

**Building a 21st Century Government by Cutting Duplication,
Fragmentation, and Waste**
February 28, 2012



EXECUTIVE SUMMARY

- The President has made it a priority of his Administration to change the way Washington works, save taxpayer dollars, streamline operations and improve government services, and to that end has waged an aggressive campaign to eliminate duplication and waste.
 - On February 16, 2012, the Administration sent Congress the Consolidating and Reforming Government Act of 2012 which would allow the President to put forward proposals to consolidate government and eliminate wasteful duplication, subject to an up-or-down vote by the Congress.
 - The President's first proposal will be to consolidate the six primary business and trade agencies, as well as other related programs, into one new Department that would make it easier for America's businesses to compete and export, while saving taxpayers \$3 billion over the next 10 years.
- In each of his three previous budgets, the President identified, on average, more than 150 terminations, reductions, and savings, totaling nearly \$25 billion each year.
 - The 2012 Budget proposed nearly \$25 billion in discretionary terminations, reductions, and savings; Congress reduced these programs by \$23 billion, 92 percent of the requested reduction.
 - In the 2013 Budget, the Administration is proposing cuts, consolidations, and savings across the Government totaling more than \$24 billion in the upcoming fiscal year, and \$520 billion through 2022.
- On February 28, GAO released its first status report on actions the Administration and Congress have taken to address the first set of recommendations from GAO.
 - GAO found that nearly 80 percent of the issue areas for which GAO recommended action last year, and more than three-quarters of the recommendations for Executive Branch actions associated with those areas (76 percent) were addressed in some way.
 - Congress addressed less than 40 percent of the GAO recommendations that required congressional action (39 percent) in some way.
- GAO's update is a helpful report card, but it is not comprehensive.
 - In 21 areas highlighted by the GAO report – more than one-quarter of the total – significant reforms were proposed in the 2013 Budget that were not taken into account by GAO because its analysis was completed before the Budget's release.
 - Also, the report does not take into account the President's call for the reinstatement of consolidation authority, which he announced he would use to

take on significant government reforms starting with his proposal to merge six business and trade agencies into one.

- More than half of the 80 programs identified by GAO in this area of business and economic development programs across four agencies would be consolidated into the new department under the Administration's proposal.
- Many of the GAO recommendations deal with some of the most complex and challenging areas across the Federal government, and fully addressing them is an iterative process that takes time and prioritization – a fact that GAO recognizes.
- GAO is also releasing a new set of recommendations, which the Administration just received and is still analyzing, but looks forward to working with GAO and Congress to address these areas, many of which have actions already underway.

Building a 21st Century Government by Cutting Duplication, Fragmentation, and Waste

To rebuild our economy and strengthen the middle class, we must create an America where everyone gets a fair shot, everyone does their fair share, and everyone plays by the same set of rules. We need to win a race to the top for good jobs that pay well and offer middle-class security. That means investing in areas like education, innovation, and infrastructure that are critical to giving every American an opportunity at success and creating a strong economy that is built to last. To pay for these investments and to free our economy from the burden of historic deficits and mounting debt, we also need to restore responsibility for what we spend and accountability for how we spend it. For far too long, many Government programs have been allowed to continue or grow even when objectives are unclear and rigorous assessments of effectiveness are lacking. The result has been a profusion of programs that are duplicative, ineffective, or outdated — at a significant cost to taxpayers. To be competitive in the 21st Century, the United States cannot afford to be weighed down by crippling budget deficits, ineffective programs that waste tax dollars, and Government spending that lacks accountability.

Cutting waste and building an efficient and effective 21st Century government is a goal that crosses party and ideological lines. As a United States Senator, the President worked closely with Republican Senator Tom Coburn to bring transparency to government spending. This year, the President's proposal to re-instate the authority that past presidents have had to streamline and reform the Executive Branch was praised by policymakers across the spectrum, good government advocates, and business leaders. The Government Accountability Office (GAO) also has taken an active role in analyzing the structure of the Federal government and recommending areas to reduce duplication and fragmentation. The Administration welcomes GAO's contribution to this discussion, and is pleased that GAO found that the Administration has made progress on nearly 80 percent of the issue areas for which GAO recommended action last year, and more than three-quarters of the recommended actions associated with those areas.

Many of the GAO recommendations deal with some of the most complex and challenging areas across the Federal government, and fully addressing them is an iterative process – a fact that GAO recognizes – and in many cases will take many months, if not years, to implement or entail Congressional action. The Administration will continue its efforts to cut waste and duplication, a key priority of its Campaign to Cut Waste. We will push for passage of consolidation authority – which if enacted will first be used to propose consolidation of six agencies focused on trade and business promotion into one -- as well as advocate for discrete consolidation proposals that were part of the President's 2013 Budget. In addition, we are continuing to reduce waste across the Federal Government through our efforts to reform and save money in contracting, IT use and procurement, improper payments, administrative overhead, and Federal real estate.

CONSOLIDATION PROPOSALS AND ACCOMPLISHMENTS

The President has made it a priority of his Administration to change the way Washington works, save taxpayer dollars, streamline operations and improve government services, and to that end has waged an aggressive campaign to eliminate duplication and waste. This commitment is

reflected in the President's proposal to Congress to reinstate Presidential authority to reorganize and consolidate Federal agencies to reduce the number of overlapping government programs and save taxpayer dollars – and his stated intent to start that process by combining six business and trade agencies into one. It also is reflected throughout his 2013 Budget, including numerous proposals the Administration put forward for Congressional action highlighted in the *Cuts, Consolidations, and Savings* volume, and it has been a focus of this Administration since day one.

