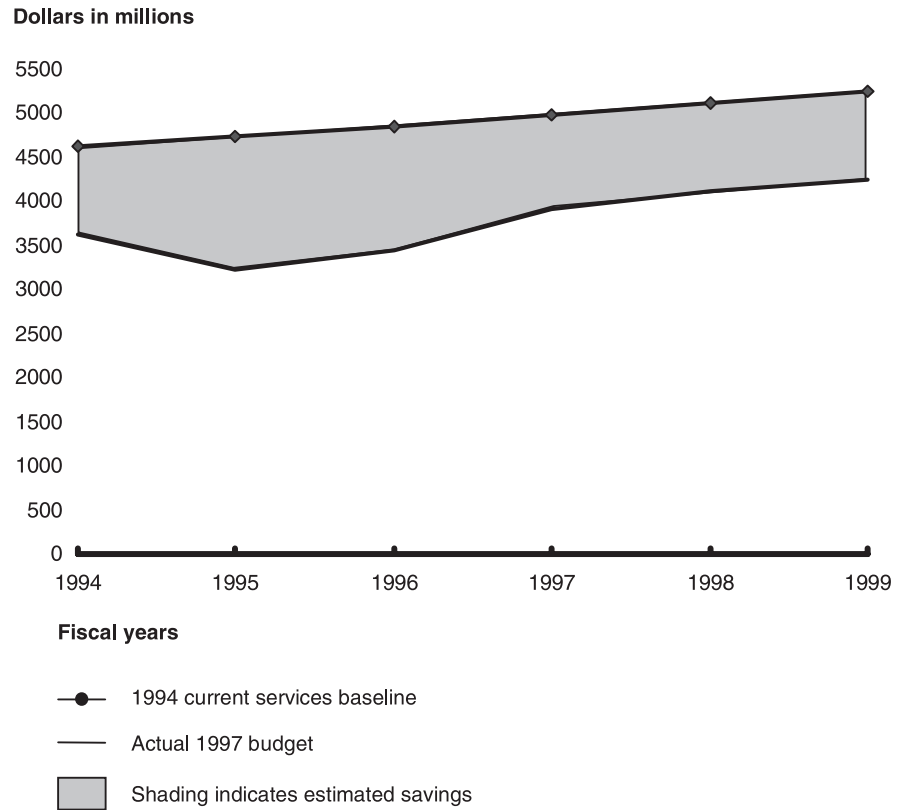
Savings estimated from the recommendation to reinvent NASA illustrate how OMB attributed a broad range of changes to NPR and did not distinguish NPR's contribution from other factors. To estimate savings for that recommendation, OMB consolidated seven somewhat related recommendations into one savings estimate of \$8.519 billion. OMB estimated savings by totaling expected reductions to NASA's entire budget for fiscal years 1996 through 2000. According to a NASA official, NASA's funding during this period was limited as the result of several initiatives, including direction from the NASA administrator that began before NPR was initiated and congressionally imposed spending caps. Nevertheless, OMB attributed all of the \$8.519 billion in savings from estimated reductions in the entire NASA budget to NPR.

OMB followed similar procedures in estimating savings from the other NPR recommendation concerning NASA that we reviewed—the recommendation to strengthen and restructure NASA management. The

examiner estimated savings of \$1.982 billion on the basis of expected reductions in funding levels for one of NASA's three budget accounts for fiscal years 1994 through 1999. The estimated savings were based on expectations for lower levels of budget authority due to the combined effects of several factors, such as budgetary spending caps and ongoing NASA management reform efforts.

In the case of the NPR recommendation for DOE to shift its laboratory facilities' priorities in response to conditions that accompanied the end of the Cold War, NPR recognized that changes were already under way. For example, as part of this recommendation, NPR called for DOE to "continue" the reduction of funding for nuclear weapons production, research, testing programs, and infrastructure. Considering the comprehensive nuclear test ban treaty agreements and other factors, it was apparent that the DOE laboratories' priorities would have changed regardless of whether NPR had made the recommendation. However, as figure 1 shows, when OMB estimated savings from this recommendation, it credited all savings from estimated reductions in the weapons activity budget account (\$6.996 billion) to NPR.

