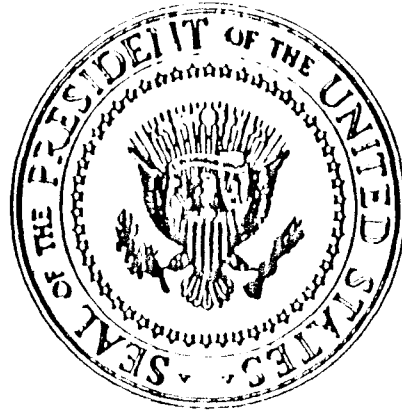


LC 14.2/2: IP 281 6/2
IP 281G

1-31-85

THIS REPORT WAS COMPILED BY THE OFFICE OF CABINET AFFAIRS AND REPRESENTS THEIR OPINION OF THE STATUS OF IMPLEMENTATION OF GRACE COMMISSION RECOMMENDATIONS. DIFFERING OPINIONS MAY BE HELD BY OTHER INSTITUTIONS, SUCH AS CONGRESSIONAL COMMITTEES AND INTEREST GROUPS.



REPORT ON THE IMPLEMENTATION OF THE GRACE COMMISSION RECOMMENDATIONS

JULY 18, 1984

A four phase process has been established to ensure that each one of the 2,478 Grace Commission recommendations is thoroughly reviewed.

INITIAL REVIEW

White House meetings have been held to review many of the Task Force reports. Representatives of the Grace Commission, relevant Federal agencies, the Office of Cabinet Affairs, the Office of Management and Budget, and the Office of Policy Development participated in these initial reviews. Consensus was reached to "forward" recommendations for implementation or "hold" recommendations for future consideration. The initial review process will continue through the fall of 1984 and be linked to the FY 1986 Budget process.

FINAL EXECUTIVE OFFICE REVIEW

A final Executive Office review will occur for recommendations where a consensus on implementation could not be reached in initial review sessions. Such reviews will begin after the initial round of reviews is completed.

ACTION/IMPLEMENTATION

Many of the Grace Commission recommendations already have been implemented. And an automated tracking system has been established to ensure appropriate follow-up for all accepted recommendations. Specific plans for implementation will vary according to whether administrative, legislative, or regulatory action is required.

Current Status

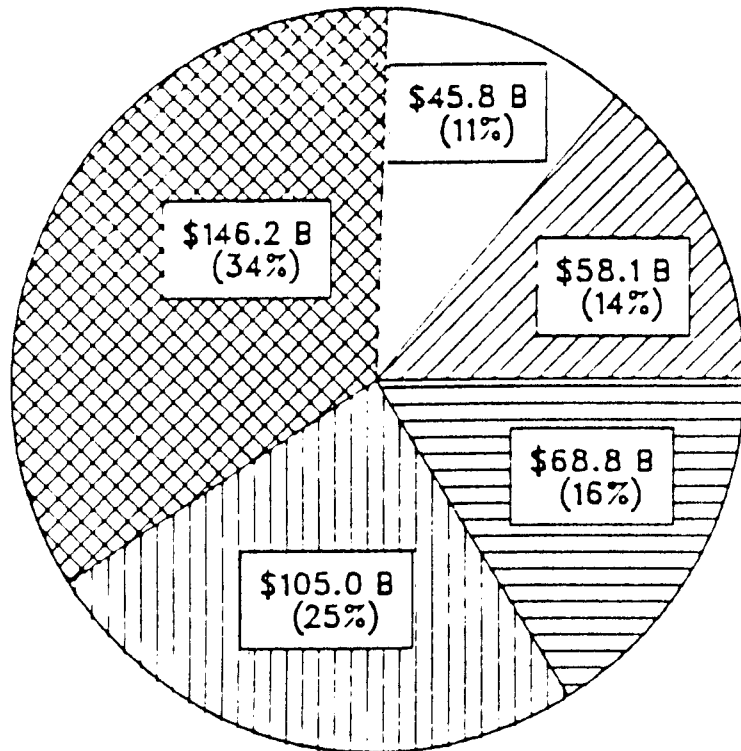
- **15 non-DOD agency Task Force and 5 cross-cutting Task Force reports have cleared the initial review process. These 20 reports represent 346 of the 784 total Grace Commission issues.**
- **81.5% of the 346 issues have been forwarded for implementation, 18.5% are being held for further review.**
- **The 346 issues represent a projected savings by the Grace Commission of \$103.5 billion over three years.**






FINAL STATUS

A report detailing the disposition of all recommendations of the 36 Grace Commission Task Forces will be made toward the end of 1985. Updates will be issued periodically during the interim.