Government Consolidation Authority. On February 16, 2012, the Administration sent Congress the Consolidating and Reforming Government Act of 2012 which would allow the President to put forward proposals to consolidate government and eliminate wasteful duplication, subject to an up-or-down vote by the Congress. Unlike authority granted in the past, the President's proposed bill would mandate that any proposal must reduce the number of government agencies or cut costs. If Congress takes action and passes consolidation authority, the President's first proposal will be to consolidate six business and trade agencies, as well as other related programs, into one new Department that would make it easier for America's businesses to compete and export, while saving taxpayers \$3 billion over the next 10 years (click [here](#) for more information). Because we can't wait for Congress to act on consolidation authority, the President has taken executive action to tackle duplication in this area until a full consolidation can occur:

- ***Launching BusinessUSA to Start a Virtual Consolidation.*** In February 2012, the Administration launched BusinessUSA (business.usa.gov), a virtual one-stop shop for businesses which will enable them to access the wide array of Federal programs and services available to them across the government, regardless of which agency's website, call center, or office they go to for help.
- ***Eliminating Duplication in Exports and Trade.*** In February 2012, the President issued a Presidential Memorandum directing the Export Promotion Cabinet to work across agencies to identify overlap and duplication, and maximize the combined effectiveness of their programs and initiatives in support of the Administration's strategic trade and investment goals and priorities.

Proposed 2013 Budget Cuts and Consolidations. In each of his three previous budgets, the President identified, on average, more than 150 terminations, reductions, and savings, totaling nearly \$25 billion each year. In the 2013 Budget, the Administration is proposing cuts, consolidations, and savings across the Government totaling more than \$24 billion in the upcoming fiscal year, and \$520 billion through 2022. To achieve these savings, the Administration went through the Budget carefully to identify programs that were either ineffective, duplicative, or outdated and thus needed to be cut or consolidated. Consolidations the Administration proposed to Congress include:

- ***Consolidating Two Financial Services Agencies.*** The Administration plans to consolidate the Bureau of the Public Debt (BPD) and the Financial Management Service (FMS), the operational arms of Treasury's Fiscal Service, to share a single administrative, management, and leadership structure. The consolidation will strengthen financial

management while also realizing approximately \$36 million in cost savings from 2014-2018. The Administration is already consolidating information technology infrastructure and services for BPD and FMS. This consolidation was completed in January 2012 and will save more than \$125 million over five years.

- ***Closing 260 Department of Agriculture (USDA) offices.*** In an effort to streamline operations, reduce costs and modernize its structure, the Administration will save \$58 million by closing or consolidating about 260 USDA field offices and saving \$2 million by consolidating administrative functions.
- ***Merging or Closing 1,200 Data Centers.*** The Administration announced that agencies plan to close 40 percent of all data centers, at least 1,200, by the end of 2015, with 525 to be closed by the end of calendar year 2012. The Department of Defense will close about 100 data centers in FY 2013 as part of the consolidation effort, which is estimated to save the Department of Defense up to \$300 million in FY 2013.
- ***Consolidating 38 K-12 education programs.*** In the 2011 Budget, the Administration recommended an overhaul of the Department of Education's K-12 program structure by consolidating 38 existing authorities into 11 new programs. In the past two years, the Congress eliminated the funding for some authorities, but failed to replace many of these authorities with the improved program structure so that 16 programs still remain. The 2013 Budget once again proposes to consolidate the 38 existing authorities into this consolidated program structure.
- ***Streamlining 55 Surface Transportation Programs into Five.*** The Administration's proposal for surface transportation seeks to consolidate and streamline the current, complicated array of 55 separate, often redundant highway formula programs into a simpler and more performance-oriented set of five core programs designed to give State and local partners the tools and flexibility required to promote national transportation priorities.
- ***Consolidating Two Family Housing Programs.*** Rather than operate two separate and independently administered Family Self-Sufficiency programs that help Housing Choice Voucher and Public Housing residents find and retain employment, the 2013 Budget proposes to consolidate and align them into one program to enable Public Housing Authorities to more uniformly serve both programs' residents.
- ***Merging Water Project Management.*** The 2013 Budget asks Congress to merge the Central Utah Project Completion Act program - a regional water management program - back into the Bureau of Reclamation with other such programs, where it was prior to 1992.
- ***Integrating Resource Restoration Within the National Forest System.*** The 2013 Budget continues support for the full implementation of Integrated Resource Restoration within the National Forest System. This realignment will integrate watershed protection and restoration into all aspects of management of national forests and grasslands and create or

maintain economic opportunities, timber production, and jobs, while more effectively improving forest health and water quality.

