



# FY2019 Budget: Government Reorganization and Federal Workforce Reform

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The *Budget of the United States Government, Fiscal Year 2019* stated, in a largely general way, planned initiatives related to government reorganization and federal workforce reform. The initiatives follow from Executive Order 13781, “Comprehensive Plan for Reorganizing the Executive Branch,” issued by President Donald Trump on March 13, 2017, and two Office of Management and Budget (OMB) memorandums. The memorandums, M-17-22, “Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce,” issued on April 12, 2017, and M-17-28, “Fiscal Year (FY) 2019 Budget Guidance,” issued on July 7, 2017, required federal agencies to create short- and long-term workforce strategic plans and then submit the long-term plans along with their Agency Reform Plans to OMB concurrent with their budget requests. This Insight summarizes the budget’s discussion of these matters.

## Government Reorganization

The budget outlined organizational changes across the federal government. Some of these changes could be accomplished within existing authorities and, of these, some are already underway. The budget also called for changes that would require additional statutory authority. The government reorganization initiative was characterized as an ongoing effort in which the “Administration plans to unveil additional reorganization proposals designed to refocus programs around current and future needs” (*Budget of the United States Government, Fiscal Year 2019*).

Among the planned organizational changes discussed in the budget were “eliminating unnecessary

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political positions; using shared services to improve IT services and reduce costs through economies of scale; realigning offices and personnel; and revamping regional offices” (*Budget*). The budget noted efforts already underway to relocate employees and some offices of the Department of the Interior away from Washington. It also identified a planned review of the laboratory network of the Department of Energy. Other reorganization activities that are underway or planned and discussed in the budget include, for example, those at the Departments of Agriculture, Health and Human Services, Homeland Security, and Transportation.

The budget also discussed plans to review potential interagency restructuring of functions. For example, it announced a review of federal statistical functions across multiple agencies, proposed consolidation of international development aid from various agencies into a new Development Finance Institution, and proposed that the alcohol and tobacco regulatory and enforcement responsibilities of the Bureau of Alcohol, Tobacco, and Firearms at the Department of Justice be transferred to the Alcohol and Tobacco Tax and Trade Bureau in the Department of the Treasury.

A budget fact sheet indicated that additional reorganization proposals are forthcoming.

## Federal Workforce Reform

The budget proposed a \$50 million President’s Management Council Workforce Fund under the General Services Administration (GSA) request that would be contingent upon the enactment of authorizing legislation. The monies would be used “to improve the Federal Government’s ability to recruit and retain top talent and re-skill the workforce to meet 21<sup>st</sup> century needs.” According to the Budget Appendix,

Funding priorities will be informed by each agency’s analysis of its mission critical occupations as well as Government-wide priorities informed by the President’s Management Agenda and Cross Agency Priority Goals .... A cross-agency Board, chaired by the [OMB] Deputy Director for Management, will be established to review and approve funding proposals. ... The Fund will be administered by GSA on behalf of the Board and the President’s Management Council.

A fact sheet, “Modernizing Government,” and *Analytical Perspectives* Chapter 7, “Strengthening the Federal Workforce,” set forth general and broad outlines of the Administration’s proposals. According to the documents, an agenda on “Developing a Workforce for the 21<sup>st</sup> Century” will be announced in March 2018. The Administration also “intends to partner with Congress on overhauling the statutory and regulatory rules” that govern the civil service, an effort that is expected to include three components:

- **Realigning the workforce to mission.** Agencies would “critically examine their workforces” to determine the jobs that are needed to accomplish their core missions. Agency personnel needs could be reduced through such tools as technological investments that automate transactional processes, artificial intelligence that streamlines compliance and regulatory processes, and online and telephone chat-bots that improve customer service. The budget proposed a new interagency workforce fund to provide recruitment and retention incentives to “top performers with mission-critical skills.” The current workforce would be reskilled and “employees can shift from legacy positions into emerging fields,” such as “data analysis, cybersecurity, and other IT disciplines.” The Senior Executive Service (SES) would continue to be modernized, “including creating a more robust and effective SES succession pipeline.”
- **Aligning total compensation with private sector.** All leave would be combined into one paid time off category and a short term disability insurance policy would be provided. Pay rates would be frozen at their current levels for 2019. Within grade step increases would be less frequent. Workers in mission-critical areas would receive performance-based pay. The federal government’s contribution rate to the Federal

Employees Health Benefits Plan would be revised to range between 65% and 75% depending on a plan's performance. Proposed changes to federal retirement, in *Major Savings and Reforms*, would include increases to employee contributions; elimination and/or reduction in the cost-of-living-adjustments (COLAs) for different federal retirement benefits; elimination of a retirement supplement for certain qualifying former employees; a change in the measure of pay used in the retirement benefit calculation (from "high-3" to "high-5"); and a reduction in the interest rate used for the G Fund of the Thrift Savings Plan.

- **Human Capital Management Reforms.** The federal personnel system would be modernized and made more flexible by reconsidering the Civil Service Reform Act of 1978. Procedures for hiring and dismissal would be changed to provide federal managers with greater flexibility. Human resources technology would be modernized. Data related to workforce management would be better utilized. (A single electronic identifier that will follow employees throughout their careers is being created.) Agency managers would be encouraged "to restore management prerogatives that have been ceded to Federal labor unions and create a new partnership with these entities."

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