FEDERAL WORKFORCE RESTRUCTURING STATISTICS

HEARING

BEFORE THE

SUBCOMMITTEE ON
CIVIL SERVICE

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

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FEDERAL WORKFORCE RESTRUCTURING STATISTICS

THURSDAY, MARCH 2, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CIVIL SERVICE,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:30 p.m., in room 311, Cannon House Office Building, Hon. John L. Mica (chairman of the subcommittee) presiding.

Present: Representatives Mica, Gilman, Morella, Bass, and Moran.

Staff present: George Nesterczuk, staff director; Garry Ewing, counsel; Dan Moll, senior policy director; Susan Mosychuk, professional staff member; and Caroline Fiel, clerk.

Mr. MICA. I want to call this meeting of the Subcommittee on Civil Service to order.

First of all, I want to welcome those who are participating in this hearing on the workforce restructuring statistics. That may be somewhat of a dry topic, but nonetheless, very important to what the Congress is doing and also the administration. I particularly extend a welcome to our witnesses from GAO, OMB, and OPM.

We are in the process of reviewing what is actually taking place as the administration proceeds with workforce reductions. I hope our witnesses today can shed some light on the intricate and often confusing basis for reporting on personnel levels in our various government agencies.

The Federal Workforce Restructuring Act targeted 272,900 full-time equivalent positions for elimination by the end of fiscal 1999. Full-time equivalent (FTE) employment is defined as the total number of regular straight time hours, not including overtime or holiday hours, worked by employees in a standard work year, containing 52 weeks of 40 hours each, a total of 2,080 hours, as I understand it.

The administration's fiscal year 1996 budget calls for a total reduction of 173,300 FTEs by the end of 1996. This reduction is 27,500 FTEs greater than that mandated by current laws as we calculate it.

The Office of Management and Budget is responsible for allocating the agencies their FTE levels. The Workforce Act does not specify where the cuts should occur. OMB bears this responsibility, and in order to achieve a stronger, more effective and efficient government, they should be coordinating specific personnel reductions with restructuring or elimination of programs. Otherwise, the ad-

ministration will simply be downsizing the workforce without changing its workload. This is neither restructuring nor reinventing government. Surely, this was not the intent of the Vice President's National Performance Review.

At this point, there appears to be a disproportionate share of the workforce reductions allocated to the Department of Defense. We have spent some time looking at the various figures, and maybe we can shed some light today on what the real figures are. However, a close examination of the President's budget provides us with some startling numbers. The civilian defense workforce will incur a reduction of 131,200 employees through fiscal year 1996. In contrast, nondefense civilian employment is to be reduced by 25,800 employees through 1996. If you take out reductions in the General Services Administration, the Federal Deposit Insurance Corporation, and the Resolution Trust Corporation (RTC)—which, since the Bush administration, has been scheduled to be eliminated anyway—nondefense civilian employment has declined by a mere 11,100 employees or only nine-tenths of 1 percent, less than 1 percent of total nondefense employment.

This is neither restructuring, in my opinion, nor reinventing government. Unfortunately, it does sound a lot like business as usual. The restructuring exercise thus far looks more like a Department of Defense workforce restructuring than a governmentwide streamlining. Most of the DOD downsizing was set in motion by President George Bush in his administration. As recently as February 21st of this year, President Clinton said: "We are on our way to a reduction in excess of 250,000 in the Federal workforce, which will give us by the end of this decade the smallest Federal government since the Kennedy Administration."

Let me point out, that back in 1963 during the Kennedy administration, nondefense employment stood at a mere 861,000 employees. That is 320,000 fewer nondefense employees than the President's target for fiscal year 1996. Let's get beyond the rhetoric. We are really looking for assurances today that our Federal workforce restructuring will indeed be implemented across the full scope of the executive branch, and not just the Defense Department.

The Office of Personnel Management has the statutory responsibility to provide leadership and guidance to agencies on management issues which affect the government's workforce. OPM should be providing strong support in the personnel out-placement area, as well as assisting agencies in effectively handling the downsizing by developing appropriate personnel separation strategies.

Strategic planning by OPM is needed to shape the Federal workforce that we must rely on in the future. We would hope that OPM becomes a more active player in a partnership with these agencies. A good working partnership with the agencies should ensure that civil service will continue to serve the citizens of our country.

I look forward to hearing from all of our witnesses today, and also would like to make part of the record a workout sheet which calculates the statistics for nondefense employment reductions that are projected through 1996 at less than 1 percent, that is nine-tenths of a percent. Again, a startling figure when we hear these figures of huge reductions in the Federal workforce.

So with those comments, I will see if our Members have any opening statements.

[The information referred to follows:]

Federal Employment in the Executive Branch

(Source: Administration Budget for FY 1996)

	Defense Civilian Employment	Non-Defense Employment
Actual number of FTEs in FY 1993	931,800	1,207,100
Estimated number of FTEs in FY 1996	800,600	1,181,300
Reductions through FY 1996	131,200	25,800
Reductions as percent of total workforce	14.1%	2.1%
Reductions in RTC & FDIC through FY 1996		-9,600
General Services Admin. reductions through FY 1996		-5,100
Non RTC/FDIC reductions		11,100
Non RTC/FDIC reductions as percent of workforce		0.9%
Percent of total reductions	92.2%	7.8%

Mrs. MORELLA. Yes, I do, thank you, Mr. Chairman.

I appreciate your holding this hearing today. The topic, oversight of the Federal Workforce Restructuring Act of 1994, may seem to be something of an academic exercise, replete with analyses and tracking of personnel figures and projections. But, in fact, a clear picture of restructuring is crucial to the smooth functioning of Federal agencies, and to the humane treatment of our Federal employees.

Along with my colleagues, I look forward to a clarification of the different methods used to track personnel statistics for restructuring purposes. This whole topic invites broader comment and questions that I would like to raise now.

Restructuring has been in full swing, and a variety of managerial positions have been eliminated. The Department of Defense has been a model in its ability to downsize and to place employees in other parts of DOD and in other agencies.

The engine for the changes has been the lump-sum financial incentives, are now scheduled to expire at the end of March. So I would like to pose the question, has consideration been given to extending the incentive program past April 1st, as a way of reaching restructuring goals? It is not something that I happily contemplate, but the fact is that RIFs are a possibility as we continue to downsize. If RIFs are seriously considered, how would they be assigned? Would they be done on a governmentwide basis or would agencies be dealt with case by case? If one agency has been successful in restructuring and another hasn't, would the successful agency be spared under a RIF plan?

Looking at the RIF question from another standpoint, what consideration has been given to the impact of RIFs on the makeup of the Federal workforce? I think this is important since analyses that I have seen project that most Federal agency RIFs would have a disproportionate impact on women, minorities, and disabled employees.

Finally, contracting out plans have been gaining favor with some managers as a way of offsetting the loss of Federal employees, but

there obviously is a cost to the Federal Government that results from contracting out. And, in fact, some reports have found that contracting out is more expensive than in-house Federal employees. Are those costs weighed in any determination of savings that result from restructuring?

I know the chairman has said something about doing a hearing in the future with regard to contracting out, but I think that question, as you can answer it, is appropriate at this time also.

I look forward to the testimony of our distinguished witnesses. And again, I want to commend the chairman for the selection of this room for this hearing, because this makes me very nostalgic, since it was the Post Office Civil Service Committee room. I hope we will use it again.

Thank you.

Mr. MICA. Well, I thank the distinguished lady from Maryland for her comments, and I, too, join her. We shall try to recruit this room into our turf. It is a beautiful and a historic room.

Now, I yield to the gentleman from New Hampshire, Mr. Bass, for any opening comments.

Mr. BASS. Mr. Chairman, I have no opening statement at this point.

Mr. MICA. Thank you, then, and we will proceed with our witnesses.

We have first Nancy Kingsbury, who is the Director of Federal Human Resource Management Issues for the General Accounting Office. Ms. Kingsbury, you have someone with you. Could you identify the gentleman? Is he going to testify?

Ms. KINGSBURY. Certainly. He is here in case a question comes up about the data that I can't answer off the top of my head, but this is Robert Goldenkoff, who was the evaluator in charge of the work that we have done over the last week to try to respond to this testimony.

Mr. MICA. It is the custom, and also my responsibility as chairman, to swear in witnesses who are going to testify, so if you don't mind would you stand and raise your right hand?

[Witnesses sworn.]

STATEMENT OF NANCY KINGSBURY, DIRECTOR, FEDERAL HUMAN RESOURCE MANAGEMENT ISSUES, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY ROBERT GOLDENKOFF

Ms. KINGSBURY. Shall I proceed, sir?

Mr. MICA. Yes. Again, welcome and we look forward to your testimony.

Ms. KINGSBURY. Well, thank you very much, Mr. Chairman.

It is a pleasure to be here. I, too, enjoy coming back to this room, which obviously has a lot of historic significance for the civil service system.

With your permission, I would suggest that my full statement be entered into the record, and I will just try to summarize it so that we can get on to questions.

Mr. MICA. Without objection.

Ms. KINGSBURY. OK.

Mr. Chairman, you asked us to look at three basic issues, one having to do with the administration's compliance with the Workforce Restructuring Act, one having to do with the targets of workforce downsizing, and one having to do with how the workforce reductions are being managed. I want to briefly touch on those issues.

As you noted in your opening statement, the actual FTE reductions that are going on now are being accomplished largely in the Department of Defense. In fact, taken in the aggregate, the administration is well ahead of the targets that were projected in the Workforce Restructuring Act. One of the specific questions you asked was the baseline for that exercise, and the baseline for that is referred to in the budget as the "1993 enacted base," which is the last employment level in the budget from the previous administration, just to get that fact on the table.

You also asked us about the relationship between the workforce reductions in the Workforce Restructuring Act and their savings, and the requirement in the Violent Crime Control and Law Enforcement Act of 1994 that the money be used for that purpose. I can report that if you look closely in the budget, you will see that the Violent Crime Act Trust Fund has been pulled out as required in the law from the discretionary caps. But I think we have to report that there is no direct linkage between any savings from the bodies actually leaving the government and how that money is spent.

With respect to the targets of workforce downsizing, you have certainly made the point in your opening statement that DOD has taken the lion's share of this. In fact, in fiscal year 1994, DOD accounted for 74 percent of the reductions and, in fiscal 1995, as you pointed out, it is going to be more like 98 percent.

Setting DOD aside, in 1994 the largest downsizings occurred in the Department of Agriculture, the Departments of Treasury, Health and Human Services, and Transportation, and in 1995 the largest non-DOD reductions are, as you point out, in FDIC and RTC. There are also fairly sizable reductions in the Veterans Administration, the General Services Administration, and the Tennessee Valley Authority.

In terms of the management of the FTE reductions, you asked us to check on whether the requirement of the Workforce Restructuring Act that one FTE be reduced for each buyout offered, we certainly have confirmed that that has occurred. But because the FTE reductions are running so far ahead of the act, that almost would have happened naturally.

With respect to—and I think perhaps the most original information in our statement has to do with the question of how the workforce reductions are being managed. You asked us whether agencies were given any guidance about workforce reductions. And certainly, between the OMB guidance on preparing streamlining plans and the OPM guidance on how to offer buyouts and related matters, there has been plenty of guidance on the issue of workforce reductions. But, by and large, that guidance has not addressed the issue of what the workforce mix should be.

Over the past 3 years, I should say starting with fiscal 1993 when these reductions started taking place, we have asked agen-

cies to report to us on their separations, that is to say, everyone who left, whether or not they left with a buyout, and we have documented that in our testimony. The written statement contains the information we had as of midafternoon yesterday, when we finalized the statement, which was from 12 agencies. This morning we have managed to add nine more agencies to that mix, and we will give you those numbers for the record.

[The information referred to follows:]

Table 2.—Reported Separations by Employment Category at Selected Agencies

[FY 1993–FY 1995]

Employment category	Fiscal year 1993	Fiscal year 1994	Fiscal year 1995 (to date)	Number of buyouts made [1]
Full-time permanent	49,744	57,687	18,648	17,137
Full-time temporary	47,122	37,764	6,068	1
Part-time permanent	6,565	6,391	1,611	255
Part-time temporary	13,744	11,789	2,382	0
Intermittent	16,848	16,406	2,283	2

[1] The authority to offer buyouts has been in effect since March 30, 1994, and is scheduled to expire March 31, 1995.

Note 1: This table includes data reported by the Departments of Energy, Health and Human Services, Interior, Justice, State, Transportation, Treasury, Veterans Affairs; as well as the Forest Service, Soil Conservation Service, NASA, Census Bureau, Environmental Protection Agency, Bureau of Mines, Geological Survey, Bureau of Reclamation, Fish and Wildlife Service, Bureau of Indian Affairs, Office of Personnel Management, and the United States Information Agency.

Note 2: The Departments of Health and Human Services and Treasury, as well as the Soil Conservation Service, did not break out the number buyouts they made by category and were not included in the table. However, together they made 3,651 buyouts.

Source: GAO survey.

Ms. KINGSBURY. By and large, what we find is that, in fiscal year 1993, only about 37 percent of the separations were full-time permanent employees, whereas 60 percent were temporary employees or intermittent employees. In 1994, that number rose slightly to 44 percent full-time permanent employees with 51 percent being temporaries and intermittents. But that pattern is clearly changing.

I think agencies are, if I could put it a little bit flippantly, running out of temporary employees to terminate, because the data that has been reported to us for the first part of 1995 shows that 60 percent of the separations are fulltime permanent employees, whereas only 34 percent are temporaries and intermittents. With that contribution to the debate, I would be happy to take your questions.

[The prepared statement of Ms. Kingsbury follows:]

PREPARED STATEMENT OF NANCY KINGSBURY, DIRECTOR, FEDERAL HUMAN RESOURCE MANAGEMENT ISSUES, GENERAL ACCOUNTING OFFICE

SUMMARY OF STATEMENT

The Federal Workforce Restructuring Act of 1994 (P.L. 103–226) establishes yearly employment levels for the government, measured in full-time equivalent (FTE) positions. The act requires the government to reduce its workforce by 272,900 FTE positions from fiscal years 1993 through 1999. To examine federal personnel policy and the number of FTE positions eliminated by the administration as a result of the act, GAO examined budget and FTE data and interviewed officials from the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM). GAO also reviewed pertinent downsizing documents, and sent surveys to 28 agencies to obtain information on the work schedules of separated employees to see where workforce reductions are occurring.

OMB monitors compliance with the act to ensure actual governmentwide FTE usage falls below yearly ceilings established by the act. The baseline for calculating these FTE reductions is the 1993 enacted base. According to OMB, this is the FTE

level estimated by the previous administration, and presumably would have been the employment level were it not for the administration's current downsizing efforts.