- ***Merging Small Program for Higher Education Students with Intellectual Disabilities into Larger Program.*** The Administration proposes to use the Fund for the Improvement of Postsecondary Education (FIPSE) authority to launch a new First in the World (FITW) competition and also proposes a consolidation that would improve efficiency and lower administrative costs, while establishing a more effective program. The new FITW competition program includes a tiered-evidence framework, modeled on the Department of Education's successful Investing in Innovation program at the K-12 level, which identifies, validates, and scales-up promising and effective practice. The initiative would also consolidate the Transition Programs for Students with Intellectual Disabilities into Higher Education, and the new competition could include support for projects that enhance access and completion for students with disabilities. The small disability demonstration program would be replaced with a robust innovation program containing a tiered evidence framework. In addition, the Departments of Education, Health and Human Services, Justice, and Labor and the Social Security Administration, EEOC, the Access Board, and the National Council on Disability will participate in a government-wide review this year -- coordinated by the Domestic Policy Council -- of ways to improve the effectiveness of disability programs through better coordination and alignment of priorities and strategies.
- ***Consolidating and Closing National Oceanic and Atmospheric Administration (NOAA) Regional Offices and Labs.*** The Administration has proposed moving NOAA programs to the Department of the Interior as a corollary to its proposal to consolidate business and trade agencies and programs. Interior and NOAA manage most of the Federal government's natural resources, and a consolidation would strengthen the Federal government's stewardship and conservation efforts. As we await Congressional action on consolidation authority, the Budget proposes initial steps to consolidate or close several programs and facilities within NOAA to reduce administrative costs and improve efficiency.
- ***Merging and Reforming Department of Labor (DOL) Regional Offices.*** The 2013 Budget would streamline agency operations by consolidating the regional office structure of five offices within the DOL: the Occupational Safety and Health Administration; the Employee Benefits Security Administration; the Office of the Solicitor; the Women's Bureau; and the Office of Public Affairs .
- ***Combining Three Rehabilitation Services Programs into One.*** As part of broader Workforce Investment Act reforms, the 2013 Budget proposes to consolidate three Department of Education Rehabilitation Act programs into the Vocational Rehabilitation State Grants Program to reduce duplication and administrative costs; enhance program management and accountability; and improve services.
- ***Consolidating 16 Department of Homeland Security (DHS) Grant Programs into One.*** The 2013 Budget proposes to reform the DHS State and local homeland security grant

program by consolidating 16 programs DHS currently manages into one National Preparedness Grant Program, streamlining and simplifying programs that overlap and, over time, have become disparate, confusing, and sometimes duplicative.

- ***Consolidating Substance Abuse Prevention Funding.*** The 2013 Budget consolidates substance abuse prevention funding at the Department of Health and Human Services and establishes a new State Substance Abuse Prevention Grant, which will provide more coordinated funding to all States and Territories and promote evidenced-based prevention strategies nationally.
- ***Consolidating Duplicative Administrative Offices at the Department of Commerce.*** To cut overhead costs while improving services that support minority-owned businesses, the Department of Commerce will focus regional efforts on support services for America's entrepreneurs while consolidating the administrative functions from the five regional offices across the country into one central administrative office.
- ***Reducing Duplicative Efforts in Immigration and Border Control.*** The 2013 Budget proposes consolidating the United States Visitor and Immigrant Status Indicator Technology (US-VISIT) program into Customs and Border Protection and Immigration and Customs Enforcement to reduce duplicative operations.

Consolidations Already Enacted into Law. The President has been aggressive in each of his past three budgets in proposing a range of terminations, reductions, and savings to cut unnecessary programs, fold together duplicative efforts, and save money through increasing efficiencies. In each of his three previous budgets, the President identified, on average, more than 150 terminations, reductions, and savings, totaling nearly \$25 billion each year. These cuts ranged from eliminating subsidies for oil and gas companies saving millions of dollars by leveraging technology to make Treasury transactions paperless and more efficient. While recent administrations have seen between 15 and 20 percent of their proposed discretionary cuts approved by the Congress, this Administration saw 60 percent of its proposed discretionary cuts become law for 2010. The 2012 Budget proposed nearly \$25 billion in discretionary terminations, reductions, and savings; Congress reduced these programs by \$23 billion for this year, 92 percent of the requested reduction. Some of the eliminations and reductions included:

- ***Terminating Three Overlapping Health Programs.*** The President proposed the termination of three duplicative health programs that overlapped with similar programs that could more effectively and efficiently meet the Administration's goals through competitive sources of funding. These programs were funding unrequested, earmarked local health programs. Congress passed the President's proposal, saving taxpayers over \$380 million.
- ***Reorganizing Pest and Disease Programs.*** The Administration reorganized the Department of Agriculture's Pest and Disease programs and cut lower priority funds that could be appropriated at the state or local level in order to increase efficiency and effectiveness, saving upwards of \$75 million.

- ***Eliminating Unfocused, Duplicative Economic Development Program.*** In 2011, the Administration eliminated the Economic Action Program in the USDA's Forest Service. It was duplicative of other programs and unfocused, having been used to fund projects such as wastewater system designs, dredging studies, a water musical festival, and maritime technology program development. This saved \$5 million.
- ***Cutting the Watershed and Flood Prevention Program.*** In 2011, the Administration cut this program that was awarding funds without merit-based criteria and had a lower economic return than other flood prevention efforts. This saved \$30 million.
- ***Eliminating Duplicative Funding for Water Infrastructure Projects.*** The Administration proposed and Congress enacted the elimination of \$157 million in earmarked funding provided by Congress in 2010 for water infrastructure projects. The grants were not provided through a competitive or merit-based allocation and they duplicated funding available through more effective programs that allow States to set their own priorities to fund the most important projects from a health and environmental standpoint.
- ***Ending Duplicative Public Telecommunications Grant Program.*** The Federal Government supports public broadcasting through the Corporation for Public Broadcasting, and thus the Administration successfully proposed to eliminate the largely duplicative Public Telecommunications Facilities Grant Program in the Department of Commerce. By cutting this program, we saved \$20 million.
- ***Cutting Overlapping and Redundant Education Programs.*** The Administration proposed and Congress enacted the elimination of 11 small education programs that overlapped with other programs and were not the most efficient and effective use of funds to meet national goals. These cuts saved \$82 million and included small scholarship funds that provided funds for the types of costs already provided by other Department of Education student financial aid programs and duplicative loan forgiveness benefits for attorneys.