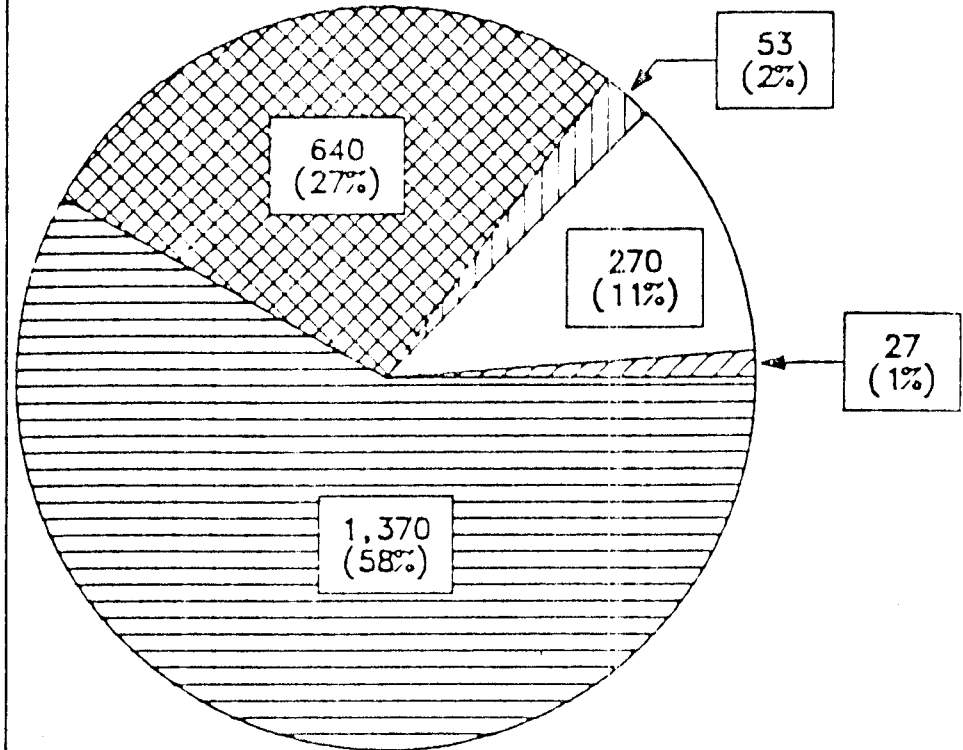
SOURCE OF GRACE COMMISSION SAVINGS RECOMMENDATIONS






DOLLAR SAVINGS: \$424.4 BILLION



-  RETIREMENT SYSTEMS
-  DOD TASK FORCES
-  STAFF CONCEPT STUDIES
-  CROSSCUTTING TASK FORCES
-  NON-DOD DEPARTMENTAL TASK FORCE