Savings from the workforce reductions were to be used to finance the Violent Crime Reduction Trust Fund to carry out the purposes of the Violent Crime Control and Law Enforcement Act of 1994. While the amount of budget authority specified in the Violent Crime Control Act was transferred to the Trust Fund, there is no direct linkage between actual savings from workforce reductions and actual expenditures from the Trust Fund.

The largest share of the workforce reductions have taken place at the Department of Defense (DoD). Of the 86,000 FTEs that were eliminated governmentwide in fiscal year 1994, almost three-fourths came from civilian employees of DoD. In fiscal year 1995, 98 percent of the reductions are expected to come from DoD.

While both OPM and OMB have given agencies guidance on how to achieve workforce reductions, officials from both agencies told GAO that their agencies have not issued any guidance on what the mix of full-time, part-time, permanent, temporary, and intermittent employees in the federal workforce should be. In fiscal years 1994 and 1995, the greatest percentage reductions in non-DoD FTEs were in temporary positions.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the status of workforce reductions mandated by the Federal Workforce Restructuring Act of 1994 (P.L. 103–226). The act requires the federal government to reduce its workforce by 272,900 full-time equivalent (FTE) positions between 1993 and 1999.[1] To accomplish this downsizing while avoiding a reduction-in-force (RIFs), the act allows non-Defense executive branch agencies, with Office of Management and Budget (OMB) approval, to pay buyouts to employees in any designated component, occupation, grade, series, and/or location who agree to resign, retire, or take voluntary early retirement by March 31, 1995, unless extended by the head of the agency, but no later than March 31, 1997.

At your request, we have examined federal policy and guidance on downsizing and the number of FTE positions eliminated by the administration as a result of the act. Specifically, we addressed

—the administration's compliance with the Workforce Restructuring Act including how positions are counted toward FTE reductions and from what baseline, and whether savings resulting from FTE reductions are dedicated to paying for the Violent Crime Control and Law Enforcement Act of 1994;

—the targets of workforce downsizing, such as where the FTE reductions have occurred; who identifies targets for the individual agencies; on what basis the targets are determined; and what assurances there are that each buyout results in one FTE reduction, as required by the act; and

—how the workforce reductions are being managed, including whether agencies are being given any guidance on how to achieve workforce reductions; whether those reductions can be accomplished without RIFs; and what policies, if any, exist covering the appropriate mix of permanent, temporary, and intermittent employees.

We obtained our information by examining the administration's fiscal year 1996 budget, and reviewing available policy and guidance on downsizing and FTE tracking the Office of Personnel Management (OPM) and OMB provided federal agencies. We interviewed officials from these agencies as well. To see how selected agencies were reducing their workforce, we reviewed pertinent downsizing documents and contacted agencies to obtain data on separated employees' work schedules and types of appointment. We did not verify the information provided by agencies.

As you know, we have been asked by the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations, to testify March 7 on the President's fiscal year 1996 budget and the Federal Workforce Restructuring Act. We believe the information in that testimony will be useful to this Subcommittee as well, and will be pleased to share it with you on the day of the Appropriations subcommittee hearing.

THE ADMINISTRATION'S COMPLIANCE WITH THE WORKFORCE RESTRUCTURING ACT

Under the Federal Workforce Restructuring Act, the total number of civilian executive branch FTE positions are not to exceed specific ceilings for fiscal years 1994 through 1999. OMB is responsible for ensuring that the FTE reductions meet these

[1] According to OMB guidance, an FTE or work year generally includes 260 compensable days or 2,080 hours. These hours include straight-time hours only and exclude overtime and holiday hours.

annual ceilings. Each December, agencies are required to submit a report to OMB that shows their anticipated FTE usage, by month, for the entire fiscal year. Further, each month agencies are to calculate actual employment levels and report the results to OPM. Based on these two sources of data, OMB conducts quarterly reviews of agency FTE usage to determine if agencies are likely to meet their fiscal year FTE targets. Should OMB find that the fiscal year FTE limitation is not being met, a governmentwide hiring freeze is to be imposed.

The 1993 Enacted Base Is the Starting Point for Calculating FTE Reductions Under the Workforce Restructuring Act

The baseline for counting the FTE reductions resulting from the Federal Workforce Restructuring Act is what is cited in the budget as the "1993 enacted base." According to OMB, this is the FTE level estimated by the previous administration in its final budget. In OMB's view, this would have been the employment level were it not for the current administration's downsizing initiatives. The 1993 enacted base is 2,155,200 FTE positions. This is 16,400 FTE positions higher than the actual employment level of 2,138,800 FTE positions in fiscal year 1993. The pace of the workforce reductions is such that the administration still anticipates falling well below the annual mandated FTE ceilings through fiscal year 1996. In fiscal year 1994, for example, the budget shows that the administration was 31,900 FTEs below the 2,084,600 ceiling mandated by the Workforce Restructuring Act, and projects that it will be 25,500 FTEs below the 2,043,300 ceiling at the end of fiscal year 1995.

The Savings Resulting From Workforce Reductions and Whether They Are Being Used to Fund The Violent Crime Control and Law Enforcement Act of 1994

Savings from the workforce reductions mandated by the Workforce Restructuring Act were to be used to finance the Violent Crime Reduction Trust Fund to carry out the purposes of the Violent Crime Control and Law Enforcement Act of 1994 (P.L. 103–322). The President's budget and related Congressional Budget Office documents show estimates for budget authority and outlays for the Trust Fund separate from other discretionary spending. For fiscal year 1995, these amounts are $2.423 billion and $703 million respectively, in accordance with the Violent Crime Control Act.

The amount of budget authority to be transferred to the Trust Fund was specified in the Violent Crime Control Act; the outlays represent an estimate based on that budget authority. There is no direct linkage between actual savings from workforce reductions and actual expenditures from the Trust Fund. In general, savings from FTE reductions are difficult to calculate, and most agencies do not do so. Although some savings would be expected from large workforce reductions, according to OMB any savings estimated to result from FTE reductions would be used by agencies to meet their overall discretionary spending caps.

Moreover, any savings resulting from the pay and benefits of deleted FTEs would not be the amount of actual savings to the federal government. Gross savings would have to be reduced by costs associated with workforce reductions, such as buyouts or, in the case of RIFs, severance pay. Equally important, any savings would depend on what happened to the work previously performed by employees in the FTE positions that were eliminated. If some of the work was contracted out to private companies, for example, the contracting costs would reduce any net savings from workforce reductions.

THE TARGETS OF WORKFORCE DOWNSIZING

The Largest Share of the Workforce Reductions Have Taken Place at the Department of Defense

According to the administration's fiscal year 1996 budget, over 86,000 FTEs were eliminated governmentwide in fiscal year 1994. Nearly three-fourths of these reductions were among civilian employees in the Department of Defense (DoD). DoD is expected to experience an even larger share of the workforce reductions in fiscal year 1995. Of the 34,900 FTE positions to be eliminated this fiscal year, 98 percent are projected to come from DoD, while only 2 percent are to come from non-DoD agencies.

Of the non-Defense agencies, those experiencing large actual reductions in fiscal year 1994 were the Departments of Agriculture (4,600), the Treasury (3,800), Health and Human Services (2,700), and Transportation (2,700). During fiscal year 1995, the non-DoD agencies expected to undergo significant workforce reductions include the Federal Deposit Insurance Corporation/Resolution Trust Corporation (3,700), the Department of Veterans Affairs (3,300), the General Services Administration (2,600), and the Tennessee Valley Authority (2,000).

Additional FTE reductions may be required to meet the goals of the second phase of the National Performance Review (NPR). This initiative, intended to examine agencies' basic missions, has initially focused on five agencies where the administration has proposed further workforce reductions. The five agencies are the Departments of Energy, Housing and Urban Development, and Transportation; the General Services Administration; and OPM. OMB officials told us that other agency downsizing or restructuring may be announced as a result of further NPR analyses under this second phase. Any workforce reductions resulting from this second phase would be over and above those already required by the Workforce Restructuring Act.

Interestingly, even during this period of downsizing, some agencies are expected to increase in size. The budget shows that in fiscal year 1995, for example, the Departments of Justice and the Treasury and the Environmental Protection Agency are each expected to increase by 1,300 FTEs or more.

How and Where Targets for Individual Agencies Are Determined

The Workforce Restructuring Act does not impose agency-by-agency employment ceilings. Instead, OMB is to see that within the governmentwide ceilings, agency FTE levels are aligned with program requirements and anticipated funding levels. OMB allocates planned governmentwide FTE levels for a fiscal year by individual agency FTE levels as part of the annual budget process. In consultation with agencies, OMB reviews agency missions, programs, and anticipated workloads, and arrives at FTE levels that it deems appropriate.

The Act's Requirement to Reduce The Governmentwide FTE Ceiling by One for Each Buyout Granted Appears to Have Been Met

To ensure that vacated positions are eliminated and not refilled, section 5(f) of the Workforce Restructuring Act requires a governmentwide reduction (excluding the DoD and the Central Intelligence Agency) in FTE positions for each buyout given. OMB has interpreted this to mean that, for each buyout that occurs in a fiscal year, the following year's FTE level should be reduced by at least one. Because this FTE offset is to be implemented governmentwide, the act designated OMB as the focal point for monitoring federal buyouts. In fiscal year 1994, according to OPM data, non-Defense agencies made about 15,000 buyouts. During that same period, the non-Defense workforce was reduced by about 22,700 FTEs. This suggests that there has been at least one FTE position reduction for each buyout granted. According to OMB, either agencies reduced their FTE levels by one for each buyout granted, or OMB offset the buyout with an FTE reduction at another agency.

MANAGEMENT OF THE WORKFORCE REDUCTIONS

OMB and OPM Have Given Agencies Guidance on How to Achieve Workforce Reductions

Both OMB and OPM have provided agencies with instructions on how to achieve workforce reductions. OMB, for example, has done this through its guidance on how agencies should prepare streamlining plans. In September 1993, the President called on each executive branch agency to submit a streamlining plan to OMB to ensure that agencies linked management reforms to their workforce reductions.

The guidance—a series of detailed and sometimes lengthy memos and bulletins—provided the heads of executive agencies with information on how to prepare streamlining plans. Among the items agencies were told to include in their plans were the steps being taken to flatten hierarchies, reduce headquarters staff, and pare down management control structures.

The OPM guidance we reviewed consisted of information on implementing the buyout authority. For example, a memo addressed to agency personnel directors summarizes the main points of the Workforce Restructuring Act, guides agencies in their use of buyouts, provides sample letters and surveys for agencies to use in communicating with employees about buyouts, and details new procedures for voluntary early retirement. OPM also operates a computer bulletin board that provides callers with information on downsizing and many other topics.

Available Data Show That Workforce Reductions Mandated By the Workforce Restructuring Act Can Generally Be Achieved Without RIFs if They Are Evenly Distributed Across Agencies

The President's fiscal year 1996 budget projects an aggregate FTE reduction of about 137,500 FTEs at the end of fiscal year 1995, about half of the 272,900 FTE total reductions called for by the act. This leaves an additional 135,400 reductions to be made from fiscal years 1996 through 1999. Our analysis of available data show that these additional FTEs could be eliminated governmentwide by attrition alone,

even assuming a separation rate as low as 1.75 percent per year. (Separation has historically run several percentage points higher).

This general observation, however, assumes a relatively even distribution of the remaining 135,400 reductions across the federal government. To date, some agencies have experienced more significant reductions than others, and this pattern is likely to continue in the future. As a result, RIFs may be necessary at some agencies. Moreover, the possibility of additional reductions resulting from the second phase of NPR could also require RIFs.

To Date, Non-Defense Agencies Have Reduced Their Temporary FTEs Proportionately More Than Their Permanent FTEs

OMB and OPM officials told us that their agencies have not issued any guidance on what the mix of full-time, part-time, permanent, temporary, and intermittent employees in the federal workforce should be.[2] The FTEs of employees appointed under temporary authorities and those with part-time and intermittent work schedules are reported separately to OPM, but are counted in total agency FTE levels.

As shown in table 1, the greatest percentage reductions in non-Defense FTEs between fiscal years 1993 and 1994 were in full-time temporary FTEs and part-time temporary FTEs. While permanent full-time FTEs dropped by only 1.1 percent, full-time temporary FTEs fell 7.5 percent and part-time temporary FTEs dropped 11.7 percent.

Table 1: Changes in Full-Time, Part-time, and Intermittent FTEs Between Fiscal Years 1993 and 1994

Fiscal Year	Total FTEs	Full-time permanent FTEs	Full-time temporary FTEs	Part-time permanent FTEs	Part-time temporary FTEs	Intermittent FTEs
1993	1,173,145	1,077,351	53,749	25,409	6,852	9,784
1994	1,154,866	1,064,988	49,737	24,638	6,049	9,454
Percent change	-1.6%	-1.1%	-7.5%	-3.0%	-11.7%	-3.4%

Note: FTE figures will not match budget figures because OPM has not yet received all agency corrections and/or revisions to agency FTE reports.

Source: GAO calculations based on OPM summary reports.

Large percentage reductions in temporary and intermittent FTE categories between fiscal years 1993 and 1994 occurred in six agencies: the Departments of Justice, Health and Human Services, Transportation, and Veterans Affairs; the Environmental Protection Agency; and the General Services Administration. While these agencies collectively experienced only a 1-percent reduction in total FTEs, they had a 22-percent decline in full-time temporary FTEs, a 17-percent decline in part-time temporary FTEs, and a 17-percent decline in intermittent FTEs.

The flexibility to terminate other than full-time permanent employees appears to have diminished significantly. To obtain an indication of which employment categories have been reduced in fiscal year 1995 to date, we surveyed 28 agencies. Twelve agencies responded in time to be included in our testimony today and these data are summarized in table 2.[3] Based on the data they provided, separations of full-time permanent employees were only 41 percent of the total separations in fiscal year 1994 while they were 60 percent of separations for these 12 agencies to date in fiscal year 1995.

Table 2: Reported Separations by Employment Category at Selected Agencies, FY 1993–FY 1995

Employment category	Fiscal year 1993	Fiscal year 1994	Fiscal year 1995 (to date)	Number of buyouts made [1]
Full-time permanent	30,562	36,977	11,280	14,732
Full-time temporary	39,514	28,535	3,634	1
Part-time permanent	4,646	4,730	1,163	240
Part-time temporary	9,037	8,216	1,561	0

[2] Permanent positions are generally those that have been established without time limit, or for a period of a year or more. Temporary positions are generally those that have been established for a period of less than a year. Intermittent employees are those employees who are employed on an irregular or occasional basis, with hours or days of work not on a prearranged schedule, and who are compensated only for the time actually worked or for services rendered.