Figure 1: Savings OMB Estimated From NPR's Recommendation to Redirect DOE Laboratories' Priorities



Note: OMB used budget data based on actual numbers through fiscal year 1997 and budget estimates for fiscal years 1998 and 1999.

Source: GAO analysis of OMB data.

Similarly, efforts related to NPR's recommendation to reorganize USDA were under way prior to or simultaneously with the NPR recommendation. These efforts included USDA reorganization plans and the introduction of legislation to streamline USDA. For example, the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354, Oct. 13, 1994), required USDA to reduce the number of federal staff years by at least 7,500 by the end of fiscal year 1999. Therefore, USDA's reorganization could be viewed as part of a continuous management improvement effort. OMB attributed the entire \$770 million in estimated savings it reported from USDA's staffing reductions to NPR.

In contrast, the relationship between the recommended action and the estimated savings was relatively straightforward for the NPR recommendation to end USDA's wool and mohair subsidy program. In that

case, program costs, primarily subsidy amounts that were reduced by phasing out the program and subsequently eliminated by ending the program, were counted as savings.

OMB Used Standard Budget Estimating Techniques to Estimate Savings

According to OMB, the procedures and techniques it used to estimate NPR savings were those that it commonly follows in developing the President's budget. Therefore the NPR savings estimates were to provide a "snapshot" showing the amount of savings OMB expected would result from the recommendations. For example, in 1993, OMB projected savings from the NPR recommendation to strengthen and restructure NASA management covering fiscal years 1994 through 1999. OMB characterized these estimated savings as achieved in 1996, and NPR has continued to report these estimated savings (based on the 1993 estimate) as achieved. More generally, OMB's savings estimates for agency-specific recommendations included about \$34.3 billion in savings that were not expected to be realized until fiscal years 1999 and 2000. OMB last updated its estimates in 1997, so any changes that have occurred since then are not reflected in NPR's claimed savings.

OMB's budget estimating procedures and techniques use policies and economic forecasts in effect at a given time. The estimates OMB prepared for NPR initiatives involved projecting changes from a given baseline and identifying the difference as savings. OMB said that it generally used a fiscal year 1994 current services baseline for the NPR I agency-specific recommendations and a fiscal year 1996 Omnibus Budget Reconciliation Act baseline for the NPR II recommendations. OMB said, however, that in both cases, program examiners could use other savings baselines where the examiners believed it made better sense for a particular program or NPR recommendation. The OMB examiners also had latitude in determining the most appropriate analytical approach to use, based on their knowledge of the agency and the specific characteristics of the individual NPR recommendation.

Our prior reviews of budget estimates have shown that it is difficult to reconstruct the specific assumptions used or to track savings for estimates produced several years ago. As we reported in 1996, once an estimate is prepared and time passes, it becomes difficult to retrace the original steps and reconstruct events in order to replicate the original estimate.⁴ Moreover, it is often difficult to isolate the impacts of particular proposals on actual savings achieved due to the multiple factors involved. In our 1994 report on issues concerning the 1990 Reconciliation Act, we found that it is

⁴ GAO/GGD/AIMD-96-149R, July 24, 1996.

generally not possible to identify or track precise savings by isolating the budgetary effects of individual provisions from the effects of other factors such as intervening actions or subsequent legislation.⁵

Some Estimated NPR Savings Were Claimed Twice

In two instances, OMB counted some of the estimated savings NPR claimed twice. In the first instance, OMB counted the same estimated savings on two different NPR I initiatives—once for agency-specific changes (from reorganizing USDA) and again as part of a NPR governmentwide initiative to reduce the bureaucracy. In the second instance, OMB appears to have counted the same savings twice when separately estimating savings from the two NASA recommendations we reviewed. Therefore, the total estimated savings NPR claimed in both of these instances were overstated.

OMB estimated that \$770 million in cost savings resulted from NPR's recommendation to reorganize USDA on the basis of workforce reductions. OMB also counted these workforce reductions when estimating the total of \$54.8 billion in savings NPR claimed from its governmentwide initiative to reduce the size of the bureaucracy. While acknowledging that this occurred, OMB officials stated that the level of double counting appeared to be quite small in relation to total NPR savings—less than 1 percent of the total savings claimed from NPR recommendations. They said that the double counting was small because the recommendation to reorganize USDA was the only agency-specific recommendation with a significant staffing effect.