NUMBER OF RECOMMENDATIONS: 2,360 *

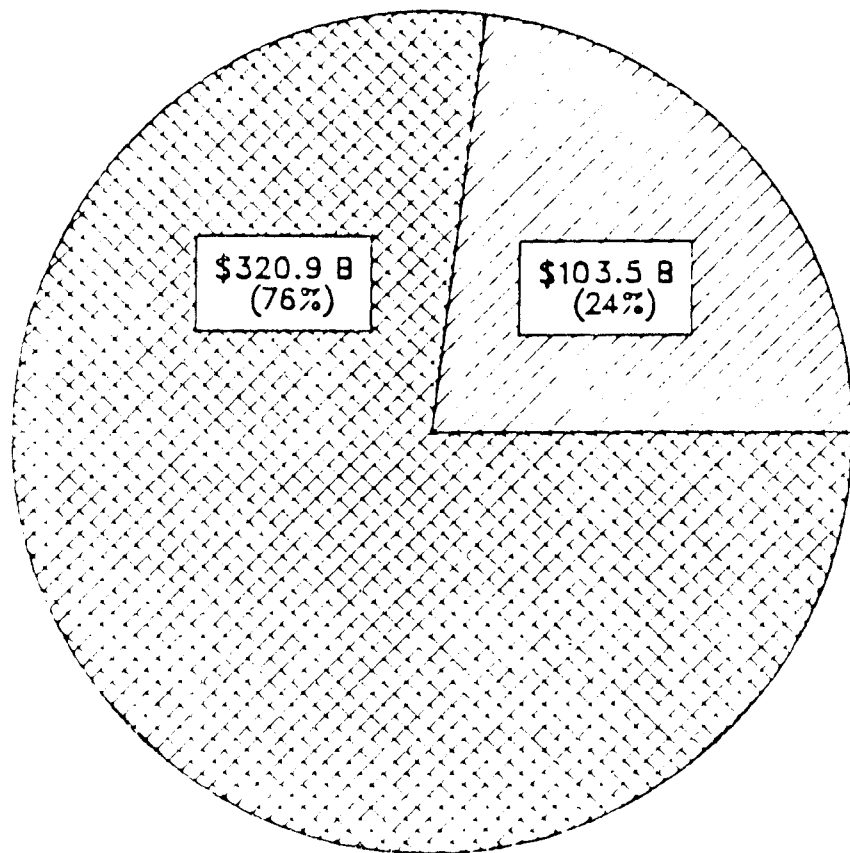


-  RETIREMENT SYSTEMS
-  DOD TASK FORCES
-  STAFF CONCEPT STUDIES
-  CROSSCUTTING TASK FORCES
-  NON-DOD DEPARTMENTAL TASK FORCE