[3] The twelve agencies responding were the Departments of Health and Human Services, State, Transportation, and Veterans Affairs; Soil and Conservation Service; Geological Survey; Bureau of Indian Affairs; Bureau of Mines; Forest Service; NASA; Census Bureau; and the Environmental Protection Agency.

Table 2: Reported Separations by Employment Category at Selected Agencies, FY 1993–FY 1995—Continued

Employment category	Fiscal year 1993	Fiscal year 1994	Fiscal year 1995 (to date)	Number of buyouts made[1]
Intermittent	11,917	12,144	1,273	2

[1] The authority to offer buyouts has been in effect since March 30, 1994, and is scheduled to expire March 31, 1995.
Source: GAO survey.

Of course, we cannot be sure these data are representative and we will continue to monitor trends in hiring and separations as downsizing rontinues.

This concludes my prepared statement. I would be pleased to answer any questions the Subcommittee may have.

Mr. MICA. I thank you for your testimony.

We have been joined by our ranking member, Mr. Moran.

Mr. Moran, did you want to make an opening statement at this time?

Mr. MORAN. I appreciate the opportunity, John, but I don't really need to.

We will proceed.

Mr. MICA. OK, thank you.

If I may, I wanted to ask a couple of questions.

First of all, did you confirm that our statistics as far as the statement that I made, I think you said 98 percent of the cuts through 1996 will be defense related?

Ms. KINGSBURY. That is correct. And we rounded the number. You say 2 percent nondefense, and I said 98 percent defense, so we are about the right numbers. There is a small discrepancy between the number you have and the one we have, the 25,800, but I am sure we can resolve that. That is not a serious discrepancy.

Mr. MICA. Let me ask you this, we have been talking about FTEs here, is there any type of analysis done or are there any type of figures as far as the amount of work replaced from FTEs, either full-time equivalent or temporary positions, that has now been contracted out?

Ms. KINGSBURY. We have been monitoring the issue of contracting out behind the buyouts since last fall, and we are still not seeing very much explicit contracting out behind the positions leaving. We have a few allegations that we are investigating, literally a handful of cases where a union or someone has told us that there has been some replacement of people who left with contract employees specifically doing their duties.

Mr. MICA. We don't have any exact figures, or is there any analysis of any of the budget items or expenditures from the agencies that would indicate large numbers of contracting out employees replacing some of those positions that are supposedly cut?

Ms. KINGSBURY. So far, as I say, we do not have any specific data that would support that. The analysis that we are planning to do to look at the general growth of service contracting in the government necessarily lags behind the actions, because the data is about 6 months out of date, so we are watching that issue. We will be in a position to give you a little more information about that a little bit later.

Mr. MICA. The second question I had at the previous hearing concerned the normal attrition rate, how many people leave, resign voluntarily. Is there any kind of figure in nondefense Federal em-

ployment that you could use as a standard over the years or some range?

Ms. KINGSBURY. I would defer to OPM for the actual statistics. My experience has been that something in the order of 4 to 6 percent is fairly common, and sometimes it is higher than that. Lately, it has probably been considerably lower than that, but the buyouts will have helped some.

Mr. MICA. If you use that figure and applied it to the 98 percent, actually the cuts——

Ms. KINGSBURY. The 2 percent.

Mr. MICA. Exactly. It doesn't sound like there were any real cuts in live bodies.

Ms. KINGSBURY. Well, but the difference is that normal attrition you would replace and I think, while there is some hiring going on, it is clear from the FTE numbers that employment is coming down in the Federal Government. Whether it is coming down in the right places, we need to discuss separately, but it is clear it is coming down. So far, as our data shows in this statement, it is largely coming down by terminating temporary employees or part-time employees, but that is the natural thing a manager would do in the first stages of a downsizing. As a matter of fact, you can't run a RIF if you haven't terminated all your temporary employees.

Mr. MICA. Is it correct that some of the agencies are increasing their numbers: Department of Justice, Treasury, and EPA—some of those may be enforcement positions, at least with Justice or Treasury—but what is the situation as far as agencies expanding?

Ms. KINGSBURY. Well, we cite in our written statement the agencies that are notable in the budget for fairly significant increases in FTEs, and they do, as you point out, include the Department of Justice which we understand to be largely the Prison Service, the Department of Treasury, which is largely IRS, and the Environmental Protection Agency, where we understand the problem is a need to bring some of the contracting back in-house.

There has been a determination, as we understand it, that that agency has gone too far toward contracting out, and they are trying to get the workload back under their own control which, at least in the short term, is not a bad objective.

Mr. MICA. Do you do any type of assessment of the biggest agencies as far as contracting out, any evaluation of the numbers of bodies involved in this contracting out process?

Ms. KINGSBURY. Well, we have some work ongoing where we are going to try to get a handle on the size of the contractor workforce and, as I mentioned earlier, the extent to which contracting out is growing in general, particularly for advisory and assistance services, which is where you would replace Federal employees if you were going to do it. That work is only just now getting started.

Mr. MICA. The other point, and I will close on this in just a second here, but you said that most of the cuts have come from temporary employment, elimination of those positions, temporary employment positions; in fact, was it 51 percent you quoted?

Ms. KINGSBURY. For fiscal 1994. It is down in the early part of fiscal 1995 to only 34 percent.

Mr. MICA. But you said we are running out, I think that would demonstrate we are running out of temporary positions to cut.

Ms. KINGSBURY. That is right.

Mr. MICA. And what about full-time positions, what was the contrast? Do you have any——

Ms. KINGSBURY. Well, in fiscal—excuse me, I didn't mean to cut you off. Did you finish?

Mr. MICA. Just over some years.

Ms. KINGSBURY. OK. In fiscal 1993, of the people who left the government, that is to say, separations, 37 percent were full-time permanent employees, and in the early part of fiscal 1995, for the agencies who have reported to us, that number is 60 percent.

Mr. MICA. Sixty percent. OK.

Well, my time has expired, and I will yield at this time to the ranking member, Mr. Moran.

Mr. MORAN. Thank you, Mr. Mica.

When you mentioned EPA, it caught my attention because I happen to be familiar with that and, Ms. Kingsbury, you suggested that was a good idea because they had gone too far in contracting out and it was necessary to bring people back to the Federal Government.

Ms. KINGSBURY. That is what I said. I have to qualify that by saying I am not a specialist on EPA.

Mr. MORAN. You just said for the record that you thought that would be a good idea because, apparently, EPA had gone——

Ms. KINGSBURY. We had——

Mr. MORAN [continuing]. Too far in contracting out.

Ms. KINGSBURY. We pursued the reason why EPA's employment was going up. What we were told was that they had made a determination in EPA that they needed to add employment in order to manage their contracted out work more effectively. The details behind that, sir, I don't have and couldn't share with you.

Mr. MORAN. Well, Mr. Chairman, this is further evidence of what frustrates me so much about parts of our Federal bureaucracy, because you were told a falsehood, and it was accepted, as it normally would be, as I would have done if I hadn't known better. It turns out that the principal conversion, wholesale conversion from contractors to Federal employment is not a reconversion of people. This is a project that had gone on for 20 years, they had contracted with the same private company who went around the world really and acquired the best toxicologists, and probably, I don't know this for a fact, although having worked in the bureaucracy for many years, my guess is that somebody decided they wanted to buildup a workforce that they would have line-item control over. But I don't know that, I can't prove it.

There must be some kind of motivation, however, for taking 100 people who are privately employed by this contractor and converting their pay to Federal pay, and making them Federal employees. This is the largest part of the contractor conversion that accounts for EPA expanding its rolls.

The fact that they told you that, I think, is reason enough for GAO to look into this to a greater extent. I am just flabbergasted at what EPA has tried to pull in this respect, and to link them with other agencies, such as Justice, which was required to buildup their capability for expanding the Federal Bureau of Prisons which they were legislatively mandated to accomplish, is inappropriate.

They don't belong in the same category where the IRS is supposed to be clamping down on people who are not providing adequate or even accurate information on their tax returns. The EPA situation is very different.

Do we have anybody from EPA in the audience?

Well, nobody is going to admit it anyway, I don't suppose.

Ms. KINGSBURY. From your description of it, if it was in fact, a noncompetitive conversion, I am not sure I don't want to look into it anyway.

Mr. MORAN. I would love for you to look into it, Ms. Kingsbury. I know what actually happened, because I happened to be able to talk to the management people and the personnel. And each time we report, the EPA says, well, this isn't what happened. And I think they just assume they can get away with it because they have the authority and the Federal Government behind them, but they are not being honest; this is as directly as I can put it.

Now that I vented on that, Mr. Chairman, that may be my 5 minutes. I am stunned by the fact that 97 percent of the workforce reductions occurred in DOD, and that most of the workforce reductions are temporary.

I am not going to lose sleep over it because I would just as soon that that happens, since there were reductions that occurred through base downsizing and reductions in responsibilities. My principal concern is that we not achieve this personnel reduction without also reducing the responsibilities that the executive branch is charged with carrying out.

There has to be a concomitant reduction in what they are required to do. If we just cut the people and don't cut the functions that they have to perform, then it is the American people who are going to pay the greatest cost in not having their needs addressed.

But at this point, I used up most of my time, Mr. Chairman. I don't want to be too greedy about it, but if Ms. Kingsbury is going to pursue that EPA situation, then this hearing has been more than worth it, from my standpoint.

Thank you, Mr. Chairman.

Mr. MICA. I also want to assure our ranking member we know of his concerns in this area and I share them. We have discussed this. We are going to have a hearing that will address this specific issue in the near future.

Right now, I have a couple tasks, like sorting out what is going on with downsizing and personnel accounts, and trying to figure out where we are at this particular juncture with our workforce, but that will not go unaddressed, I can assure you, and we would appreciate your input and also your working with our subcommittee.

Mr. MORAN. Mr. Chairman, could I ask for at least even a brief response to whether Ms. Kingsbury has seen a reduction in the responsibilities comparable to reductions in personnel?

Mr. MICA. Go right ahead.

Mr. MORAN. Thank you, Mr. Chairman.

Ms. KINGSBURY. I think that is a fair question.

To the extent we have been looking at this issue, and we have been since last summer as the buyout program played through, what we have seen and what we see as we read the OMB stream-

lining plans, is that agencies' ability to begin to grapple with how to downsize and still get work done, or grapple with specific issues of whether certain missions still need to be carried out, has been an evolving process, and is just beginning to get to that issue in a way that begins to look like real workforce planning, which is what you are talking about.

I think OMB, if you were to ask them, would, I assume, as they have told me, admit that some agencies have done a fairly decent job of looking at those kind of issues and others have not. And we see a number of agencies now that have announced massive changes, the five agencies that were highlighted shortly after the State of the Union Address, which aren't even included, by the way, in the FTE reductions that we are talking about here today, the additional FTE reductions that, say, the Housing and Urban Development Department is proposing, and so forth. When you start looking at how they are actually going to do that, what it means to their employees, that planning is still, at best, in the very early stages, and there are very few details available yet. So that is an issue that I certainly share your concern about, and we will continue to watch that.

Mr. MORAN. It is not really apparent yet that it is happening, the reduction?

Ms. KINGSBURY. Well, the reductions aren't happening yet, but I am not sure that the detailed planning of how you get from A to B is happening in some agencies.

Mr. MORAN. That is what I was afraid of. Thank you. Thank you, Mr. Chairman.

Mr. MICA. Thank you, Mr. Moran.

Now I would like to yield to the gentlelady from Maryland, Ms. Morella.

Mrs. MORELLA. Thank you.

In the discussion on EPA, also earlier on, it was mentioned that there are some agencies where there has been an increase of personnel, in Justice and Treasury. Does this tie in, in general, with the responsibilities of the new duties that Congress has given them, or what is the rationale for that?

Ms. KINGSBURY. Well, we have only been able to make preliminary inquiries. In the case, for example, of the Justice Department, there has been a significant expansion under the crime bill of the Federal prison system, and a large number of the FTEs are related to that. In the case of the Internal Revenue Service, the tax collection function is clearly being expanded, and we don't know very much more beyond just those questions. We assumed you would want to know some answer, so we made a brief inquiry this week, but we haven't looked into it in-depth.

Mrs. MORELLA. Because then there is a concern about are they then being taken in on a temporary basis? Would they be subject later on to reductions?

Ms. KINGSBURY. That is a good question. I don't know the answer to that. Under the FTE reduction process, whether they were permanent or temporary wouldn't matter, but it would be interesting to know to what extent the workforce planning is going out into the future and taking those possibilities into account.

Mrs. MORELLA. Then I notice as you go on, there seems to be no linkage between savings from workforce reductions and expenditures from the trust fund, and what I am wondering as you talk about the crime bills, I mean, are we really going to have generated the kind of money that is anticipated for these crime bills from the reduction in the workforce as has been stated legislatively? Will we be able to appropriate as you have seen it through your report?

Ms. KINGSBURY. Well, the whole budget process that plays out under the budget caps is a rather unique kind of an analytic situation. And when the crime bill was passed, those of us in GAO—and it is not me, it is another group—who look at budget issues were unable at the time to figure out where the particular dollar amounts in the crime bill came from and what their relationship was to the 272,000 downsizing.

There was just an assumption made in the process that there was a connection, and that is the way it was enacted and so that is the way it is being carried out in the budget process. Whether or not—as we say in our statement—whether or not there are actual savings, OMB estimates that an FTE is worth 40-some thousand dollars a year in salaries and benefits.

If you eliminate one, you might argue you save that $40,000, or plus $40,000, but it depends, as Mr. Moran said, on what happens to the work they were doing. If it is contracted out or something else, you might not save anything at all. It also matters whether and under what circumstances these people leave. If they leave under a RIF, you are going to have significant costs associated with it. So I think the question of what the outcome, the true savings of the FTE reductions are is a reasonable one, and the likelihood of being able to actually demonstrate it analytically is, at best, challenging and, at worst, not possible.

Mrs. MORELLA. It sounds like the whole thing is conditioned on guesstimates, speculative, some people call it smoke and mirrors. But I had even wondered how they first came out with the 252,000 figure, which then was increased to 272,000, whether they took the amount of money they hoped to finally be able to produce in savings and divided it into the number of employees based on the $40,000 salary, because they wanted to take it from that level, and then to say it is going to generate a set amount of money when, as you mentioned, and you mention in your statement, about how difficult it is to calculate this because of various expenditures in so doing. And I guess that is the dilemma that this committee faces as a continuation from the last Post Office Civil Service Committee, we just aren't sure. So we talk about being able to put this kind of money into prisons and then into block grants, I am just not sure that that could end up being appropriated.