Other Administration Efforts to Reduce Duplication and Overlap. The Administration is utilizing several strategies to reduce duplication and fragmentation. For instance, the Administration is also improving coordination among existing programs by setting concrete cross-agency goals in areas where multiple programs are working toward a common goal. With the release of the 2013 Budget, the Administration published a number of these Cross-Agency Priority Goals on Performance.gov. In order to drive progress, each goal is led by a senior White House official, and Office of Management and Budget (OMB) will conduct quarterly reviews of progress on the goals to ensure necessary coordination. In addition, major Federal agencies are setting goals in areas where improved coordination across bureaus and programs will increase effectiveness, cost-efficiency, or service delivery. The Administration is also undertaking other efforts to confront the challenges of duplication and fragmentation now, in some cases, without waiting for Congressional action. Some of the areas where the Administration has launched efforts to reduce duplication and overlap and improve coordination include:

- ***Food Safety.*** By clarifying responsibilities and improving accountability, the President's Food Safety Working Group is strengthening the U.S. food safety system for the 21st century through a coordinated Federal agency strategic planning and implementation process that prioritizes prevention, strengthens surveillance and improves response and recovery across all agencies. The Food and Drug Administration (FDA) has also created a new position, Deputy Commissioner for Foods, who is empowered to restructure and revitalize FDA's work developing a new food safety system and FDA is pursuing a comprehensive, farm-to-table strategy for preventing food safety problems.
- ***Affordable Rental Housing.*** The Administration has convened a Rental Policy Working Group to eliminate inconsistent or duplicative requirements across rental housing programs administered by HUD, USDA, and Treasury. The group is already implementing two initiatives to streamline physical inspections and reviews to align Federal housing requirements to support more efficient delivery of affordable housing and help State and Federal agencies' staff better serve low-income families who rent their homes.
- ***STEM education.*** In December 2011, the National Science and Technology Council's (NSTC) Committee on science, technology, engineering and math (STEM) released an inventory of Federal spending on STEM education, which includes an analysis of overlap, redundancy, and fragmentation. The findings validate the quality of each effort and provide policy makers and STEM education stakeholders with an unprecedentedly clear picture of how the Federal government supports STEM education. In 2012, the Office of Science and Technology Policy will be releasing a cross-agency plan to improve STEM education, with concrete goals and objectives. Concurrent with the 2013 Budget, OMB set a Cross-Agency Priority Goal to improve the quality of STEM education at all levels to help increase the number of well-prepared graduates with STEM degrees by one-third over the next 10 years, resulting in an additional 1 million graduates with degrees in STEM subjects. In addition, 11 STEM education programs were eliminated in 2012, and 33 programs are proposed for elimination in the 2013 Budget.
- ***Crime Reduction on Indian Reservations.*** The Department of the Interior (Interior) set a goal to reduce crime by 5 percent on four Indian reservations with the highest crime. To seek solutions to this long-standing issue – but given tough constraints on its budget – Interior started a pilot program to test and identify effective crime reduction strategies on Indian lands. The comprehensive strategy involved community policing, tactical deployment, and interagency and intergovernmental partnerships between the Federal Bureau of Investigation, Department of Justice, and the tribal government police departments. Interior established a computer-aided system to collect and analyze data for regular review by the goal team. By the end of 2011, after only two years, they had reduced crime by 35 percent relative to the average recorded number of violent crimes for the previous three years - far exceeding their goal.
- ***Excess Federal Real Estate.*** OMB coordinated with the agencies and the members of the Real Property Advisory Committee to finalize government-wide cost-savings plans that in total will exceed the President's \$3 billion real property savings goal by half a

billion dollars. Furthermore, as of the end of 2011, agencies have achieved in total \$1.5 billion dollars of the complete goal. And the Administration sent to Congress legislation establishing an expedited process to get rid of excess Federal property. More updates on the progress toward this goal will be announced and displayed on the Real Property Dashboard hosted at performance.gov.

- ***Improper Payments.*** The President has set bold goals in reducing payment errors for critical programs such as Medicare, Medicaid, Unemployment Insurance, Supplemental Nutrition Assistance, and others, and recovering improper payments when they do occur. When the President took office, improper payments were on a steady rise. By taking tough new steps to fight waste, fraud and abuse in high-error programs, we have avoided over \$20 billion in improper payments over the past two years, and recaptured nearly \$2 billion in overpayments. And we have brought the error rate down by nearly a full percentage point government-wide.
- ***Outdated and Duplicative Reporting.*** Federal agencies annually produce thousands of congressionally mandated plans and reports. These documents that were once useful can become outdated, duplicative, or less useful over time. As mandated by Congress in the GPRA Modernization Act of 2010, Federal agencies are proposing hundreds of these for elimination, consolidation or other modifications – including reports on programs that no longer exist and other reports that reflect information that is already available on the agency’s website or in separate reports. Combined, these potentially outdated reports take Federal employees an estimated 200,000 hours to prepare and total almost 30,000 pages. The President is committed to an unprecedented level of openness and transparency in government, and to increasing the amount and quality of information made available to the public and to Congress through websites such as Data.gov, USASpending.gov, and Performance.gov.
- ***Shared IT Services.*** The Administration launched its Shared-First initiative in 2011 to encourage agencies to adopt intra- and inter-agency shared IT services. In support of this, OMB issued policy in August 2011 (M-11-29) that requires agency CIOs to focus on eliminating duplication in IT systems/services, rationalizing IT investments, and leveraging the Federal Government’s buying power through strategic sourcing to eliminate duplication in creating similar contracts and purchases. OMB has also required agencies to identify two commodity IT areas to be consolidated and moved to a shared delivery model or a strategic sourcing solution by the end of 2012.