However, OMB officials told us that they had not established a mechanism to prevent double counting from savings claimed for the agency-specific recommendations and from the governmentwide initiative. Officials from the other two agencies we reviewed—DOE and NASA—said that their staff also had been reduced and counted as part of the savings claimed for the agency-specific recommendations to streamline DOE and strengthen NASA management. Therefore, in the absence of OMB processes to guard against including savings from personnel reductions in both agency-specific and governmentwide savings claims, additional double counting of workforce reductions could have occurred.

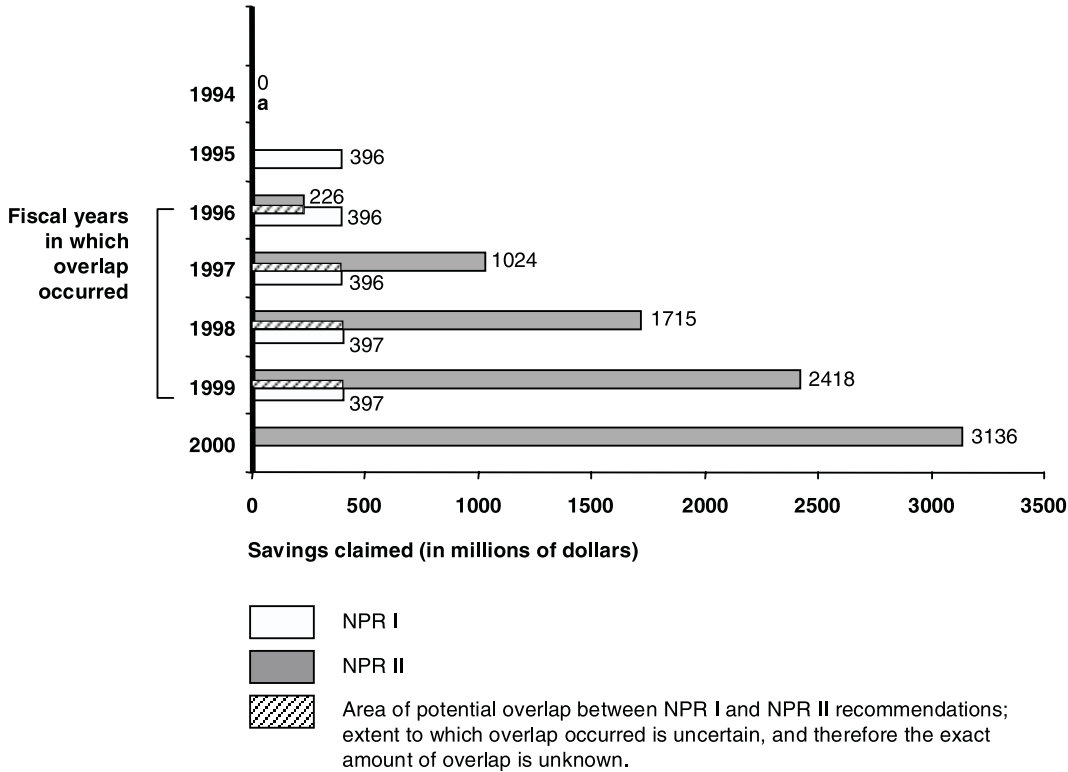
In the second instance, a portion of the estimated savings appears to have been counted twice for two NASA recommendations we reviewed, one from NPR I (to strengthen and restructure NASA management) and the other from NPR II (to reinvent NASA). Some of the actions NPR

⁵ GAO/AIMD-95-3, Oct. 7, 1994.

recommended, such as restructuring NASA centers, were components of both the NPR I and NPR II recommendations. The OMB examiner acknowledged that some of the savings could have been counted twice and that there was no mechanism to distinguish the sweeping changes that were occurring at NASA. She said that the NPR II recommendation built on the NPR I recommendation. NASA officials also said that they were not able to assign savings precisely to one recommendation or the other because the recommendations were similar and there was no clear demarcation where one ended and the other began.