I would also like to know whether you have any listing of where the reductions have taken place in the various agencies by their rank? I mean, what their classification is and what their responsibilities are. In other words, I would like to see where these reductions are coming from. Is that possible, probable?

Ms. KINGSBURY. We can get that information, and have begun to look at it for fiscal year 1994. We have not—because of the lag in the personnel system data that we rely on, we haven't started addressing it for fiscal 1995 yet.

Mrs. MORELLA. But for fiscal 1994?

Ms. KINGSBURY. For fiscal 1994, we don't have that data with us, do we, Robert?

Mr. GOLDENKOFF. On the streamlining plans, is that what you are referring to?

Ms. KINGSBURY. No, I think we would like to look at the actual. No, we don't have that with us, because I wasn't expecting that issue to come up that directly, but I will be happy to look into providing it for the record, if you like.

Mrs. MORELLA. That is fine.

[The information referred to follows:]

SEPARATIONS BY AGENCY AND TYPE OF APPOINTMENT, FY 1992–1994

Agency	FY 1992		FY 1993		FY 1994	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
Agriculture	4,291	22,772	4,566	23,389	7,948	18,275
Commerce	1,682	2,758	1,908	2,954	2,222	2,018
Defense	32,671	34,571	51,605	32,323	43,666	28,156
Education	177	216	207	334	525	246
Energy	666	731	777	593	945	350
HHS	4,608	5,505	4,703	4,889	5,358	3,884
HUD	564	781	522	360	739	272
Interior	2,395	9,602	2,780	10,019	5,098	8,456
Justice	2,912	2,457	2,821	2,464	3,360	1,457
Labor	452	296	627	470	869	222
State	205	494	238	612	259	490
Transportation	2,773	1,042	2,629	1,057	4,527	688
Treasury	13,084	5,976	12,599	7,619	10,556	10,179
Veterans Affairs	9,629	6,264	9,726	6,484	11,551	5,993
GSA	503	277	702	402	658	315
NASA	965	447	953	372	2,020	418
Other	3,912	6,404	4,278	8,128	5,641	8,615
Total	81,489	100,593	101,641	102,469	105,942	90,034

Source: OPM's Central Personnel Data File

Mrs. MORELLA. Also, in conjunction with your research in this study, did you get any complaints, did you hear complaints from agencies who are saying that the downsizing is adversely affecting them? For instance, I have heard from some people at NIH, that there have been some problems there. Have you heard any of this from Departments?

Ms. KINGSBURY. We didn't have something on this round, did we?

Mr. GOLDENKOFF. No, we did not.

Ms. KINGSBURY. In the last round of inquiries we made to agencies last fall when we were first looking at the buyouts, and you may recall that hearing, we had asked agencies at that time whether the downsizing was impacting on their missions, and most agencies said no, but there were a few who said that it was. And certainly as I talk to some of my colleagues around town who are facing the rather significant downsizings that are still ahead of us, there is some real concern about how they are going to restructure their work, to go back to what Mr. Moran said, to do the work differently or to do less work in order to actually achieve the projected downsizings that they are thinking about.

Mrs. MORELLA. Then I hear about contracting out, for instance, in HHS, where in order to do it, the people who receive the con-

tract have to go back to the employees to find out how to do it and how to get the information on it, so in the long run, it actually is far more expensive, I guess, that is another point I think that needs to be something we are concerned with when we look at our figures.

Any comments on that? You said that you are currently looking at that.

Ms. KINGSBURY. Well, we are currently looking at that, and since you have mentioned a specific agency, I see Robert is writing it down, we will follow up on that. I think there is some real concern about that, and I personally have some concern that if you are going to continue to contract out for services at the same time you are reducing the procurement workforce, which is one of the targets of the downsizing strategies, at some point, you reach a point where you can no longer manage the contracts, and I think that is the kind of question we need to continue to look at and plan to do so.

Mrs. MORELLA. Fine. Thank you. Thank you very much.

Thank you, Mr. Chairman.

Mr. MICA. Thank you.

I would like to yield now to our vice chairman, Mr. Bass.

Mr. BASS. Thank you, Mr. Chairman, thank you, Ms. Kingsbury, for appearing here today. I gather from your testimony that you are moving about the business of complying with the reductions in the Federal workforce primarily, obviously by reducing Department of Defense in fiscal year 1995, 98 percent; RTC, which is going to go out of business anyway; FDIC, which is presumably going down, leaving almost no significant reductions anywhere else.

Now, BRAC is going to go on in 1995 to some extent. The President, in his State of the Union message, mentioned that the Federal workforce has been cut by 100,000. The OMB table that we have here indicates that by the end of fiscal year 1996, we are going to have a total reduction of 173,000.

How do you get from 102 to 173, given the fact that some of it is going to come from BRAC, but only up to 135 or so? Where do you go from there?

Ms. KINGSBURY. Are you talking about where the defense downsizing——

Mr. BASS. No, where are you going to get from 135, let's say, at the end of fiscal year 1995, which we are already halfway through, to 173 by the end of fiscal year 1996, given the fact that in the past, you got most of it out of Defense, RTC, and FDIC.

Ms. KINGSBURY. Well, the RTC and FDIC ones are taking place this year. And our examination of the numbers, at least as they are covered in the Workforce Restructuring Act, suggests that, although it sounds like a large number, the difference between 135 and 175, in the overall scheme of things of the Federal Government, it is really not a very large number, and normal attrition could probably take care of it if it were spread across the government, which, as you point out, it is not.

Since the President's State of the Union address, the administration has announced major additional reductions at HUD, Transportation, GSA, OPM and the Department of Energy, and those additional reductions would be over and above the numbers you are

talking about. Whether they can be managed without reductions in force remains to be seen.

Mr. BASS. Is there a difference between positions and actual individuals who are working? In other words, when you reduce a workforce, do you reduce the number of positions, including the ones that aren't filled, or do these numbers that we see here actually represent reductions in actual bodies individuals, who are working?

Ms. KINGSBURY. Our statement actually addresses both. I think maybe a small explanation is in order.

The notion of a full-time equivalent position is a little bit unclear. Full-time equivalent position just means the number of hours that are being paid, that a full-time person would be paid if they were full-time. But the concept "full-time equivalent position" includes the hours worked by part-time people, the hours worked by intermittent people. It includes any regularly paid work hour for that year. It is an artificial construct, in a way, of the budget process.

It is not directly related to the numbers of classified positions, that is to say, possible vacancies or encumbered positions, nor is it related to the number of bodies on board, because one full-time equivalent position might involve two part-time people working half time, to simplify it a little bit.

Mr. GOLDENKOFF. I have the difference between the two for 1994.

Ms. KINGSBURY. So if you reduce a full-time equivalent position, you may or may not have actually eliminated a classified position somewhere. You may only have terminated or eliminated a part-time person's, half year's worth of work. It is a little bit confusing to talk about it in terms of positions. I hope I have clarified something a little bit here.

Mr. BASS. Thank you very much, Mr. Chairman.

Mr. MICA. Thank you.

Ms. Kingsbury, a couple of quick questions. We are trying to get to baseline figures, and you were just talking about that. You stated in your testimony that OMB's view that the 1993 enacted base would have been the government's employment level if it wasn't for the Clinton administration's downsizing. Do you agree with this assessment?

Ms. KINGSBURY. Well, as a baseline, it is a starting point for a series of further actions, that was a choice they made at the time. I don't agree or disagree with it. I mean, it is not something that one agrees with, it is just factual.

Mr. MICA. Would the 1992 actual FTE figure have been a better base?

Ms. KINGSBURY. It would have been a more concrete base, it would have been a more realistic base. By using the 1993 enacted base, which was higher than the actual FTE base, in effect, there were 16,400 or so FTEs that weren't encumbered at the time, weren't expected to be encumbered at the time, and so, in a sense, were sort of off the top, without taking any action at all in a given agency. That is a choice they made. I think I would defer to them to explain why that was.

Mr. MICA. Don't you think 1992 would have been a better base?

Ms. KINGSBURY. Or the 1993 actual FTE figures, yes.

Mr. MICA. Let me ask you one other question. What is actually being counted, and I want to direct your attention to footnote 4, to table S–21, entitled, "The Federal Employment in the Executive Branch?"

The President's 1996 budget describes an adjustment made to the 1995 FTE figures, the result of which was to reduce the 1995 FTE figures in the table by about 41,000 FTEs. Are you familiar with the way this adjustment is made, and if so, would you explain it to us and tell us whether you agree with what OMB has done?

Ms. KINGSBURY. OK. First of all, let me preface this by saying we have not actually looked at the adjustments, so I am not really in a position to say we believe it was done correctly or not. Robert tells me that it was an adjustment to even out the flow of pay periods as the years end, but this is the first time I have thought about it so I am not familiar with it.

Mr. MICA. Would you do me a favor, then, and respond to the subcommittee and provide us with written commentary on that?

Ms. KINGSBURY. Certainly.

[The information referred to follows:]

According to OPM and OMB officials we contacted, the 41,000 FTEs identified in the Footnote 4 of Table S–21 of the Fiscal Year 1996 Budget is the count of FTEs governmentwide for the pay period September 18, 1994 to October 1, 1994. Since this pay period ended on the first day of fiscal year 1995, the FTEs for this period would normally have been included in the totals for fiscal year 1995. However, this would have resulted in 27 pay periods in 1995 instead of the normal 26, thus overstating FTEs for 1995 and making comparisons with other fiscal years inaccurate. Conversely, leaving the pay period totals in fiscal year 1994 would have also resulted in 27 pay periods for that year, causing the same problem. Consequently, OPM and OMB decided to exclude these FTEs from the budget table so that accurate comparisons across fiscal years could be made.

Mr. MICA. Also, if you would respond to the request from Mr. Moran relating to the EPA and contracting, and also to the request from Congresswoman Morella relating to the number of positions by grade level? Also, if you could, give us some figures on part-time versus full-time, and over some period of years, possibly 1992, 1993, 1994, whatever figures you have?

Ms. KINGSBURY. This is people leaving the government?

Mr. MICA. Exactly.

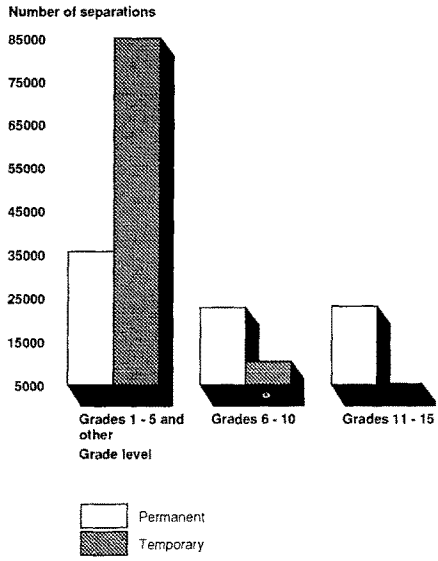
Ms. KINGSBURY. We will be happy to.

[The information referred to follows:]

Rule 862

ATTACHMENT III

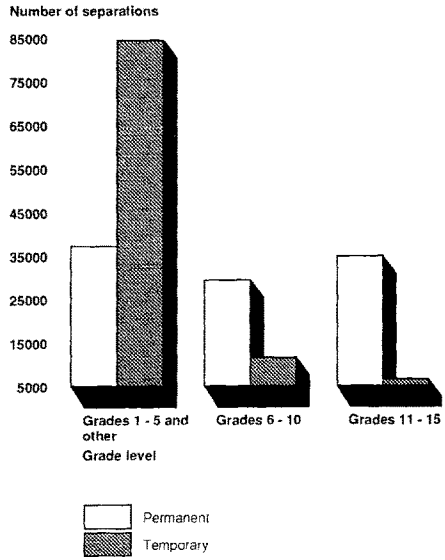
SEPARATIONS BY TYPE OF APPOINTMENT FY 1992



Source: OPM's Central Personnel Data File

Line 862 (cont'd)

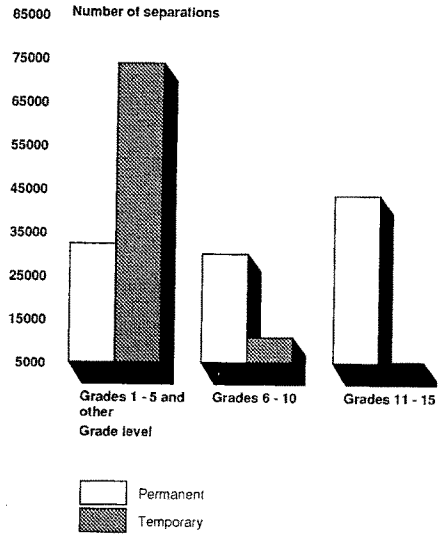
SEPARATIONS BY TYPE OF APPOINTMENT
FISCAL YEAR 1993



Source: OPM's Central Personnel Data File

Item 862 (contd)

SEPARATIONS BY TYPE OF APPOINTMENT
FISCAL YEAR 1994



Source: OPM's Central Personnel Data File

Mr. MICA. Mr. Moran, do you have any further questions?

Mr. MORAN. Well, Mr. Chairman, it seems to me Mrs. Morella put her finger on the $64,000 question—we have to say today with inflation, it is a $64 million question, are all these savings that we have from Federal workforce reductions, actually credited three times over?

I think that showed up in paying for unemployment comp one time, too. But they are all illusory. But is there any real savings? We know that there is no transfer of savings coming from other agencies' personnel reductions over to the Justice Department to pay for the crime bill—we know that hasn't occurred and won't occur. But the question is, is there anything to transfer in the first place? And while we are reducing the size of the government, I guess, primarily, predominantly, because of defense downsizing, I am not sure that we have really even saved any money through this effort.

I mean, we had a hearing with Post Office trying to figure out why so many letters were winding up in dumpsters. That was the most touted reduction, 143,000 people grabbed that early buyout. But then it turned out they didn't have enough people who knew what to do, particularly skilled people, and they wound up, in many cases, having to hire twice as many temporaries to perform the same function that an experienced person had been able to perform before the downsizing.

This issue is critical to the whole Congress, to the whole budget process and to the Clinton administration. Any light you can shed on this in as timely a fashion as possible will be terribly important to all concerned.

Do you have any comments, whether they be personal or institutional, as to whether this really is all one big illusion or whether there is real substance to this $26 billion in savings? I think that is the last figure Senator Byrd quoted when he decided to vote for the crime bill. The figures bounce around, but do you have any idea whether we are on track or whether this is real or illusory?

Ms. KINGSBURY. Well, under the current law, the amount of money available to spend in any given year, in the discretionary side of the budget, is limited by the discretionary budget caps. And those caps for fiscal 1996 have been adjusted to take the money associated with the crime bill out of the cap, to establish, in effect, a second cap.