ANALYZING PROGRESS ON GAO CONSOLIDATION RECOMMENDATIONS

Last year, Congress began requiring the GAO to begin annual reporting on specific opportunities for the Federal government to reduce duplication, overlap, and fragmentation as well as other savings opportunities. GAO’s independent analysis is a welcome addition to the effort to make government more effective and efficient and to modernize it for the 21st century. On February 28, GAO released its first status report on how the Administration and Congress have fared in addressing the first set of recommendations from GAO. GAO found that nearly 80 percent of the issue areas for which GAO recommended executive action last year, and more than three-

quarters of the recommendations associated with those areas (76 percent) were addressed in some way by the Administration. Congress addressed in some way less than 40 percent of the GAO recommendations that required congressional action (39 percent). Moreover, in areas as diverse as DOD-VA generic drug contracting, containing biological threats, investigating potentially criminal explosive use, arms control and nuclear proliferation, management of oil and gas leases, and the IT Dashboard, the GAO reported that their recommendations were fully addressed.

This status update is a helpful report card, but it is not comprehensive. First, in 21 areas highlighted by the GAO report – more than one-quarter of the total – there were significant reforms proposed in the 2013 Budget that were not taken into account by GAO because their analysis was completed before the Budget’s release. Second, the report does not take into account the President’s proposal to Congress to reinstate Presidential authority to submit for expedited review proposals to reorganize and consolidate the Federal government, and that his first use of that authority would be to consolidate six business and trade agencies into one. In this specific issue area of economic development identified by the GAO report, more than half of the programs singled out would be consolidated into the new department under the Administration’s proposal. Third, there are some areas in which the Administration is waiting for congressional action. Finally, in almost all these areas, fully completing a consolidation or reform takes time – a fact that GAO recognizes. No matter how difficult it may be to cut this waste, the Administration is committed to getting the job done.

Reforms in the 2013 Budget but not Part of the GAO Analysis. Any analysis is limited by the fact that it is reporting on a dynamic environment at just one point in time. Understandably, GAO had the same constraints. As a result, the report does not take into account proposals put forward in the 2013 Budget or announced since January 2012 that address more than one-quarter of the total areas reviewed by the GAO. These include:

- ***Economic Development Programs (area 9).*** The 2013 Budget includes almost \$30 million for SBA and Commerce to support development of BusinessUSA. BusinessUSA is a virtual one-stop shop for small businesses that will enable them to access the wide array of Federal programs and services available to them across the government regardless of where they are located. Moreover, the President is also asking Congress to reinstate Presidential authority to submit for expedited review proposals to reorganize and consolidate the Federal government to make it work better for the American people while eliminating duplication, waste and inefficiencies. The President’s first proposed use of that authority: to consolidate six Federal agencies and programs focused primarily on business and trade along with other related programs into one more efficient department to promote competitiveness, exports and American business. More than half of the 80 programs identified by GAO in this area of business and economic development programs across four agencies would be consolidated into the new department under the Administration’s proposal.
- ***Enterprise Architecture (area 14).*** OMB is continuing to use enterprise architecture (EA) methods to support efforts to eliminate duplication in IT investments through its “Future-First” and “Shared-First” initiatives. OMB issued policy in August 2011 (M-11-29) that

requires agency Chief Information Officers (CIOs) to focus on eliminating duplication in IT systems/services and to rationalize their agency's IT investments. M-11-29 also requires agency enterprise architects to assist their CIOs in this effort. OMB also has required agencies to identify two commodity IT areas to be consolidated and moved to a shared delivery model or a strategic sourcing solution by the end of 2012.

- ***Tax Expenditures (area 17)***. The Administration is aggressively addressing unnecessary spending in the tax code. The FY 2013 Budget proposes hundreds of billions in savings by eliminating other spending through the tax code, including cutting tax breaks for oil companies, eliminating a major loophole for hedge fund managers, limiting the value of tax subsidies for the highest income Americans, and a range of other provisions. The President also has laid out a framework for business tax reform that calls for closing dozens of loopholes and tax expenditures by eliminating all business subsidies that are not critical to broader growth or fairness, calls for broadening and fundamentally reforming the business tax base, and calls for investing those savings in lowering the corporate tax rate to make America more competitive.
- ***FEMA Grants (area 26)***. The 2013 Budget proposes a near-complete revamping of the way DHS preparedness grants are awarded and tracked, consolidating 16 different grant programs into one National Preparedness Grant Program (NPGP). The NPGP also requires that each state and local investment tie back to the core capabilities in the National Preparedness Goal (NPG) developed pursuant to Presidential Policy Directive 8. Funding allocations are proposed to be based on prioritized core capabilities and gap analyses, considering current threat data, the needs identified in each state's Threat Hazard Identification and Risk Assessment, the Strategic National Risk Assessment and National Preparedness Report, and a regional risk assessment of gaps in national core capabilities.
- ***Federal Homelessness (area 30)***. The Budget proposes increased funding for the U.S. Interagency Council on Homelessness (USICH) from \$3.3 million in 2012 to \$3.6 million in 2013. This will enable USICH to hire additional staff to help coordinate the Federal response to homelessness and continue implementation of the Federal Strategic Plan to Prevent and End Homelessness.
- ***Employment and Training (area 32)***. The Administration agrees that steps should be taken to improve coordination across Federally-funded programs that provide training and employment services. The Workforce Innovation Fund, for which the 2013 Budget proposes a third year of funding, creates incentives for States and localities to enact reforms to better coordinate services across programs and achieve more cost-effective results. The Budget also again proposes broader waiver authority that would permit bolder experimentation across program silos. The 2013 Budget proposes to establish a universal set of services for all dislocated workers, which will streamline access to the services these individuals need to get reemployed. Finally, the Budget proposes a number of program consolidations and terminations, including three that the Administration has proposed repeatedly that Congress has not accepted: VR Supported Employment, VR Migrant Farmworkers, and VR In-Service Training.