OMB estimated savings from the NPR I recommendation for fiscal years 1994 through 1999 and from the NPR II recommendation for fiscal years 1996 through 2000. Estimated savings from both recommendations were included when OMB aggregated total NPR-estimated savings. As figure 2 shows, a portion of the savings claimed from these two recommendations overlapped during fiscal years 1996 through 1999. For those years, claimed savings totaled about \$7 billion (about \$1.6 billion from the NPR I recommendation and about \$5.4 billion from the NPR II recommendation). OMB appears to have counted some portion of that amount twice—potentially up to \$1.4 billion. The NPR savings claims in these two instances were overstated.

Figure 2: Potential Overlap in Estimated Savings From NASA Recommendations



a. No savings were claimed in 1994 for the NPR I recommendation.
 Source: GAO analysis of OMB estimates.

Offsetting Costs May Not Have Been Fully Included

OMB and CBO both estimated savings for the recommendation to streamline USDA, and these estimates differed. While OMB estimated the savings to be \$770 million, CBO’s estimate was \$446 million—a difference of \$324 million. We did not evaluate the differences between these estimates. However, according to a November 15, 1993, letter from the CBO director to the then House Minority Leader, CBO’s estimate differed from OMB’s “. . . with respect to the costs associated with severance benefits and relocation. While the administration assumes that agency baseline budgets are large enough to absorb these costs, CBO assumes that the costs would reduce the potential savings. The administration also estimates larger savings in employee overhead costs.” According to CBO, due to the differences in the consideration of offsetting costs, OMB’s estimate for the 5-year budget period (fiscal years 1994 through 1998) exceeded CBO’s estimate by \$324 million.

OMB provided documentation showing that, in fiscal year 1996 and again in fiscal year 1997, OMB factored “up-front” costs of \$40 million into the

estimates it reported. The responsible OMB branch chief stated that although he did not recall what the up-front costs for this recommendation specifically encompassed, these costs typically consist of buyouts (i.e., financial incentives of up to \$25,000 for employees who voluntarily leave the federal government), lease breakage costs, and moving expenses.

OMB Lacked Documentation and Reported Estimates Incorrectly

According to OMB, consistent with its normal budget practices, OMB examiners generally did not retain documentation for NPR savings estimates. The budget examiners were unable to document estimates for four of the six recommendations we reviewed, constituting \$21.8 billion in savings claims. Instead, the OMB examiners attempted to reconstruct how they thought the savings had been estimated through approximating rather than replicating savings estimates.

OMB did, however, provide documentation on the estimated savings for two of the six recommendations we reviewed. These recommendations were to reorganize USDA (with estimated savings of \$770 million) and to redirect the DOE laboratories' priorities (with estimated savings of \$6.996 billion). Even when documentation for the NPR savings estimates was available, OMB could not always provide complete information about how the estimates were calculated. For example, the responsible OMB branch chief could not specifically remember what comprised the up-front costs shown on documentation for the recommendation to reorganize USDA.

The NPR savings claims for both cases where OMB provided documentation were reported incorrectly. These errors led NPR to understate the estimated savings from those recommendations. One of the errors involved a math mistake that affected the amount of savings claimed. When updating the estimate, a subtraction error led to \$10 million in estimated savings being omitted from the total claimed for the recommendation to redirect the DOE laboratories' priorities. The other error occurred because savings of \$1.859 billion that the examiner estimated would occur from the recommendation to reorganize USDA for fiscal years 1997 through 1999 were not reported.

Conclusions

NPR claimed savings from agency-specific recommendations that could not be fully attributed to its efforts. In general, the savings estimates we reviewed could not be replicated, and there was no way to substantiate the savings claimed. We also found that some savings were overstated because OMB counted savings twice, and two of the estimates were reported incorrectly, resulting in claims that were understated.

Agency Comments and Our Evaluation

We requested comments on a draft of this report from the Director of OMB, the Secretaries of Agriculture and Energy, and the NASA Administrator, or their designees. On June 14, 1999, we met with OMB staff who provided clarifying and technical comments on the draft report. We incorporated their suggestions in this report where appropriate.

We obtained written comments on the draft report from the Director of USDA's Office of Budget and Program Analysis. He said that a loan program for mohair producers established in fiscal year 1999 provides substantially different incentives than the original wool and mohair program. His letter stated that the costs associated with the 1999 program did not negate the savings derived from eliminating the earlier program. As a result, we eliminated our discussion concerning this loan program from the report.