To the extent that money is now available to spend for the crime bill, that would argue that some kind of adjustment was, in fact, made. The question of what other agencies, who are then subject to that second cap, have actually saved in their downsizing is a much more difficult thing to report on analytically.

We are getting some information for a testimony next week. Some agencies are responding to us with an estimate of what they think they have saved, and we will share that information with you on the day of that testimony. They say they have saved some. It is hard for me to believe that in downsizing the government by 10 percent or 15 percent, or whatever it is ultimately going to be, be it in DOD or elsewhere, that there aren't some savings.

How much there is and whether it is as much as any Member of Congress proposes it to be at the time a decision is made, or in-

deed OMB estimates it to be at the time a budget is put together, is something we will only know with considerable hindsight some years down the pike, if ever.

Mr. MORAN. That is the answer I was afraid I was going to get. Thank you, Mrs. Kingsbury.

Mr. MICA. Mr. Moran, it is a little bit like trying to get a handle on a mirage.

Mr. MORAN. An oasis is out there.

Mr. MICA. Also like handling Jello to get an accurate body count figure. We have been joined by our colleague, Mr. Gilman from New York.

Mr. Gilman, can we defer to you for some questions?

Mr. GILMAN. I am sorry I arrived too late to hear the testimony of our witnesses. I just want to thank you for calling this hearing to discuss the extent of the progress that the administration has achieved in complying with the Federal Workforce Restructuring Act, and I thank our panelists for joining us to try to clarify some of the problems.

Along with some of my colleagues, I want to express some concern regarding the fact that an overwhelming portion of the administration's proposed fiscal year 1996 workforce reductions are aimed at the Department of Defense, and in contrast the nondefense civilian employees are going to be reduced by a much smaller percentage, and I trust that maybe we can clarify some of that this afternoon.

I again thank the chairman for arranging this hearing.

Mr. MICA. Thank you.

We have recognized in some of the previous comments and testimony some of the startling figures about where the cuts have actually taken place.

Mrs. Morella, did you have additional questions?

Mrs. MORELLA. No. Just look forward to your return with even more information.

Thank you.

Mr. MICA. Mr. Bass.

Mr. BASS. No.

Mr. MICA. We want to take this opportunity to thank you and your colleague for your testimony and assistance. We appreciate your getting back to us with that information.

Also, one final request. If we could get some type of handle on the actual dollars spent for all FTEs for personnel say over the last 3 fiscal years, and then if you could estimate any amounts of money from these agencies that are expended in contracting out. If not body counts, maybe we can get dollar counts and see what that translates into as far as increases or decreases in expenditures for personnel.

Ms. KINGSBURY. We will do what we can. The quantification on the contracting outside is somewhat more challenging than the quantification on the personnel dollars side, partly because of the way contracts are defined and the like, but I will work with your staff to figure out what we can do.

Mr. MICA. We would appreciate your efforts. Thank you again for your testimony this afternoon.

Now, if I may I would like to call forward our second panel, and if staff can help set up for them. We have Allan Heuerman, who is the Associate Director of Personnel Systems and oversight groups at the Office of Personnel Management and also Associate Director Len Klein will join us, and then we have John Koskinen, who is the Deputy Director for Management of the Office of Management and Budget. If you could all come forward.

As I mentioned before, it is the custom and my responsibility to swear you in. Would you please stand and raise your right hand?

[Witnesses sworn.]

STATEMENT OF ALLAN HEUERMAN, ASSOCIATE DIRECTOR, PERSONNEL SYSTEMS & OVERSIGHT GROUP, OFFICE OF PERSONNEL MANAGEMENT, ACCOMPANIED BY LEONARD KLEIN; AND JOHN KOSKINEN, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. MICA. Let the record reflect that they answered in the affirmative. We will start with the Office of Personnel Management. Allan, would you like to go first?

Mr. HEUERMAN. I would be glad to, Mr. Chairman.

Thank you very much for inviting us to this hearing today on the Federal workforce statistics. As you noted, while the issue of workforce statistics is not particularly glamorous or exciting, we, at OPM agree with you, that this is one of our most important functions, and one that is crucial in the overall management of the Federal Government.

I would like to outline for you OPM's general role in collecting and compiling a variety of data on the Federal civilian workforce, and in making this data available to other Federal agencies and the public.

Further, I understand that you are specifically interested in the data used in determining compliance with the personnel ceilings which are established in the Federal Workforce Restructuring Act of 1994, or the Buyout Act, and I will describe OPM's role in compiling data which the Office of Management and Budget uses for that purpose.

In general, OPM maintains the central personnel data file, often referred to as the CPDF, which is a broad, primary data base on Federal civilian employees. The CPDF covers all agencies in the executive branch, with certain exceptions such as the Postal Service and the intelligence agencies.

Based on agency submissions, the CPDF contains data relating to each employee's occupation, pay, education level, age, and a variety of other variables. The purpose of the CPDF is to make it possible to retrieve workforce data for a wide variety of personnel management purposes.

The CPDF is the basis for a number of statistical publications prepared by OPM, including various profiles of the Federal workforce. In addition, OPM relies on CPDF data in preparing reports required by law, including the annual report on the Federal equal opportunity recruitment program administered by OPM and OPM's annual report on agencies hiring of veterans under the veterans readjustment appointment authority.

Further, CPDF data is crucial to OPM's administration of the locality pay system for white-collar Federal employees.

And finally, a significant part of our efforts in the workforce information area involves responding to specialized data requests from other OPM offices, other agencies, the legislative branch and the public as well.

In addition to the CPDF, OPM also maintains a summary data reporting system. One monthly report in particular, the so-called 113–G report, is specifically designed for OMB's use in administering employment controls on Federal agencies based on full-time equivalent employees, or FTE's. All agencies which are subject to OMB work-year allocations must provide OPM with data on employees' straight-time and overtime work hours for full-time, part-time, and other employment categories.

OPM provides specific written instructions to agencies to assist them in providing the required data. OPM then compiles the agency submissions into the monthly 113–G report showing detailed data on FTE's and work-year usage by agencies, and submits this report to OMB. The 113–G report system has been in operation for many years.

This concludes my prepared statement, Mr. Chairman, and Mr. Klein and I would be pleased to answer any questions the subcommittee may have.

Mr. MICA. Mr. Klein, did you have any comments you wanted to make in opening?

Mr. KLEIN. No, sir.

Mr. MICA. We will ask John Koskinen to make his remarks at this time.

Mr. KOSKINEN. Thank you, Mr. Chairman, members of the subcommittee. I appreciate the opportunity to appear before you today to discuss the implementation of the Federal Workforce Restructuring Act.

The limitation on full-time equivalent positions in the act will require a reduction in the executive branch civilian workforce of 272,900 employees by 1999, bringing it to the lowest level since John Kennedy was President. The act also enables nondefense agencies for the first time to offer employee buyouts, a tool that private organizations have used so successfully to downsize quickly.

Streamlining is a major tool to improve government performance as well. It involves reductions in not just the workforce, but in the red tape and processes that interfere with good customer service. The challenge is to create a smaller workforce and better performance at the same time.

Our task is to reduce the number of employees in places where government expends too much effort for too little, if any, contribution to the public good. Specifically that means the multiple layers of government, large numbers of headquarters staff, and separate divisions devoted to micromanagement.

The President asked departments and agencies to develop plans to restructure the workforce and improve customer service. Reducing the size of the workforce is not an end in itself. Rather, it arises from the systems and management changes recommended by the

National Performance Review to make organizations and operations more effective and responsive to their customers.

No single streamlining plan fits all agencies. Each must develop a plan to address its needs. The plans which agencies developed with their employee unions focus on restructuring organizations and programs so that they focus on critical mission.

The President's management council, comprising the chief operating officers of Cabinet departments and several major agencies, has led efforts to help agencies develop and improve their plans. In the last year, the PMC enabled members to share their concerns as well as the best practices of various agencies across the government.

OMB is responsible for ensuring compliance with the Workforce Restructuring Act. A baseline for measuring FTE reductions, as you were just discussing, is the fiscal 1993 enacted level. The President, through the budget process, determines the targets for the individual agencies. However, the President's discretion is limited by congressionally mandated employment floors affecting the Veterans Affairs Department, and statutory exceptions affecting Veterans Affairs and the Department of Health and Human Services. Each month agencies report to the Office of Personnel Management the number of FTEs that have been used.

We have required agencies to secure our approval to offer buyouts and have carefully tracked them against FTE reductions to ensure that the one-for-one offset requirement that each buyout results in one FTE reduction is met. As GAO has noted in their testimony, we are well ahead of that ratio.

With 1994 FTE more than 30,000 below the ceiling, it is clear that we are also achieving the savings envisioned to offset the cost of the Violent Crime Act. There is, however, as has been noted, no statutory link between the savings from FTE reductions and violent crime expenditures. The violent crime trust fund is funded by general fund appropriations, independent of FTE reductions.

With regard to the question about whether there are real savings, there is no one who maintains that once we have achieved the 272,000 reduction or even the present 102,000 reduction that in fact we would not have to expend more funds to bring them back. At the approximately $50,000 per employee involved, the 272,000 cut, at least at a gross level, will amount to a savings of over $13 billion a year. The cost of the crime control trust fund is $6 billion, so even at the 100,000 level that we are operating at, and the payment for the trust fund was cumulative, there are clearly savings from the deletion from the Federal workforce of 272,000 personnel.

By the end of fiscal 1994 the Federal workforce shrunk by 102,000 FTE, more than 37,000 of which were attributable to buyouts of up to $25,000 each. Generally agencies avoided layoffs in making their reductions, and the administration will continue to work to minimize layoffs.

Streamlining was an important element in the 1996 budget process. In reviewing agency streamlining plans, OMB sought to ensure the staffing levels were aligned with program requirements in anticipated funding levels and that agencies were restructuring their workforces to improve customer service and performance.

A table with agency-by-agency details of where the reductions have occurred is published in the Analytic Perspectives volume of the President's budget under table 12–1 on page 180.

OMB's April 1994 planning guidance asked agencies to explore every opportunity for streamlining. The guidance explained that streamlining should create lean structures, reduce layers of bureaucracy, flatten hierarchy, stimulate high-performance practices and empower employees to serve customers, one result of which would be fiscal savings.

We asked that agencies' plans describe, in narrative detail and supporting tables, changes in the structure of the department or agency, including details on how and when streamlining actions should take place. Agencies were also asked to reflect steps to change the composition and skill mix of the workforce, including changes in field structure, delayering and reductions in the number of NPR target populations.

A number of your questions have gone to just those points. It is clear that if all we do is reduce the size of the Federal workforce without restructuring the way we perform that work, we will in fact have a decline in customer service and performance rather than an increase.

Mr. Chairman, this concludes my prepared testimony, and I would be pleased to answer any questions you may have.

[The prepared statement of Mr. Koskinen follows:]

PREPARED STATEMENT OF JOHN KOSKINEN, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to appear today to discuss the implementation of the Federal Workforce Restructuring Act of 1994.

The limitation on full-time equivalent (FTE) positions in the Act will require a reduction in the Executive Branch civilian workforce of 272,900 employees by 1999, bringing it to the lowest level since John Kennedy was President. The Act also enabled non-defense agencies, for the first time, to offer employee "buyouts"—the tool that private organizations have used so successfully to downsize quickly.

Streamlining

Streamlining is a major tool to improve Government performance. It involves reductions in not just the workforce, but in the red tape and processes that interfere with good customer service. The challenge is to create a smaller workforce and better performance at the same time.

Our task is to reduce the number of employees in places where government expends too much effort for little, if any, contribution to the public good. Specifically, that means the multiple layers of government, large numbers of headquarters staff, and separate divisions devoted to micromanagement.

Agency Plans

The President asked departments and agencies to develop plans to restructure the workforce and improve customer service. Reducing the size of the workforce is not an end in itself. Rather, it arises from the systems and management changes recommended by the National Performance Review (NPR) to make organizations and operations more effective and responsive to their customers.

No single streamlining plan fits all agencies. Each must develop a plan to address its own needs. The plans, which agencies developed with their employee unions, focus on restructuring organizations and programs so that they focus on critical missions.

The President's Management Council (PMC), comprising the chief operating officers of Cabinet departments and several major agencies, has led efforts to help agencies develop and improve their plans. In the last year, the PMC enabled members to share their concerns as well as the "best practices" across the government.

Compliance with the Workforce Restructuring Act

OMB is responsible for ensuring compliance with the Workforce Restructuring Act. The baseline for measuring FTE reductions is the fiscal 1993 enacted level. The President, through the budget process, determines the targets for the individual agencies. However, the President's discretion is limited by Congressionally-mandated employment floors (affecting the Veterans Affairs Department) and statutory exemptions (affecting Veterans Affairs and the Department of Health and Human Services). Each month, agencies report to the Office of Personnel Management (OPM) the number of FTEs that have been used.

We have required agencies to secure our approval to offer "buyouts" and have carefully tracked them against FTE reductions to ensure that the one-for-one offset requirement—that each buyout results in one FTE reduction—is met.

With 1994 FTE more than 30,000 below the statutory ceiling, it is clear that we are achieving the savings envisioned to offset the costs of the Violent Crime Act. There is, however, no statutory link between the savings from FTE reductions and Violent Crime expenditures. The Violent Crime Trust Fund is funded by general fund appropriations—independent of FTE reductions.

Downsizing

By the end of fiscal 1994, the Federal workforce shrunk by 102,000 FTE, more than 37,000 of which were attributable to buyouts of up to $25,000 each. Generally, agencies avoided layoffs in making their reductions, and the Administration will continue to work to minimize layoffs.

Streamlining was an important element in the 1996 budget process. In reviewing agency streamlining plans, OMB sought to ensure that staffing levels were aligned with program requirements and anticipated funding levels, and that agencies were restructuring their workforces to improve customer service and performance. A table with agency-by-agency details of where the reductions have occurred is published in the Analytic Perspectives volume of the President's Budget (see Table 12–1, page 180).

Workforce Management

OMB's April 1994 planning guidance asked agencies to explore every opportunity for streamlining. The guidance explained that streamlining should create lean structures, reduce layers of bureaucracy, flatten hierarchy, stimulate high performance practices, and empower employees to serve customers—one result of which would be fiscal savings.

We asked that agencies' plans describe, in narrative detail and supporting tables, changes in the structure of the department or agency, including details on how and when streamlining actions should take place. Plans should also reflect steps to change the composition and skill-mix of the workforce, including changes in field structure, delayering, and reductions in the number of NPR target populations.

I understand that OPM officials will outline the methodology for workforce statistics which they use to compile data on the workforce, and which we at OMB use to ensure compliance with the Act.