- Teacher Quality (area 33).** The Administration agrees with GAO that there is a proliferation of teacher quality programs. That is why in the Administration's Elementary and Secondary Education Act (ESEA) reauthorization proposal, it proposes to consolidate 38 narrow-purpose education programs into 11 more flexible results-oriented authorities. Many of the 38 are programs that have been identified by GAO as duplicative of enhancing teacher quality. However, many of the programs listed are not primarily teacher programs, rather they are programs where teacher professional development is an allowable use of funds. This allows states and school districts to have flexibility in how they spend funds and therefore allows them to best address local needs in a more seamless way. Congress already has accepted the Administration's recommendation to end funding for several programs proposed for consolidation, thus reducing duplication and overlap in teacher quality programs. In addition, in FY 2013, the Administration has further streamlined its ESEA teacher programs by no longer proposing the creation of a new teacher and leadership pathways authority. Instead the Administration would fund this effort within the Effective Teachers and Leaders State Grants program. The Administration would pursue this proposal, absent ESEA reauthorization, through appropriations language, funding the expansion of high-quality pathways as a set-aside in Improving Teacher Quality State Grants and doing away with three duplicative teacher and leader preparation programs.
- Farm Program Payments (area 35).** Since September 2011, the Administration has been proposing to eliminate \$31 billion in direct payments over 10 years because they are not defensible in this time of severe fiscal restraint and high farm incomes, and hopes that Congress will follow our lead and eliminate them in the next farm bill. Every Administration budget has proposed to reduce farm payments or to target them to those that need them most.
- Overseas Military Presence (area 36).** The Department of Defense (DOD) recently announced as part of the new defense strategy that two Army Brigade Combat teams and an Army Corps headquarters will be deactivated in Europe. In addition, an Air Force A-10 fighter squadron based in Germany will be deactivated. Coinciding with these deactivations, the Department also intends to close two Army bases in Germany. DOD recently underwent a strategic review that will likely impact overseas military presence. Many decisions on end-strength reductions and personnel realignments will be made later this spring.
- Military Personnel Costs (area 37).** As part of the new defense strategy, DOD has plans to reduce active military end strength by over 100,000 by FY 2017. Most of the end strength reduction will come from the Army and Marine Corps. Active Army end strength will decline from 562,000 in 2012 to 490,000 by FY 2017; active Marine Corps end strength will decline from 202,100 to 182,100 over the same time period. These planned reductions will reduce the total cost of military compensation.
- Oil and Gas Resources (area 45).** The Department of the Interior recently increased base lease rental rates for certain offshore leases to provide an additional incentive for

companies to get leases into production or relinquish them so that they can be developed by other parties. The Administration has also submitted a legislative proposal to institute fees on both onshore and offshore nonproducing leases, but Congress has not acted on it.

- ***Improper Payments (area 46)***. When the President took office, the government-wide improper payment rate was on the rise, reaching an all-time high level above 5 percent. In response, the Administration has taken several aggressive steps to address improper payments, and we are now seeing real results, including a sharp decrease in the government-wide error rate to 4.69 percent. Moreover, we have avoided making over \$20 billion in improper payments over the past two years, and have recaptured nearly \$2 billion in overpayments. Building on this success, the FY 2013 Budget includes a suite of program integrity proposals that, if enacted, could result in \$102.2 billion in savings from 2012-2022.
- ***Strategic Sourcing (area 48)***. The Administration recently announced the following Cross-Agency Priority Goal for strategic sourcing: reduce the costs of acquiring common products and services by agencies' strategic sourcing of at least two new commodities or services in both 2013 and 2014 that yield at least a 10 percent savings.
- ***Electronic Filing of Tax Returns (area 53)***. The Internal Revenue Service (IRS) developed a legislative proposal that would require all taxpayers who prepare their returns electronically, but print and file them on paper, to print the returns with a 2-D barcode. There has been no action on this legislative proposal. In addition, the Administration has put forward proposals that would increase electronic filing among businesses—expanding the set of businesses that are required to file electronically and establishing a penalty for those businesses that are required to file electronically but do not.
- ***Correcting simple tax return errors (area 56)***. The President's Budget proposes to expand IRS math error authority so that the IRS can automatically correct certain mistakes on tax returns. Specifically, the Budget proposes to expand this authority to cover the following errors: (1) where a taxpayer exceeds a lifetime limit on (a) the total amount of a credit or deduction that may be claimed or (b) the total number of years that a credit or deduction may be claimed; or (2) the taxpayer claims the EITC when the taxpayer is banned from doing so for a period of years because it was determined that the taxpayer's previous EITC claim was due to fraud or reckless or intentional disregard of the rules and regulations.
- ***Research Tax Credit (area 65)***. The Administration is strongly committed to improving the Research and Experimentation Tax Credit. One of the most important steps we can take is to make the credit permanent. Since 1981, the credit has been temporarily extended 14 times. Keeping this tax incentive under constant threat of expiration means that businesses planning for long-term research projects have to account for the risk that the credit will not be available, blunting its effectiveness as an incentive. The President's Budget proposes to make the credit permanent. In addition, the Administration agrees

with GAO that the Alternative Simplified Credit (ASC) is simpler and easier to use. That is why the Budget proposes to increase the value of the ASC, so that more businesses can take advantage of this simpler structure for receiving the credit.