We also obtained written comments on the draft report from DOE's Controller. She said that OMB's use of the weapons activity budget account to estimate savings from the recommendation to redirect the energy laboratories to post-Cold War priorities is more reasonable than is implied by the report. She explained that while the title of the NPR recommendation suggests that only laboratories would be affected by the recommendation, related NPR information indicates that the recommendation affected facilities beyond just the laboratories. We added language to the report recognizing that the recommendation, although focused on the laboratories, did include actions to reduce the production and testing of nuclear weapons. Secondly, she said that DOE had progressed beyond the status NPR reported for the initiatives included in the recommendation to realign DOE, and we included the updated information in appendix IV.

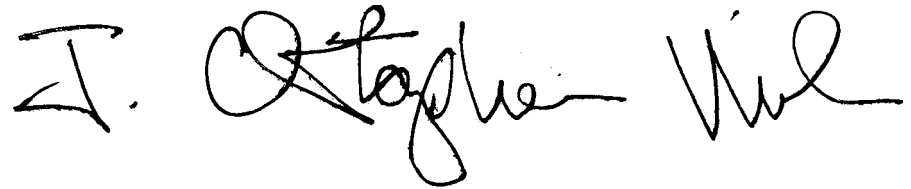
On June 2, 1999, a NASA official reported that NASA had no comments on our draft report.

As agreed, unless you announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies of this report to Representative Henry A. Waxman, Ranking Minority Member of the House Government Reform Committee and to Senator Fred Thompson, Chairman, and Senator Joseph I. Lieberman, Ranking Minority Member, of the Senate Governmental Affairs Committee. We will also send copies to the Honorable Jacob J. Lew, Director of OMB; Mr. Morley Winograd, Director of NPR; the Honorable Daniel R. Glickman, Secretary of Agriculture; the Honorable Bill Richardson, Secretary of Energy; and the Honorable Daniel S. Goldin,

Administrator of NASA. We will also make copies available to others on request.

Major contributors to this report appear in appendix VII. Please contact me or Susan Ragland, Assistant Director, on (202) 512-8676 if you have questions about this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Christopher Mihm". The signature is written in a cursive style with a large, stylized initial "J".

J. Christopher Mihm
Associate Director
Federal Management and Workforce Issues

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Abbreviations

CBO	Congressional Budget Office
DOE	Department of Energy
FTE	full-time equivalent
NASA	National Aeronautics and Space Administration
NPR	National Performance Review
OMB	Office of Management and Budget
PMC	Program Management Council
R&D	research and development
USDA	United States Department of Agriculture

Reorganize USDA

NPR Recommendation

In September 1993, NPR recommended that USDA be reorganized to better accomplish its mission, streamline its field structure, and improve service to its customers. NPR had recommended that USDA reorganize its structure, submit legislation to enact the reorganization, and review its field office structure to eliminate and restructure those elements no longer appropriate.¹

Key Actions Reported

NPR reported that USDA has made progress towards reorganizing at its headquarters and field office structure. USDA submitted reorganization legislation, and Congress enacted the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354) on October 13, 1994. The reorganization at the headquarters level has reduced the number of agencies from 43 to 29 and has established 7 “mission areas” to carry out program responsibilities.² USDA also implemented a field office streamlining plan that consolidates the county-based agencies to provide services to customers from all agencies at one location. This effort is to result in streamlining the number of field office locations from over 3,700 to 2,550. As of May 1998, the total number of field office locations had been reduced to about 2,700.

Table I.1: Claimed Savings

Dollars in millions							
	1994	1995	1996	1997	1998	1999	Total
OMB estimate	130	355	285	0	0	0	770

Source: OMB, revised estimates as of summer 1996.

Methodology Used to Estimate Savings

OMB officials stated that savings for this recommendation were derived solely from the number of full-time equivalent (FTE) reductions USDA made.³ OMB took the difference between the fiscal year 1994 current services baseline and actual and updated reductions and then multiplied that amount by an average salary that was comprised of both headquarters and field office salary data. From that amount, OMB subtracted offsetting costs. OMB officials provided documentation on how these savings were estimated.

¹ USDA’s structure consists of headquarters, regional, state, and county-based offices.