Mr. Chairman, this concludes my prepared testimony. I would be pleased to answer any questions you may have.

Mr. MICA. Thank you. I do have a couple of questions for our panelists.

First of all, Mr. Heuerman and Mr. Klein, it is my understanding in reading from recent press accounts about some of the changes that are being advocated by OPM, and this has been the subject of discussion before relating to investigation and training programs. I am wondering why the FTE reductions for contracting out the investigation and training programs was not reflected in the administration's budget submission? When is elimination of these programs actually going to take place?

We have read in the papers recently and heard some comments from the administration, maybe either or both of you could comment.

Mr. HEUERMAN. I don't believe a specific, precise date for when the privatization will be completed has actually been established. There are still studies going on and the fine-tune planning is still

proceeding in consultation with OMB, and of course with employees within OPM. I cannot——

Mr. MICA. Is there any reason that the administration did not reflect the FTE reductions in——

Mr. HEUERMAN. I can't answer that specifically. Perhaps it has to do, and maybe Mr. Koskinen, could comment, with the timing of putting the budget together and how the status of our plans perhaps precluded reflecting it in the budget, but I am not sure.

Mr. MICA. Mr. Klein or Mr. Koskinen.

Mr. KOSKINEN. In a number of cases, as noted, some of what we call now phase two of the restructuring of government, GAO mentioned some of that is going on, was actually beginning as the budget process was concluded so that the overall FTE numbers in the budget do include the decisions made at the time the budget was presented.

There will be continual downsizing and restructuring as we go through phase two and the budget process, so that we do not view necessarily those numbers as being all inclusive of what ultimately will be the reality, just as, even if you weren't doing these restructurings, the numbers represent in the outyears that we have been talking about. For our estimates in budgetary numbers, the actual has generally come in below the budget since there is a statutory ceiling above which you are not supposed to go.

Mr. MICA. Does OPM have any system of evaluating contracting-out positions as compared to FTEs in the budgetary process?

Mr. HEUERMAN. No, sir, OPM does not evaluate agency use of contracting out.

Mr. MICA. So there is no way for OPM to get a real handle on the total Federal workforce, both in-house full-time or even part-time employment and also contracting employment?

Mr. HEUERMAN. We do have data on actual official sworn Federal employees full-time and part-time. We do not have data on contract employees.

Mr. MICA. Does OMB calculate this in any way?

Mr. KOSKINEN. We do not calculate the number of FTEs. Obviously ultimately the agencies manage not by FTEs but by their budgetary accounts and, in contracting out, they are obviously subject to the controls of the budget caps and their budgetary allocations. They make the judgments within those allocations as to what will go into which functions.

There is a limitation, as I think all of you are aware, that, if contracting out is to take place, there is a circular, A–76, that governs the process for most cases under which that will be done, and the agencies are required, if they are going to contract out, to do an A–76 analysis.

Mr. MICA. But the A–76 analysis, if that is translated into FTEs or some other basis, would give us some type of a handle on the total number of people that we are employing either on a full-time basis or a contracted basis.

Mr. KOSKINEN. The A–76 makes the appropriate analysis, which is what is the cost. The comparison is the cost in-house as opposed to the cost externally.

Mr. MICA. But there is no transmission of that data so we can tell at any time how much we are spending on personnel in the contracting?

Mr. KOSKINEN. The A–76 assumes that the relevant question is the cost of the service, and what the cost is internally and externally. It is not a decision made on whether we are moving FTEs one way or another or increasing or decreasing the FTEs. It is an analysis of what does it cost to perform the function. If a contracting-out decision is made, it is on the basis of a cost-benefit, not on the basis that we are either increasing or decreasing personnel.

Mr. MICA. So it doesn't reflect what we are looking for.

To OPM, how is OPM currently able to keep the 113–G reports? In other words, how long does it take for the agencies to collect and transmit data to OPM and then for OPM to assemble and collate it?

Mr. HEUERMAN. The 113–G data is sent to OPM by agencies on a monthly basis. I believe—and we can give you very precise figures, information for the record—but I believe we receive that within about 2 to 3 weeks after the close of the month. It is typically for two pay periods, and sometimes three; it just depends on how the fiscal year works out in terms of pay periods. Two pay periods would be 4 weeks, and that data comes to OPM on a form submitted by agencies, a paper form. We convert that into a summary report, but it is by agency, which then is transmitted to OMB.

We check on the calculations to make sure there aren't any obvious errors. We look at the data reported for the current period and previous periods, and then if there are any questions we would share those with OMB.

Mr. MICA. How long before OMB sees the information?

Mr. HEUERMAN. Actually I am not absolutely sure. I think it is, I am going to guess it is within 30 days from the time it is submitted.

Mr. MICA. Mr. Koskinen.

Mr. KOSKINEN. I don't have any independent knowledge as to what the timeframe is.

[The information referred to follows:]

TIME FRAME FOR OPM'S 113–G REPORT

Agency submissions of 113–G data are generally due on the 15th of each month, for the report period ending in the previous month. OPM's workforce information office starts reviewing and keypunching these data for computer processing as soon as they are received. We edit, check, and validate the data (errors and corrections are promptly reconciled with agency contracts) before the final reports are generated and transmitted to the Office of Management and Budget. Final monthly 113–G reports covering agencies' full-time equivalent employment are generally submitted to OMB about six weeks after the end of a report month.

Mr. HEUERMAN. I will be glad to submit the correct——

Mr. MICA. If you could, I would be interested in that. The figures that were reflected by the GAO and by the Members here today to look at what has been done as far as downsizing Federal Government. I think that in testimony and evidence presented here today, we have heard that most of the cuts, 98, 99 percent of them over the past 3 years, have come out of the defense area.

Mr. KOSKINEN. That is not correct.

Mr. MICA. OK. Do you want to respond to that?

Mr. KOSKINEN. The 98 percent figure quoted by GAO as noted in the testimony was for the prediction as to what will be the impact in 1995. If you look at the defense percentage for 1994 and the figures that everyone has been using, you have about 74 percent, still a high number, but the 98 percent is for the 1 year only, 1995.

Mr. MICA. What is the figure you gave us?

Mr. KOSKINEN. Seventy-four percent was the number for fiscal 1994 off the actual in terms of what the percentage is, so approximately 25 percent was from the nondefense sector for 1994. If you look at our estimates for the entire period through 1996, the estimate is that you will have about 80 percent, between 75 and 80 percent over the course of time will have been from defense.

Mr. MICA. Well, I have heard a couple of figures identified as the target number of reductions. One was 252,000 FTE, and I guess it was an increase to 272,900 FTEs.

Mr. KOSKINEN. That is correct.

Mr. MICA. How did we get to that increase?

Mr. KOSKINEN. From the Congress. The proposal made was 252,000 and in the course of congressional deliberations it was increased to 272,900.

Mr. MICA. All right. So that is the baseline that you are working on?

Mr. KOSKINEN. The statutory requirement is 272,900, the baseline we are working against is the proposal for the enacted 1993 budget.

Mr. MICA. When will we be at that 272,900 figure according to the budget submitted and the other phase two, I guess it is?

Mr. KOSKINEN. Well, the phase two proposals are still being developed and have to be approved by the Congress before they will be effective. We presently estimate that we are running at about 30,000 people below the ceiling—I mean, ahead of the statutory mandates.

There are mandates for each year as to what the glide path is to get to the 272,000, and we expect that we will achieve the 272,000 certainly in advance of the mandatory 1999 number.

Mr. MICA. But so far GAO can't confirm the numbers and Office of Personnel Management can't confirm the numbers because we don't have any good standard or accurate standard that includes contracting out.

Mr. KOSKINEN. The numbers under the Workforce Restructuring Act do not include contracted-out employees. They are in fact full-time equivalent Federal employees, and we have that number down to the actual number. That number is available.

Mr. MICA. Well, I won't take any additional time right now, but I will yield to the gentleman from Virginia.

Mr. MORAN. Well, thank you, Mr. Chairman.

I would like to pursue this, though. The General Accounting Office told us it was 98 percent, you tell us 74 percent.

Mr. KOSKINEN. They said 98 percent defense for 1995 is the estimate.

Mr. MORAN. Also used in 1994.

Mr. KOSKINEN. Actually, the GAO's testimony was for 1995, and then a question referred to and generalized it as if that was the overall number, but the GAO testimony, as I heard it, and in fact as the facts reflect in the budget, 98 percent would be against the actuals in 1995.

Mr. MORAN. So you are both saying the same thing. If we had asked GAO what it was in the fiscal year 1994, they would have said 74 percent DOD?

Mr. KOSKINEN. I assume we are all working off the same data base.

Mr. MORAN. Then it went up to 98 percent?

Mr. KOSKINEN. For this particular year it goes up to, against the actuals in 1993, not the base, which has another 16,000 involved in it, it goes to the actuals. It will be in this particular year, 98 percent against the actuals. It would be several percentage points lower against the actual baseline, probably about five. It would be in the range of 90 to 92 percent.

Mr. MORAN. OK. So they are the same figures.

Mr. KOSKINEN. It is just a question of which year. It is not——

Mr. MORAN. Here it says three-fourths of the 86,000 reductions were among civilian employees in the Department of Defense. OK, that is the 74 percent in fiscal year 1994, then in fiscal year 1995 of 35,000 FTE positions eliminated, 98 percent are from DOD. OK, so you are both saying exactly the same thing?

Mr. KOSKINEN. There is no dispute over the facts. It is just that it is not since day one that it has been at that high a level for defense.

Mr. MORAN. All right, that is fine. Do you have a projection for fiscal year 1996?

Mr. KOSKINEN. We expect, we measure against the statute, our interpretation of the statute is to measure against the baseline not the actuals for 1993 but the enacted budget, and the reason for that is that in any given year, in fact the numbers from 1995 and 1996 are always the estimated or the enacted, the actuals come in below it.

So we would actually expect for both probably defense and nondefense that the 1995 numbers will be actually lower because our experience since 1990 is that almost by definition the actual number each year is below the authorization or the enacted number. Our present estimate is for 1996 that the decline will again be in the range of—about 90 percent of it will be in defense.

Mr. MORAN. Ninety?

Mr. KOSKINEN. Ninety. But the total then if you go from 1993 through 1996, from the baseline, you would have, as I said, approximately between 78 and 80 percent would be defense and 20 to 22 percent would be nondefense.

Mr. MORAN. OK.

Mr. KOSKINEN. Now, then, just again as GAO noted, when you look at that number you have to factor in that over that same period at Justice, Treasury, and EPA, you are adding 20,000 FTEs. If you took—that means that with those 20,000, to have the cuts we have, the other agencies have absorbed those 20,000 cuts plus the cuts that are reflected in the net number, because the number

for nondefense is net of the increase in the 20,000 nondefense FTEs that are in the program.

So that in the chairman's opening comments where he talked about the nondefense cuts would be 25- or 26,000 over the period, you have to add another 20,000 so that the cuts are actually 45- or 46,000 gross. You then add 20,000 for in many cases statutorily mandated additions to get down to the net of the 26,000 that are the net nondefense cuts. As I say, you just have to understand that what we have got is a bulge going on in some places, which means there are deeper cuts in the other agencies.

Mr. MORAN. That is an important thing to emphasize.

Now, do you agree with what GAO tells us here, that there is no relationship between the workforce reduction savings and funding for the crime control bill?

Mr. KOSKINEN. As I stated in my testimony, I think again you have to understand what the statement is. There is no statutory sequestration of savings from any particular item into the crime bill. Clearly the caps mandate that that money comes from somewhere.

The representation made at the time was that we would save more money in the workforce reductions than the cost of the crime bill. If you add—the number varies a little, but I use $50,000 because I can multiply it faster—if you take $50,000 as the average cost of a Federal employee, including benefits, you cut 200,000 FTEs, for instance, you would obviously have $10 billion a year in gross savings.

Now, there are some costs of buyouts that are appropriately factored in, but still at $10 billion a year, ultimately when you get to the 200,000 number, you are well above the incremental cost of the $6 billion of the trust fund. But GAO is correct and my statement says the same thing, there is no statutory requirement that, as the personnel S&E accounts go down, that that money be transferred to the Treasury. Since it is all under the same cap in effect, without those savings you would have to find the savings in program operations or someplace else because the trust fund is in fact part of the overall budgetary limitation on the government. So that you could have, if one wanted to, although it would have been a formality, have said we are going to, in addition to the statutory mandate that there be 272,000 people cut, actually measure against the baseline of S&E accounts and take that money and formally somehow sequester it and write a document over to Treasury to say, here is the money. But, to the extent you achieved the savings by the cutbacks, that is in effect what you are doing by the budgetary caps. The money comes from somewhere and in effect here the savings have been identified as coming from the personnel cutbacks.

Mr. MORAN. They have been identified as coming from the personnel cutbacks, but that is to make us feel good and Vice President Gore to look good. No offense to him—I want him to look good. But the reality is something quite different, it would seem, because there is no reason to not contract out, for example, if they could perform the same function for less money or to delay grants, the timing of grants because the cap was based on outlays or to have capital expenditures since we fund on a current basis——

Mr. KOSKINEN. We actually charge capital expenditures up front so if you build a building today, you actually charge it today totally against the budget.

Mr. MORAN. Right, but for an agency that has built a building, then the next year they don't need to build the building, but those savings are—we don't really know where the savings came from but they may well come from the fact that they don't need to build another building.

Mr. KOSKINEN. Exactly. As I say, it is a zero sum game. You have a cap and you have funds.

What you did with the crime bill is you said we are going to spend $6 billion a year more, so there have to be $6 billion worth of cuts. The FTE Restructuring Act will save more than $6 billion, and it was basically stated that it is a cut that will take place at the same time the crime bill is going in. There are other cuts going on, and one could philosophically say, well, there was a cut in whether it is buildings or grants or program operations or terminations, and those cuts we could attribute to the crime bill and we will take the cuts out of the Workforce Restructuring Act and put them someplace else.

The statute doesn't track the dollars, and it would be somewhat of a fruitless exercise, but clearly you are right. The question, the base question you raise, though, is, are we saving any money from the cuts because of contracting out? As GAO reported, there is no indication, notwithstanding some anecdotal evidence, that the agencies have engaged in any increased contracting out as a way of meeting the workforce restructuring act. And, again to the extent that they are ultimately limited by overall budget limitations, which as you all know as well as, better than most, this year are going to be even more restrictive, the ability to not achieve savings by spending the money in another pot doesn't exist.

Their budgetary caps are coming down and in fact in some agencies they don't have enough budgetary authority to fund the FTEs and the S&Es that we have authorized for them. The question is appropriate, that is, are we saving money?