- ***Governmental Bonds (area 67).*** The Administration agrees that tax-exempt financing should be reformed so that support for state and local governments is delivered more efficiently and at less cost to the Federal government. For families making over \$250,000 a year, the Administration proposes capping the value of the exclusion for tax-exempt interest on municipal bonds to 28 percent, which should help reduce the degree that some of the highest income Americans (rather than State and local governments) benefit from the purchase of tax-exempt bonds. The Budget also proposes reauthorizing the use of Build America Bonds at a 30 percent subsidy rate in 2013 and a revenue-neutral 28 percent subsidy rate thereafter, which would also substitute away from traditional tax-exempt bonds and provide a more efficient way of subsidizing State and local finance.
- ***Medicaid Improper Payments (area 71).*** States and the Department of Health and Human Services prioritize efforts to educate providers on the root causes of improper payments, which have contributed to a decline in the 2011 Medicaid error rate. The Centers for Medicare & Medicaid Services (CMS) has continually enhanced its review of all supporting documentation related to Medicaid reimbursement and has taken the necessary steps to recover inappropriate funding. In 2011, the error rate was 8.1 percent, which reflects a 1.3 percentage point decrease from the 2010 rate. The FY 2013 President's Budget includes several proposals that seek to decrease and prevent improper payments in the Medicaid program, including a request to fully fund the Health Care Fraud and Abuse Control account in FYs 2012 and 2013.
- ***Medicare Improper Payments (area 73).*** CMS has implemented predictive analytic technologies to identify improper claims and prevent improper payments in the Medicare Fee-For-Service program. CMS has recently implemented administrative actions resulting directly from predictive modeling. In July 2011, CMS published a Final Rule implementing a provision in the Affordable Care Act requiring a face-to-face encounter prior to the certification and start of home health services. In combination with other prepayment enforcement activities like the Fraud Prevention System, this shift away from the old "pay and chase" model will better protect beneficiaries and Medicare program integrity on the front end. As a result of these and other efforts, improper payment rates are on the decline for all Medicare programs. The Medicare Advantage error rate declined by 3.1 percentage points this year, the Medicare Fee-for-Service error rate declined by 0.5 percentage points, and the Medicare Prescription Drug Benefit Program reported for the first time this year and showed an error rate of only 3.2 percent.
- ***Medicare's Payment for Health Care (area 74).*** The GAO recommendations have the overarching goal of encouraging high-quality and efficient health care delivery. The Administration continues its efforts to achieve this goal through implementation of the many provisions of the Affordable Care Act, including those that link payments to providers' performance. In addition, the Center for Medicare and Medicaid Innovation

is currently developing and testing a number of payment models that reward high quality care and promote efficient use of services, including imaging services. The President's Budget also includes a proposal that directly addresses a GAO recommendation by requiring prior authorization for advanced imaging services. CMS is addressing GAO's recommendations related to home oxygen by through expansion of competitive bidding for durable medical equipment to 91 additional metropolitan areas in 2013, and ultimately nationwide competitive payment rates in the future. And CMS is also addressing GAO's recommendations related to payment for overlapping services through efforts to ensure future payment adjustments, such as the multiple procedure payment reduction, account for efficiencies in the provision of these services.

- ***Social Security (area 80)***. The Administration has a longstanding proposal to facilitate the collection of necessary pension data directly from the States which is included in the 2013 Budget as well.

Areas Where Executive Action Was Taken, but not Reflected in the Report. There are some areas where, understandably, the GAO did not ascertain the full story and reflect that action was taken. For instance:

- ***Teacher Quality (area 33)***. The Department of Education has already established working groups both internally and with other agencies, but has found limited opportunities for coordination and streamlining due to differing legislative requirements and definitions of similar populations.
- ***Federal Real Property (area 50)***. The report does not acknowledge significant actions taken in saving money in Federal real property. In coordination with the agencies and the Real Property Advisory Committee (created by OMB Memorandum May 2011), OMB announced on Performance.Gov that agencies government wide have plans that in total will exceed the President's \$3 billion real property savings goal by \$500 million. Furthermore, as of the end of 2011, agencies have achieved in total \$1.5 billion dollars of the complete goal. Additionally, the Civilian Real Property Realignment Act proposed by the President would streamline the real property disposal process by establishing an independent board to address competing stakeholder interests and creating a revolving fund to assist agencies in disposing and consolidating unneeded real property.
- ***Sole Proprietors (area 61)***. The IRS continues to implement statutory changes requiring key information reporting from such businesses that could have a profound impact on compliance. Further, the IRS is improving oversight of the tax preparation community on which sole proprietors often rely in an effort to further boost compliance.
- ***Undisbursed Balances in Expired Grant Accounts (area 70)***. OMB issued guidance in this area to nine agencies. OMB does not agree with GAO recommendations to expand the requirements to all executive agencies as we believe this is not a government-wide issue, and most agencies have adequate internal control to monitor the spending rate for their grant programs.