* EXCLUDES REPORTS/RECOMMENDATIONS WITH NO DOLLAR SAVINGS

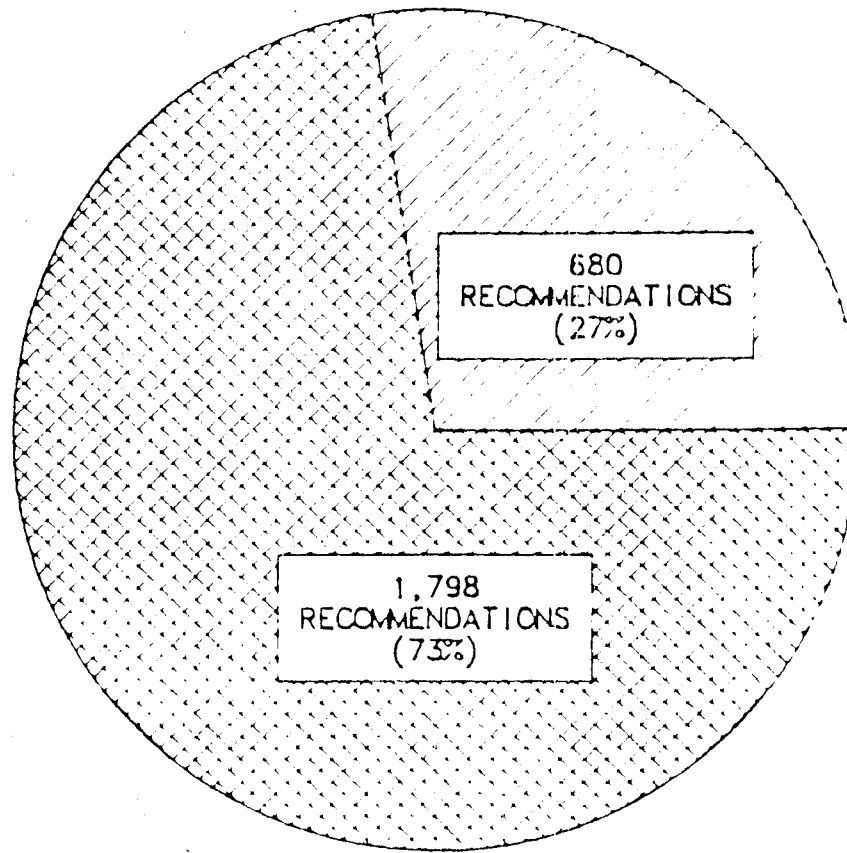
GRACE COMMISSION SAVINGS PROPOSALS

DOLLAR SAVINGS: \$424.4 BILLION



▨ ALREADY IMPLEMENTED OR APPROVED IN
FY1985 BUDGET OR OCA PROCESS
▩ HELD OR NOT REVIEWED

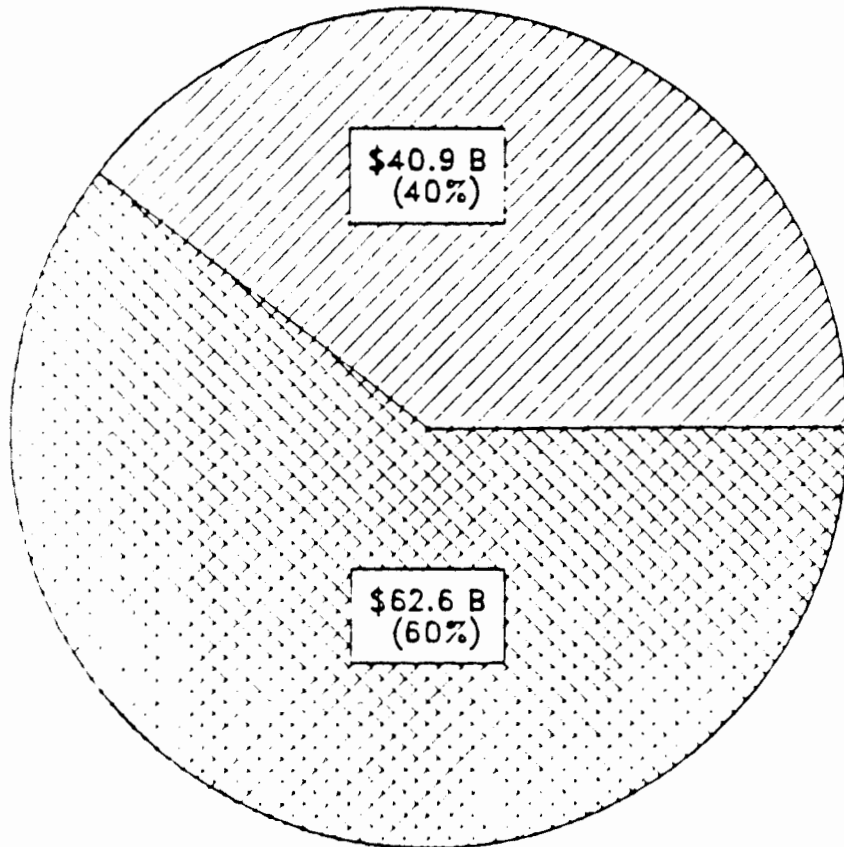
NUMBER OF RECOMMENDATIONS: 2,478





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FY1985 BUDGET OR OCA PROCESS
▩ HELD OR NOT REVIEWED

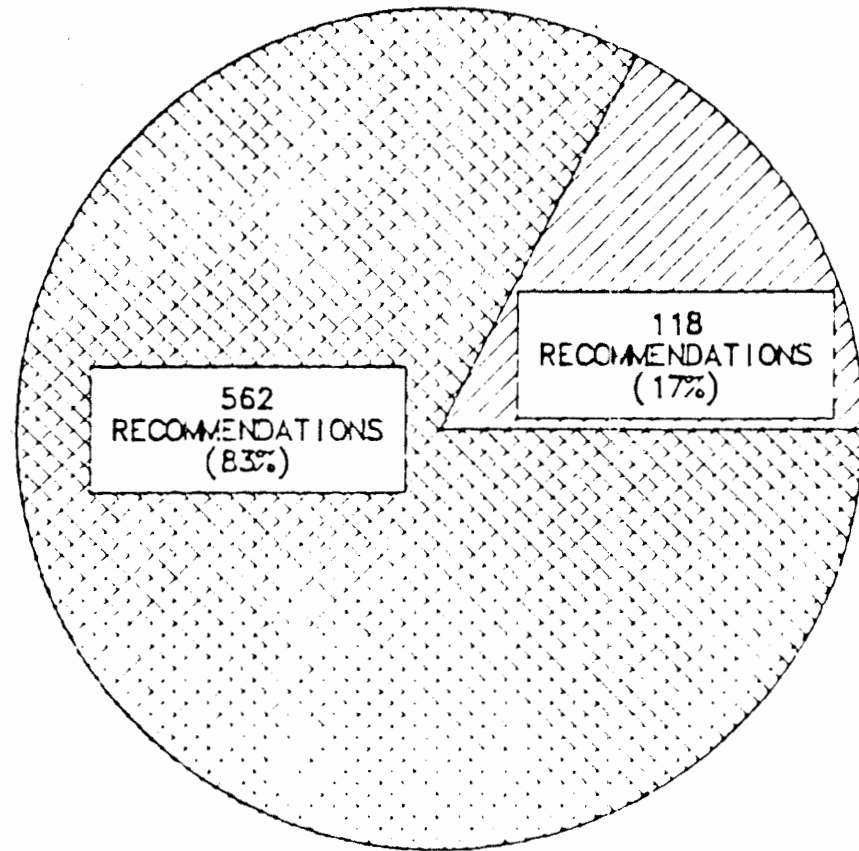
COMPOSITION OF GRACE COMMISSION SAVINGS ALREADY AGREED TO OR IMPLEMENTED



DOLLAR SAVINGS: \$103.5 BILLION



 ALREADY IMPLEMENTED AND
IN BUDGET BASELINE
 INCLUDED IN PRESIDENT'S
FY1985 BUDGET OF AGREED
TO IN OCA PROCESS AND
PENDING IMPLEMENTATION