It is not a question of then does it immediately go into the trust fund. If we are saving over $6 billion a year over the course of time, from the cutbacks, we have created savings that in fact allow us to do the crime bill. Put another way, if we didn't cut 272,000 people, it is axiomatic that we would have to find those savings somewhere else because in fact that is what is going on right now.

Mr. MICA. Will the gentleman yield a second?

Mr. MORAN. Yes.

Mr. MICA. I can't help but interject this comment here to come to the defense of the Vice President, it doesn't really appear that he is at fault, but that it is the Congress that has perpetrated this—I don't want to call it a shell game, but this——

Mr. KOSKINEN. I think it is a mistake, if you would pardon the interruption. You say it is a shell game. There are actual savings.

The fact that you do not have a mechanical process to say that every time we lay off or have an FTE disappear we put the money into the trust fund is correct as a technical matter, but the savings exist, and to the extent that the savings are there, they are available for the crime bill. If we did not have those savings, we would

have to find the savings somewhere else because of the overall budget caps.

Mrs. MORELLA. Will the gentleman yield?

Mr. MICA. I yield to the lady.

Mrs. MORELLA. Let's say I am at a town meeting, they want to know Mrs. Morella, with all this downsizing and buyouts, how much savings were you able to gain in 1994? What answer would I give them?

Mr. KOSKINEN. The answer to that, in terms of the actuals, not the baseline, is the 80,000 you had in actual FTE decline whatever the number was, 86,000, 87,000 employees, at an average cost of $50,000 an employee, you are saving $4.3 billion every year that those employees——

[The information referred to follows:]

Total Savings from workforce reductions, estimated at $38.5 billion for FY 1993–99, more than offset funding provided by the Crime Bill ($23.5 billion in BA).

Attachment 1 shows FTE reductions and associated savings on a year-by-year basis from FY 1993–99.

Attachment 1: Savings from FTE Reductions

[Dollars in millions]

	1993 base	1994 actual	1995 est.	1996 est.	1997 est.	1998 est.	1999 est.	1993–99 total
FTE Ceilings	.....	2,084,600	2,043,300	2,003,300	1,963,300	1,922,300	1,882,300	
FTE Proposed Levels	2,155,211	2,052,742	2,017,780	1,981,881				
FTE Reductions from 1993 Base	.....	102,469	137,431	173,330	191,911	232,911	272,911	272,911
Total BA Savings From FTE Reductions*	.....	.....	4,433	6,091	7,906	8,960	11,102	38,491
Violent Crime Reduction Trust Fund BA	.....	.....	2,218	4,272	5,000	5,500	6,500	23,490

*Assumes average compensation levels.

Mrs. MORELLA. The $50,000, is that what I am saving because I am not paying them $50,000, is that what their salary is?

Mr. KOSKINEN. That is their salary, benefits and associated costs.

Mrs. MORELLA. How about buyouts, have you included that or RIFs?

Mr. KOSKINEN. Those are the gross savings. As GAO said, there have been basically no significant RIFs in the government thus far. In terms of the buyouts, to the extent buyouts were used and they were used for approximately 30,000 employees, the buyouts have a cost associated with them, a one-time cost. The savings from the personnel cuts goes on every year, and it is appropriate to say what is the cost of the buyouts.

The buyouts would have in effect been half the cost for a third of the employees so it is about a sixth of the $4 billion, or about $700 million, just roughly doing it as we talk, would have been a cost against that for the cost of the buyout.

Mrs. MORELLA. So how much would we have saved last year?

Mr. KOSKINEN. If you took that out, you would say you saved $3.3 billion last year. The number saved will increase on that same

analysis, since buyouts will end, and you will save the $13 billion a year on an annualized basis once you cut the 272,000.

Mrs. MORELLA. I don't believe it. I listened to all of this, and I am reading your statement, and you repeated it, and you speak beautifully, but I just don't believe that we are going to save $10 billion a year with the expenses we are going to have. Whether it is statutorily linked to the crime bill, sure, it is not, I agree with what you are saying there. I don't believe we are going to get $10 billion a year.

Mr. KOSKINEN. I understand the question, but if you don't believe that, that is the same thing as saying you don't believe the budgetary caps. The budgetary caps say this is all we are spending, and to the extent it is a believable number that we have said we are going to spend $6 billion more for the crime bill, so that $6 billion came from somewhere because it is a zero-sum game. The caps do not make adjustments for new expenditures.

Mrs. MORELLA. Which means it won't be appropriated, it just means it probably won't be appropriated or not to that degree, $30 billion.

Mr. MICA. Can I reclaim, before you do that, could we just yield 1 minute because Mr. Gilman has been called out, and he has one question, then we will get right to you. I am sorry.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. KOSKINEN. I hope this is a question for OPM.

Mr. GILMAN. I have to go to another meeting.

How many positions in the government are being funded by transfers from trust fund accounts? Do we have any estimate of that?

Mr. KOSKINEN. I am sorry, the positions are being funded by transfers?

Mr. GILMAN. From trust fund accounts.

Mr. KOSKINEN. From which trust fund accounts, sir?

Mr. GILMAN. Whatever trust fund accounts we have, where the trust fund accounts have been set aside and apparently not within budgetary control.

Mr. KOSKINEN. All of the positions that I am aware of, although I have a technical expert behind me here who will tell me that as a general matter positions are funded under the budget and you see them. In other words, there are no off-budget FTEs.

Mr. GILMAN. No employees in trust fund——

Mr. KOSKINEN. Let me just say, but there are government corporations and there is Fannie Mae, for instance, its employees are funded out of the Fannie Mae operations which are not integrated into the unitary budget of the Federal Government, but for Federal employees—and I will lean back here and check—there are no employees being paid somewhere else or counted somewhere else. Notwithstanding the Congresswoman's concern, what you see is what you get. We have a certain number of definable employees paid by discretionary accounts.

Mr. GILMAN. Do we have any employees who are funded by trust fund accounts?

Mr. KOSKINEN. In the total, I assume social security.

Mr. KLEIN. OPM's retirement group is paid out of trust funds, the Office of Personnel Management retirement claims examiners are paid out of trust funds.

Mr. GILMAN. Roughly how many employees are there in that category?

Mr. KOSKINEN. But those employees count, we count those people.

Mr. GILMAN. Have they been targeted for reduction?

Mr. KOSKINEN. When social security is coming in to talk with us, they have a streamlining plan, they have a restructuring plan. Social Security is a mandatory expenditure, again, you all are much more familiar with that than most people, social security payments are under the mandatory entitlement programs, but their employees are counted in the Federal workforce, they are restructured, their streamlining plan applies.

Mr. GILMAN. And they have been targeted for reduction?

Mr. KOSKINEN. Everyone is targeted for reduction to the extent possible.

Mr. GILMAN. Just one last question. Yes, go ahead.

Mr. KLEIN. I might add to that, to clarify, for example, with the Office of Personnel Management, we have a clear reduction target, but our Director has decided he will not target the retirement claims examiners. We are taking those reductions in other parts of OPM, so the trust-funded employees at OPM are not targeted for reduction, but they are counted. They are part of the count of the overall Federal workforce.

Mr. GILMAN. How do you make the distinction about those that are targeted for reduction and those that are not?

Mr. KOSKINEN. It is an agency-wide determination. We have not said—that is, the goal is a 12 percent reduction in the government—that every function of the government and every department and every agency will reduce by 12 percent. In effect, we have made, and in fact as we have discussed, for some agencies, the Congress and the administration have supported increases.

So there are numbers all over the chart, agency by agency, and within agencies decisions like that made by OPM have been made that this is a function where in fact we don't want to cut any people, we may actually want to add people and we will take larger cuts in another operation in our same agency.

Mr. GILMAN. That is purely at the discretion of the administrator of the agency?

Mr. KOSKINEN. The administrator of the agency can make those judgments. They have to make them part of a streamlining plan that was integrated into the budget review process at OMB. So we reviewed every agency's streamlining plan and they had to tell us where they were going to make the cuts under their proposals.

Mr. GILMAN. No criteria or standards utilized?

Mr. KOSKINEN. The standards are they had to explain to us what was going to happen with their performance, with their customer service, what they were doing about restructuring and delayering in terms of the number of supervisors and the amount of what we call red tape. So they had to lay out their full plan and justification as to where they were making reductions, and if they were not

making reductions, why not. If they were not going to make reductions in their headquarters staff, they had to explain that to us.

We had a set of rebuttable presumptions as we called them that everyone would make a 50 percent cut in headquarters, everyone would double the span of control of their supervisors, everyone would eliminate 50 percent of a range of what are called micromanagement and control positions.

We told them they were rebuttable presumptions in the sense that, if they decided that their headquarters had already shrunk or had a different history and they were only going to cut over the 5-year period 25 percent or 27 percent, they could make that case to us, but they had to make that case in the course of their streamlining plan.

Mr. GILMAN. Each agency has made that determination, and you have gone over the rebuttable presumptions?

Mr. KOSKINEN. We have done that. In some cases we have sent back the streamlining plans for further work because in fact we did not think they provided an adequate explanation of what they were doing.

Mr. GILMAN. Thank you.

Mr. Chairman, thank you very much.

Mr. MICA. I thank the gentleman for participating.

Mrs. Morella, did you have any additional questions?

Mrs. MORELLA. Well, simply, we will check back next year at the end of the fiscal year.

Mr. KOSKINEN. It is an appropriate thing. We watch it and I think this hearing is very appropriate. It is an important dialog to continue to ask these questions as to what is happening, are these gains real, are we actually accounting for it appropriately. I think that is a perfectly good thing to continue to talk about.

Mrs. MORELLA. This is absolutely so hazy to know the specifics, where they are coming from, whether or not we are fulfilling that 15 people per manager kind of concept.

I referred earlier to NIH obviously in my district. NIH seems to have been disproportionately affected by the FTE reductions. I think they have had to sustain a 15 percent reduction, whereas the rest of HHS has had 11 percent reduction. How is that kind of percentage established?

Mr. KOSKINEN. Again, just as I was saying earlier, that is a judgment made by the administrators and the Cabinet and political and other appointees. For the senior management at HHS, that is part of their streamlining plan. They justified those decisions for us. We made no—in fact, I would think it would be very inappropriate for us either at OMB or OPM or anyone else in a central agency to mandate in any particular operation what is going on. The people who know that best are the managers and the people who oversee it on a day-to-day basis.

[The information referred to follows:]

NIH has not taken an unusually large share of the HHS FTE reductions.

Each Department has the discretion to allocate its share of FTE reductions required by the Federal Workforce Restructuring Act in the most effective way. While no entity within the Department of Health and Human Services has been exempted from the FTE reductions, some have absorbed larger reductions than others, while some have had fewer reductions, or even increases. For example, Food and Drug Administration FTE financed through user fees have been allowed to grow slightly,

consistent with the intent of the Prescription Drug User Fee Act. At the same time, NIH has not taken an unusually large share of the HHS reduction. Indeed, the President's budget estimates that the reduction in NIH FTE between FY 1994 and FY 1996 will be 1 percent, compared with the HHS-wide reduction of 2 percent.

Mrs. MORELLA. So the Secretary, I should get to her?

Mr. KOSKINEN. Yes, and as you can understand, in most cases, every program and every agency in the budget process makes an appeal for more funds. Very few agencies and program managers come in and say, "Actually, I would like to have fewer funds."

Similarly, as they ask for more funds, virtually every agency and program would like to have more people, so that wherever you have these cuts going on you will find people who will say, "Well, I would rather have more rather than less," and that is part of the dialog.

Mrs. MORELLA. I would think that some latitude would be appropriate and helpful, but yet there would be some question about why the big discrepancy percentage-wise.

Mr. KOSKINEN. We have asked those questions. We need to put the authority but also the accountability where it matters, and that is with the people who are actually responsible for the programs. So those decisions at NIH were made in the context of the HHS overview as to where they thought the cuts were most appropriate.

Mrs. MORELLA. Thank you very much.

Mr. MICA. I have just a couple of final questions, and I think you all are being saved by the bell. We have been fortunate today to proceed without interruption, and are about to conclude here, but just a couple of things.

First of all, you talked about the number of dollars in savings. Can you provide the subcommittee with the number of dollars for expenditures that you have seen as far as OMB for the past 3 years or any 3 fiscal years, the actual number of dollars, all FTEs, et cetera, in total?

Mr. KOSKINEN. There is actually a table, there is a presentation in the budget for the last 3 years of salary and expense personnel costs, and so that shows you what is going on in terms of——

Mr. MICA. It is defense and nondefense and all of that?

Mr. KOSKINEN. I am not sure of the detail that it goes into.

Mr. MICA. I would like to see that if it can be broken out in that detail, try to confirm some of the figures that we have heard today.

Mr. KOSKINEN. That is fine.

[The information referred to follows:]

The Federal Government incurred obligations of roughly $226 billion for personnel costs in FY 1994.

Agencies provided the following data for pay and compensation as part of their FY 1996 Budget submission:

Obligations in Millions of Dollars

1994 (Act.)	1995 (Proj.)	1996 (Proj.)
225,695	225,837	227,661

Additional detail can be found in Attachment 2 (Table 12–4, Personnel Compensation and Benefits, which appears in the Analytical Perspectives volume of the FY 1996 Budget).

Table 12–4. Personnel Compensation and Benefits

[in millions of dollars]

Description	1994 actual	Estimate		Percent change: 1994 to 1996
		1995	1996	
Civilian personnel costs:				
Executive Branch (excluding Postal Service):				
Direct compensation:				
DOD—military functions	33,374	32,722	32,287	-3.3
All other executive branch	51,009	52,751	54,487	6.8
Subtotal, direct compensation	84,383	85,473	86,774	2.8
Personnel benefits:				
DOD—military functions	7,323	6,799	6,834	-6.7
All other executive branch[1]	19,420	20,317	21,066	8.5
Subtotal, personnel benefits	26,743	27,116	27,900	4.3
Subtotal, executive branch	111,126	112,589	114,674	3.2
Postal Service:				
Direct compensation	30,781	31,878	32,988	7.2
Personnel benefits	7,765	8,797	9,404	21.1
Subtotal	38,546	40,675	42,392	10.0
Legislative Branch:[2]				
Direct compensation	786	798	850	8.1
Personnel benefits	154	162	172	11.7
Subtotal	940	960	1,022	8.7
Judicial Branch:				
Direct compensation	1,264	1,427	1,473	16.5
Personnel benefits	312	365	383	22.8
Subtotal	1,576	1,792	1,856	17.8
Total, civilian personnel costs	152,188	156,016	159,044	5.1
Military personnel costs:				
Direct compensation	52,051	51,075	50,324	-3.3
Personnel benefits	20,206	17,479	16,122	-20.2
Subtotal	72,257	68,554	66,446	-8.0
All other executive branch, uniformed personnel:				
Direct compensation	1,138	1,156	1,159	1.8
Personnel benefits	112	111	112	.....
Subtotal	1,250	1,267	1,271	1.7
Total, military personnel costs[3]	73,507	69,821	67,717	-7.9
Grand total, personnel costs	225,695	225,837	227,661	0.9
ADDENDUM				
Former Civilian Personnel:				
Retired pay for former personnel	37,008	38,545	40,356	9.0
Government payment for Annuitants:				
Employee health benefits	3,990	3,880	4,089	2.5
Employee life insurance	16	25	31	87.5
Total Former Civilian Personnel	41,014	42,450	44,476	8.4

Table 12–4. Personnel Compensation and Benefits—Continued

[in millions of dollars]

Description	1994 actual	Estimate 1995	Estimate 1996	Percent change: 1994 to 1996
Former Military personnel:				
Retired pay for former personnel	27,330	27,894	28,587	4.6

[1] In addition to the employing agency's contribution to the costs of life and health insurance, retirement and Medicare Hospital insurance, this amount includes transfers from general revenues to amortize the effects of general pay increases on Federal retirement systems for employees in the Legislative and Judicial Branches as well as employees (non-Postal) in the Executive Branch and to amortize supplemental liabilities under FERS. The transfers amounted to $7,394 million in 1994 and are estimated to be $7,644 million in 1995 and $8,179 million in 1996.
[2] Excludes members and officers of Congress.
[3] Excludes reserve components.