Areas Awaiting Congressional Action. In the GAO report, there are some areas in which the Administration has made proposals to Congress, but Congress has not yet taken action. For instance, Congress has not undertaken any of the reductions in tax expenditures – such as limiting the rate at which high-income tax filers take itemized deductions and exclusions and other special benefits for millionaires, billionaires, and large corporations – that the President has put forward. Similarly, in the drive to rid the Federal Government of excess Federal real property, Congress has not established a Civilian Property Realignment Board to make recommendations to Congress for properties for disposal. Moreover, the President’s 2012 Budget proposed a suite of program integrity initiatives that would eliminate waste and error in Medicare, Medicaid, Unemployment Insurance, tax enforcement and elsewhere, only a few of which were enacted by Congress. Many of these proposals are reintroduced in the 2013 Budget, and, if enacted, they would save over \$102 billion over 10 years.

Also, as the report details, Congress did not address more than half of the recommendations that GAO put forward and that required legislative action. In some of these areas, the Administration has not waited and has acted to the extent it can without legislative authority. For instance, GAO notes no legislative action has been taken to make it easier to meet federal fleet energy goals. However, in May 2011, the President issued additional directives for Federal fleet managers in his Presidential Memorandum on Federal Fleet Performance.

ANALYZING NEW GAO RECOMMENDATIONS

As part of its review of duplication and fragmentation in the Federal government, the GAO is also releasing a new set of recommendations of government activity not covered by its previous report. While the Administration is still analyzing the GAO’s assessment of duplication in these areas, there are recommendations made based on incomplete information as well as recommendations with which we disagree. Also, GAO’s analysis does not take into account the proposals in the President’s 2013 Budget, thus missing important reforms. Some of these include:

- ***Social Security Benefits Coordination.*** The President’s 2013 Budget proposes to enhance data reporting about Workers' Compensation benefits from States and private insurers to the Social Security Administration in order for the agency to correctly pay Disability Insurance and Supplemental Security Income benefits. This legislative proposal will improve payment accuracy in the disability programs, reducing both overpayments and underpayments.
- ***Homeland Security Grants and Overlap.*** The Administration agrees that Homeland Security Grants often overlap and provide funding for duplicative investments. The 2013 Budget proposes a near-complete revamping of the way DHS preparedness grants are awarded and tracked, consolidating 16 different grant programs into one National Preparedness Grant Program.
- ***Programs that Reduce Diesel Emissions.*** The 2013 Budget proposes that the Environmental Protection Agency replace the current diesel retrofit funding strategy with a more limited and targeted program designed to concentrate funds on areas of greatest

need and transition the program away from ongoing Federal support. The FY 2013 Budget also proposes a multi-billion dollar Livable Communities Program in the Department of Transportation's Federal Highway and Federal Transit Administrations that promotes the expansion of public transit, place-based transportation policies and improved air quality.

- ***Nuclear Smuggling – Nonproliferation.*** A broader GAO discussion of countering nuclear smuggling would recognize the Administration's strategic focus and success in the highest priority nonproliferation efforts, and the completion and shift away from lower priority, duplicative stationary detection efforts, as evidenced in the 2013 Budget's over \$180 million decrease in Department of Energy and Homeland Security nuclear detection equipment spending compared to 2009.
- ***Manage Military Health Care Costs.*** GAO highlights several strategic DOD initiatives, including modernizing electronic health records, optimizing pharmacy practices, and integrating psychological health care which, when fully implemented, will yield savings and enhance efficiency. In addition to taking action to address these initiatives, The President's FY 2013 Budget also includes proposals to slow the growth of military health care costs by adding TRICARE fees and copays.
- ***Military Retirement Modernization Commission.*** The Administration is requesting that Congress authorize a Commission to review the military retirement system in the context of overall military compensation and military personnel needs, and make recommendations to modernize and make cost-effective changes to the current system. The Administration recommends that retirees and current military service members be grandfathered from any changes to the current system.
- ***Medicare/Medicaid Fraud Detection Systems.*** The 2013 Budget includes a request to fully fund the Health Care Fraud and Abuse Control (HCFAC) Account in 2012, consistent with the amount authorized in the Balanced Budget and Emergency Control Act of 1985, as amended by the Budget Control Act of 2011 (\$581 million). The Budget also proposes to fully fund the HCFAC discretionary cap adjustments in 2013 (\$610 million) to support Medicare, Medicaid, and Children's Health Insurance Program (CHIP) program integrity activities. Fully funding program integrity activities in 2013-2022 will support operation of the Integrated Data Repository and the work done in the Fraud Prevention System. All proposed discretionary HCFAC investments are estimated to save approximately \$11.3 billion over 10 years to Medicare, Medicaid, and CHIP by preventing improper payments.
- ***Continuing Existence of the Tax Gap.*** The funding provided in the 2013 Budget will permit the IRS to generate additional enforcement revenue through enhanced program activities designed to narrow the \$450 billion tax gap. These new activities will focus on offshore tax compliance and other complex international tax issues, as well as building out IRS's paid tax preparer program for improved compliance and implementing new legislation. Specifically, the 2013 Budget proposes a 9-year program integrity cap adjustment from FYs 2013-2021 with sustained funding in 2022 that will increase

revenue collections by over \$43 billion during that time period, compared to costs of about \$17 billion.