NUMBER OF RECOMMENDATIONS: 680



 ALREADY IMPLEMENTED AND
IN BUDGET BASELINE
 INCLUDED IN PRESIDENT'S
FY1985 BUDGET OF AGREED
TO IN OCA PROCESS AND
PENDING IMPLEMENTATION

EXAMPLES OF GRACE COMMISSION SAVINGS ALREADY IMPLEMENTED

- RAILROAD RETIREMENT REFORMS — through increased contributions, benefit reductions and other solvency measures (\$2,405 million). President signed in PL 98-76 (1983).
- REDUCE STRATEGIC PETROLEUM RESERVE — fill rate and Budget cost (\$1,059 million) — multi-year fill rate and construction schedule agreement with Congress exceeds recommended savings.
- MAKE FEDERAL FLOOD INSURANCE SELF-SUPPORTING (\$662 million) — Budget costs cut by 76% already and will reach Grace Commission target of zero in 1987.
- ACCELERATE FICA DEPOSITS BY STATE/LOCAL GOVERNMENT (\$1,664 million) — “float” largely eliminated in 1983 bipartisan Social Security bill.
- REDUCE DELINQUENT TAX BACKLOG (\$2,722 million) — Treasury revenue initiative has stopped growth of backlog and raised collections by 61% over 1982 level.

- INCOME VERIFICATION AND COMPUTER MATCHING OF WELFARE BENEFITS (\$2,258 million) — authority provided in the Deficit Reduction Act.
- FIXED PRICE MEDICARE REIMBURSEMENT AND EXCESS HOSPITAL CAPACITY REDUCTION (\$1,033 million) — substantially similar efficiencies being achieved through prospective reimbursement (DRG) system enacted last year and implemented in FY 1984. Three-year savings will exceed \$5 billion.
- IMPROVED CASH MANAGEMENT (\$2,145 million) — speed-up the deposit of money received by the Federal government into the Treasury.
- PROMPT PAYMENT (\$2,612 million) — pay bills on date due and allow state and local recipients of Federal money to draw funds from the Treasury as needed.
- EFT TRANSFER (\$1,581 million) — increase use of electronic funds transfer to speed cash flow and increase efficiency.

EXAMPLES OF GRACE COMMISSION RECOMMENDATIONS INCLUDED IN FY 1985 BUDGET OR AGREED TO IN OCA PROCESS

- **ENERGY DEPARTMENT OVERHEAD SAVINGS** — Reduce management of GOCO's (weapons research and production); increase competitive procurement and terminate one of three fusion projects (\$805 million). Essentially implemented in FY 1985 Budget with three-year outlay savings of \$320 million and \$95 million cost avoidance.
- **REDUCE CIVIL SERVICE OVERGRADING (\$5,164 million)** — 1985 Budget includes 31,000 reduction in GS 11-15 over three years.
- **NAVIGATION USER FEES (\$1,348 million)** — 1985 Budget proposes both deep port and inland navigation user fees — with three-year savings of \$600 million.
- **REDUCE EXCESS FEDERAL OFFICE SPACE (\$234 million)** — Reform 88 project in 1985 Budget with multi-year target for space reduction from 168 sq. ft./employee to 135 sq. ft.
- **FOREST SERVICE STAFFING REDUCTION (\$339 million)** — 1985 Budget reduces FTE ceiling to 39,500 — a cumulative 29% staff reduction since 1980 peak.

- **REFORM FEDERAL EMPLOYEE HEALTH BENEFITS PROGRAM (\$1,357 million)** — 1985 Budget contains alternate cost control approach which will save \$500 million per year after start-up phase.
- **REDUCE HHS BUREAUCRACY AND DEPARTMENTAL LAYERING (\$1,101 million)** — 1985 Budget implements modified equivalent of these proposals with three-year savings of \$735 million and 5,872 staff reductions.
- **REDUCE INDUSTRIAL BOND TAX SUBSIDY (\$5,174 million)** — Modified version proposed in 1985 Budget and contained in the Deficit Reduction Act.
- **PENSION INSURANCE (\$324 million)** — 1985 Budget proposes increased pension benefit guarantee premiums to assure pension fund solvency and avoid Federal subsidies.
- **USDA MANAGEMENT ECONOMIES (\$608 million)** — improvements in information systems, reductions in Food Stamp coupon printing costs and other efficiency measures will be implemented administratively or in the 1986 Budget.
- **EDUCATION DEPARTMENT SAVINGS (\$1,208 million)** — improve smaller discretionary grant program management and reduce interest subsidy costs on student loans by delaying lender disbursement until student needs funds.