Mr. MICA. You also spoke in your comments—I don't think it was in your testimony—about the bulging effect, about deeper cuts in some of the agencies, and then in fact we have added to Justice and IRS, Treasury, rather. Which are the agencies other than Defense that have witnessed these deeper cuts?

Mr. KOSKINEN. Actually, those are listed. GAO actually had, to their great credit, in their testimony they noted that you had large actual reductions in a particular year at agriculture, had 4,600 people in 1994, HHS——

Mr. MICA. Ag took the biggest hit?

Mr. KOSKINEN. It had according to GAO. I don't have the chart with me. We can actually give you, break that out by agency.

Mr. MICA. Also the 3-year period. We have to look at these things in time and space, but if you could do that versus the number of actual dollars that are spent, and then the defense and nondefense breakout would be helpful. Maybe the same thing from the Office of Personnel Management, if you have any of your records.

Mr. KOSKINEN. Actually our data comes from them, so we will coordinate. We try to use just a single data base.

[The information referred to follows:]

The five executive branch, non-defense and non-Postal agencies taking the largest percentage reduction from 1993 Base to 1996 Projected are:

Agency	Pct. Change
Federal Deposit Insurance Corp/Resolution Trust Corp	43.1
General Services Administration	24.9
Railroad Retirement Board	17.4
Tennessee Valley Authority	14.1
Agency for International Development	13.1

Additional detail can be found in Attachment 3 (Table S–21, Federal Employment in the Executive Branch, which appears in the FY 1996 Budget volume).

Table S–21. FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH

(Civilian employment as measured by Full-Time Equivalents, in thousands)

Agency	1993 Base	1993 Actual	1994 Actual	Estimate 1995[A]	Estimate 1996	Change: 1993 base to 1996 FTE's	Change: 1993 base to 1996 Percent
Cabinet agencies:							
Agriculture	115.6	114.4	109.8	108.9	108.1	-7.6	-6.6

Table S–21. FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH—Continued

(Civilian employment as measured by Full-Time Equivalents, in thousands)

Agency	1993 Base	1993 Actual	1994 Actual	Estimate		Change: 1993 base to 1996	
				1995[4]	1996	FTE's	Percent
Commerce	36.7	36.1	36.0	36.0	35.7	-1.0	-2.8
Defense—military functions	931.3	931.8	868.3	834.1	800.6	-130.8	-14.0
Education	5.0	4.9	4.8	5.1	5.1	*	0.7
Energy	20.6	20.3	19.8	20.5	20.8	0.2	1.0
Health and Human Services[1]	64.5	65.6	62.9	62.3	61.4	-3.1	-4.8
Health and Human Services, exempt FTEs	0.5	0.5	0.5	0.5	0.4	*	-4.1
Social Security Administration[2]	65.4	64.8	64.5	64.9	64.0	-1.4	-2.1
Housing and Urban Development	13.6	13.3	13.1	12.9	12.6	-1.0	-7.2
Interior	79.3	78.1	76.3	76.3	76.2	-3.2	-4.0
Justice	99.4	95.4	95.3	102.0	109.2	9.8	9.9
Labor	18.3	18.0	17.5	17.6	17.9	-0.4	-2.2
State	26.0	25.6	25.2	25.0	24.8	-1.3	-4.8%
Transportation	70.3	69.1	66.4	65.2	64.4	-5.9	-8.4
Treasury	166.1	161.1	157.3	161.4	162.2	-3.9	-2.4
Veterans Affairs[1]	227.0	229.1	227.7	224.4	224.4	-2.7	-1.2
Veterans Affairs, exempt FTEs	5.4	5.1	5.4	5.5	5.7	0.3	6.3%
Other agencies (excluding Postal Service):							
Agency for International Development[1]	4.4	4.1	3.9	3.8	3.8	-0.6	-13.1
Agency for International Development, exempt FTEs	.....	.....	*	*	*	.....	.....
Corps of Engineers	29.2	28.4	27.9	27.7	27.4	-1.9	-6.3
Environmental Protection Agency	18.6	17.9	17.6	18.9	18.9	0.3	1.7
Equal Employment Opportunity Commission	2.9	2.8	2.8	2.9	3.2	0.4	12.7
Federal Emergency Management Agency	2.7	4.0	4.9	3.9	4.0	1.3	46.4
Federal Deposit Insurance Corp./Resolution Trust Corp	21.6	21.9	20.0	16.3	12.3	-9.3	-43.1
General Services Administration	20.6	20.2	19.5	16.9	15.5	-5.1	-24.9
National Aeronautics and Space Administration	25.7	24.9	23.9	23.3	23.2	-2.5	-9.7
National Archives and Records Administration	2.8	2.6	2.6	2.5	2.5	-0.3	-10.4
National Labor Relations Board	2.1	2.1	2.1	2.1	2.1	*	-1.4
National Science Foundation	1.3	1.2	1.2	1.3	1.3	-0.1	-5.7
Nuclear Regulatory Commission	3.4	3.4	3.3	3.2	3.2	-0.2	-6.4
Office of Personnel Management	6.2	5.9	5.3	5.5	5.5	-0.7	-11.9
Panama Canal Commission	8.7	8.5	8.5	8.8	8.9	0.2	2.8
Peace Corps	1.3	1.2	1.2	1.2	1.2	-0.1	-2.0
Railroad Retirement Board	1.9	1.8	1.7	1.6	1.5	-0.3	-17.4
Securities and Exchange Commission	2.7	2.7	2.7	2.9	3.1	0.4	14.4
Small Business Administration	4.0	5.6	6.3	6.1	4.8	0.7	18.5%
Smithsonian Institution	5.9	5.5	5.4	5.5	5.5	-0.3	-5.7
Tennessee Valley Authority	19.1	17.3	18.6	16.6	16.4	-2.7	-14.1
United States Information Agency	8.7	8.3	8.1	8.0	8.1	-0.6	-7.1
All other small agencies	16.1	15.4	14.4	16.0	15.9	-0.2	-1.3
Total, Executive Branch civilian employment	2,155.2	2,138.8	2,052.7	2,017.8	1,981.9	-173.3	-8.0
Total, Defense	931.3	931.8	868.3	834.1	800.6	-130.7	-14.0
Total, Non-Defense	1,223.9	1,207.1	1,184.4	1,183.7	1,181.3	-42.6	-3.5
FTEs exempt from Ceiling	.....	.....	5.9	6.0	6.1		
Total, Executive Branch subject to Ceiling	.....	.....	2,047.0	2,011.8	1,976.8		
FTE Ceiling[3]	.....	.....	2,084.6	2,043.3	2,003.3		
Total FTE reduction from the 1993 base	.....	-16.4	-102.5	-137.5	-173.3	.....	

* Less than 50 FTEs.

[1] The Department of Health and Human Services, Veterans Affairs, and the Agency for International Development have components that are exempt from FTE controls.

[2] The Social Security Administration will become a separate agency in 1995.

[3] FTE limitations are set for the Executive Branch in the Federal Workforce Restructuring Act of 1994 (P.L. 103–226).

[4] FTE data are reported to OPM by pay period, and allocated to fiscal year based on the period end date. 1995 FTE numbers have been adjusted to represent the same number of pay periods (26) as in 1993, 1994, and 1996. Without this adjustment for the September 18 to October 1, 1994 pay period, the 1995 total would have been higher by approximately 41,000 FTEs.

Mr. MICA. OK. Well, again, we are getting different figures that we have heard today. Maybe some of them are all the same, but if we could have sort of a coordinated response we would appreciate it.

I don't have any other questions at this time, but the bell has rung for a vote, so I am going to ask unanimous consent that the record be open for at least a week, and we can take additional information and response back from anyone who would like to submit it. Without objection, that is so ordered.

Also I would like to submit for the record a statement by the ranking member, Mr. Moran. Without objection, that is so ordered.

[The prepared statements of Hon. James P. Moran and Hon. Cardiss Collins follow:]

PREPARED STATEMENT OF HON. JAMES P. MORAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman:

I appreciate your having this hearing today.

The Federal Workforce Restructuring Act established targets for the downsizing of the federal government. Over a six year basis, the act specifically set the caps for total federal employment and each year the acceptable cap was lower. For FY94, the total federal employment was set at 2,084,600 Full Time Equivalencies (FTEs). In 1999, that number will be reduced to 1,882,300.

It is important to note that the workforce reductions are based on FTEs rather than the number of actual employees or budgeted positions. FTEs represent a full workyear—2,080 hours of employment. This is the budgetary allocation for one position. It does not matter if that one position is filled by one, two, or four employees. If you cut FTEs, you cut the size of the federal workforce and you directly cut federal spending on salaries and expenses. At the end of the day and the end of the year, the agencies simply cannot avoid the FTE ceilings. They must pay their employees and their employees' benefits. They cannot exceed their Salaries and Expenses appropriations.

These reductions are easy to police. Every February, the Administration's budget request is released. Every year, the budget tracks the number of FTEs in the federal workforce. This year, the chart was in Chapter 12 of the Analytical Perspectives. Each year, Congress can chart how well the Workforce Reduction goals are being met. According to this document, the actual 1993 employment was 2,138,800. The actual 1994 employment level was 2,052,700—31,900 FTEs below the ceiling. The estimated 1995 employment levels are 2,017,800—25,500 FTEs less than the 1995 ceiling.

As we can see from the Budget request, the Administration is obviously following the Federal Workforce Reduction Act. I am sure that our Budget Resolution and subsequent Appropriations Acts will cement their compliance.

I understand why some Members may be concerned about discrepancies in the actual 1993 baseline. Depending on which base you use, the number ranges from 2,134,300 to 2,138,800 to the 2,155,200 used in the Federal Workforce Reduction Act. In the end, however, it simply does not matter. The 252,000 number arbitrary. There was no magic or reason behind it. The 272,900 number was arbitrary.

The FY1999 number, on the other hand, is real and will be reached. When we reach that number, the federal workforce will be the same size as the federal workforce during the Kennedy Administration. At that time, nobody will care if the total reduction was 252,000, 272,900 or less.

I also think the issue of whether the savings generated from the workforce reduction is going towards paying for the 1993 crime bill. Federal expenditures, whether they be for the Weather Service, the FBI, or the Pentagon all come from the same source, they are contained within the same document. When we passed the Crime bill last year it contained more than $30 billion in spending authorizations with no revenue source. So we said that the savings achieved through the workforce reduction will go towards crime control. There is no direct transfer of funds from the Salaries and Expenses accounts of each agency to the Violent Crime Control Trust fund and it would be ridiculous for us to expect such a transfer. The Crime Control Trust

Fund is funded through general fund appropriations. The workforce reductions have reduced those appropriations in other areas. The intent of the crime bill has not been violated.

Again, I appreciate your having this hearing today and I look forward to hearing the testimony of our witnesses.

PREPARED STATEMENT OF HON. CARDISS COLLINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, compliance with the workforce reduction requirements set forth in the Federal Workforce Restructuring Act is an important goal, but as we study the declining numbers, and as we contemplate the savings realized from the cuts, we must not lose sight of the fact that we are really talking about the people—the public servants that daily serve us and our constituents.

The most important feature of the Act to me was not the cuts mandated, but the voluntary separation incentives authorized to help those who have given service to exit if they choose to do so. Many have done so. Over 15,000 in fiscal year 1994. And in doing so, they have performed yet another service—enabling the Federal government to downsize in a planned and rational manner, minimizing any adverse effect on services.

I am concerned about what lies ahead as the numbers continue to drive this process after March 31, 1995 when the authority for the voluntary separation incentives expires. Do large involuntary reductions-in-force (RIF) lie ahead? Large-scale RIFs are extremely costly, disruptive, and inhumane. Today's witnesses should provide the bets about their likelihood and explain what they are preparing to do to minimize their prospect.

It appears that by utilizing voluntary separation incentives under both this authority and DoD's separate authority, the Administration has been able to stay below the ceilings set in the Act—31,900 below for fiscal year 1994, and OMB projects the government will conclude fiscal year 1995 about 40,000 below the ceiling for the current fiscal year. Yet questions remain whether these workforce reductions have been accomplished in a manner that is consistent with the agencies' missions, and in accordance with strategic plans.

Workforce reductions and workforce restructuring are important issues for this Congress. Looking behind the numbers to see the impact upon government programs and efficiency is an important part of our oversight.

Mr. MICA. If there is no further business to come before the subcommittee, I will comment that we will be meeting on Monday at 1:30, for a hearing, and then again on Tuesday on Federal retirement. I have a question relating to retirement and how some of these reductions are going to affect our retirement system which we will submit for your response. We will meet at 1:30 p.m., in room 2154 on Monday and in room 2247 at 9:30 a.m., on Tuesday. They will be long discussions relating to our retirement session.

I also wanted to express my appreciation for your participation in our hearing. We don't ask you to come here to be inflicted with pain, but you do help us sort through this process, and it is important.

It might be, as we said, sort of a dull hearing when you have to deal with these statistical numbers, but it is important that we get a handle on downsizing, and on the number of people that the Federal Government is employing, and where we have been and are going in the process.

So with those comments, I thank both OMB and OPM for your participation. This meeting is adjourned.

[Whereupon, at 3:15 p.m., the subcommittee was adjourned.]

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