² USDA is composed of various component agencies, including the Forest Service, the Farm Service Agency, and the Natural Resources Conservation Service. Mission areas are groupings of agencies at USDA that perform a common function. For example, the Natural Resources and Environment Mission Area is comprised of the Forest Service and the Natural Resources Conservation Service.

³ FTEs are used to measure civilian employment, and 1 FTE is equal to 1 workyear of 2,080 hours.

End the Wool and Mohair Subsidy

NPR Recommendation

In September 1993, NPR recommended that USDA end this subsidy program, which was implemented in 1954 to increase domestic production of wool by providing direct payments to farmers. At that time, Congress declared wool a strategic commodity to reduce dependence on foreign fibers, which was caused by imports needed during World War II and the Korean conflict. NPR said that this subsidy was outdated, since wool was no longer a strategic commodity.

Key Actions Reported

NPR reported that this subsidy had been eliminated as a result of legislation amending the National Wool Act of 1954 (P.L. 103-130, November 1, 1993). The act mandated the reduction of subsidies during fiscal years 1994 and 1995 and the elimination of subsidies for fiscal year 1996. Payments were reduced by 25 percent in fiscal year 1994, 50 percent in fiscal year 1995, and eliminated entirely beginning in fiscal year 1996.

Table II.1: Claimed Savings

Dollars in millions

	1994	1995	1996	1997	1998	1999	Total
OMB estimate	0	47	103	183	181	188	702

Source: OMB, revised estimates as of summer 1996.

Methodology Used to Estimate Savings

In response to our questions, although they were unable to provide documentation on how savings were estimated, OMB generally could reconstruct how savings would have been estimated. This involved subtracting the payments that farmers were receiving as a result of the subsidy reductions mandated in P.L. 103-130 from the amount of subsidies that were projected to have been paid, had the legislation not been enacted, for fiscal years 1994 through 1999. OMB said that the source of the projected subsidy information was 1993 data from the Commodity Credit Corporation, which analyzes budget projections and assumptions.

Redirect DOE's Laboratories to Post-Cold War Priorities

NPR Recommendation

In 1993, NPR recommended that DOE shift laboratory facilities' priorities to accommodate conditions that accompanied the end of the Cold War—such as the dramatic decrease in the arms race and cutbacks in defense-related energy and nuclear research funding. NPR recommended, among other things, that DOE continue to reduce funding for nuclear weapons production, research, testing programs, and infrastructure that are needed to meet current defense requirements; develop a vision for the DOE laboratory complex; and encourage laboratory managers to work with the private sector on high-priority research and development (R&D) needs.

Key Actions Reported

NPR reported that DOE is restructuring and refocusing its laboratories by developing new strategic plans and implementing a science-based stockpile stewardship program. The stockpile stewardship program is designed to support the testing of nuclear weapons in a safe manner as directed by the comprehensive nuclear test ban treaty, which banned the production of nuclear weapons after the Cold War. DOE has also established the Laboratory Operations Board and the R&D Council. These organizations study the use of government/private partnerships to increase productivity of DOE R&D programs.

Table III.1: Claimed Savings

Dollars in millions							
	1994	1995	1996	1997	1998	1999	Total
OMB estimate	991	1,519	1,409	1,077	1,000	1,000	6,996

Source: OMB, revised estimates as of summer 1997.

Methodology Used to Estimate Savings

OMB calculated savings for redirecting energy laboratories to post-Cold War priorities by taking the difference in the weapons activities budget account between the fiscal year 1994 current services baseline and the actual appropriations for that fiscal year and counting the savings through fiscal year 1999. The DOE laboratories' budget is subsumed within the weapons activities account of the President's budget. This account includes R&D to support the safety and reliability of the nuclear weapons stockpile as well as personnel and contractual services for certain defense programs' missions. OMB considered DOE laboratories as well as the entire weapons complex, of which the laboratories are a component, when estimating savings for this recommendation. OMB officials provided documentation on how these savings were estimated.

Summary of Savings From Realigning DOE

NPR Recommendation

In 1995, NPR had six recommendations concerning realignment of DOE. NPR consolidated reporting on these recommendations for purposes of developing savings estimates. These recommendations were to (1) terminate the Clean Coal Technology Program; (2) privatize the naval petroleum reserves in Elk Hills, CA; (3) sell uranium no longer needed for national defense purposes; (4) reduce costs in DOE's applied research programs; (5) improve program effectiveness and efficiencies in environmental management of nuclear waste cleanups; and (6) strategically align headquarters and field operations.

Key Actions Reported

NPR reported that DOE has implemented actions consistent with these recommendations. For instance, NPR reported that DOE is planning to terminate the Clean Coal Technology Program by September 2000. DOE has reorganized the department by implementing the Strategic Alignment Initiative, which is intended to reduce staffing, support service contracting, and travel costs; streamline the National Environmental Policy Act; increase asset sales; and improve information resources management. DOE has also established performance measures to improve effectiveness of nuclear waste cleanups, developed a plan for selling uranium reserves, and is developing ways to reduce administrative costs in DOE's research programs. More recently, DOE noted that the Elk Hills Naval Petroleum Reserves were sold in February 1998 for \$3.1 billion. Similarly, in fiscal year 1998, \$0.4 billion was realized due to DOE's uranium being a part of the sale of the United States Enrichment Corporation.

Table IV.1: Claimed Savings

Dollars in millions						
	1996	1997	1998	1999	2000	Total
OMB estimate	1,673	2,244	2,244	2,244	2,244	10,649

Source: OMB, revised estimates as of summer 1996.

Methodology Used to Estimate Savings

OMB could not reconstruct calculations for the savings estimated for this recommendation.

Strengthen and Restructure NASA Management

NPR Recommendation

In September 1993, NPR recommended that NASA take a number of restructuring steps, both in overall management and in the management of the space station program. It recommended that NASA, among other things, aggressively complete its overhaul of space station program management, implement the management principles developed for the redesigned space station program, and formally institute its Program Management Council (PMC), an organization charged with improving NASA's internal management processes.

Key Actions Reported

NPR reported that NASA has taken and is continuing to take steps to improve the management of the agency and the space station. According to NPR, NASA's overhaul of space station program management was accomplished through enactment of the fiscal year 1995 Appropriations Act (P.L. 103-327, September 28, 1994). Also, the PMC was established in June 1993 and is fully operational.

Table V.1: Claimed Savings

Dollars in millions							
	1994	1995	1996	1997	1998	1999	Total
OMB estimate	0	396	396	396	397	397	1,982

Source: OMB, original estimated savings from September 1993.

Methodology Used to Estimate Savings

In response to our questions, OMB attempted to reconstruct how savings were estimated, but could not provide documentation to support its calculation. OMB officials said the methodology they would have used to estimate savings for this recommendation was to take the difference between the fiscal year 1994 current services baseline and the actual appropriations for that fiscal year and count the savings through fiscal year 1999.

Reinvent NASA

NPR Recommendation

In 1995, NPR recommended that NASA be reinvented. This recommendation built on the earlier NPR recommendation to strengthen and restructure NASA management. OMB consolidated seven recommendations that related to reinventing NASA for developing savings estimates. These recommendations included (1) eliminating duplication and overlap between NASA centers; (2) transferring functions to universities or the private sector; (3) reducing civil service involvement with and expecting more accountability from NASA contractors; (4) emphasizing objective contracting; (5) using private sector capabilities; (6) changing NASA regulations; and (7) returning NASA to its status as a research and development agency.

Key Actions Reported

NPR reported that NASA has completed actions consistent with this consolidated recommendation. For instance, NPR reported that NASA has restructured its centers to eliminate overlap and duplication of functions and has implemented techniques, such as forming partnerships and outsourcing functions. NPR also reported that NASA was creating alliances with academic and industrial centers and consolidating all space shuttle operations management under a single, private sector prime contractor. In addition, NPR reported that NASA has implemented a performance-based contracting initiative.

Table VI.1: Claimed Savings

Dollars in millions

	1996	1997	1998	1999	2000	Total
OMB estimate	226	1,024	1,715	2,418	3,136	8,519

Source: OMB, original estimated savings from September 1995.

Methodology Used to Estimate Savings

In response to our questions, OMB attempted to reconstruct how savings were estimated, but could not provide documentation to support its calculation. An OMB official said she took the difference between the fiscal year 1996 current services baseline and the actual appropriations for that fiscal year and counted savings through fiscal year 2000.

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