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Civil Service Commission  
1978 Budget  
Overview

Background

The Civil Service Commission is the government's central personnel management agency. In terms of the budget, administration of the entitlement program, including life, retirement, disability, and health insurance, is the largest operation. Other CSC activities include central personnel operations such as recruiting and examining, suitability and investigations, program evaluation, manpower information systems, training and intergovernmental personnel assistance. The Federal Labor Relations Council and the Federal Employee Appeals Authority are also included.

The Commission's budget for operating expenses is funded from several sources: directly appropriated salary and expense funds; reimbursable funds from other Federal agencies and State and local governments; from trust fund transfer authority; and a revolving fund financed by agency reimbursements for full field investigations and direct delivery training.

1978 Budget Request

CSC's request provides for a 27% increase in program level for central personnel operations and a 4% increase in the entitlement programs. The dramatic increase (15%) in operating activities is requested primarily to rectify problems in recruiting and examining, accelerate pay and classification reforms, improve retirement and insurance benefits services, and meet workload increases generated by statutory requirements of the Privacy Act and EEO complaints and appeals. A 62% increase in funding is requested to expand the IPA program.

The 78 request assumes approval of 1977 supplemental requests for \$8021K in budget authority, \$4,839K in transfers from trust funds, a \$232,218K payment to the Civil Service Retirement Fund, \$3M to increase the level of capital in the revolving fund.





BA in Millions

	<u>1977 Current</u>	<u>OMB 1978 Planning Level</u>	<u>1978 Req.</u>	<u>OMB Rec.</u>
Entitlement Programs.....	16,271.9	16,330	16,979.7	16,979.7
Personnel Operations and IPA..	<u>118.7<sup>2/</sup></u>	<u>119</u>	<u>162.2</u>	<u>131.5</u>
Total.....	16,390.6	16,449	17,141.9	17,111.2

1/ Includes effect of supplementals.

2/ IPA Grants funded at \$15M.

Entitlement Programs

The Commission's budget request of \$16,979.7M was estimated on the basis of updated economic projections furnished by OMB and the most recent estimate of numbers of retirees and beneficiaries. It also reflects the passage of legislation removing the 1% kicker.

The unfunded liability of the retirement fund as of June 1976 is \$107B from \$4.5B in 1950. Its rapid growth has surfaced several questions concerning present financing of the system and the derivation of normal costs. As a result, CSC was asked to undertake a financing study, the results of which OMB has received in draft. The study results have been analyzed by OMB staff. A discussion of the analysis and alternatives to be considered is planned for the NSD Director's review since the matter is a DOD budget issue for 78.

Recruiting and Examining

A total increase of over \$5M is requested by CSC to initiate improvements in the present recruiting and examining program in order to improve the quality of candidates and timeliness of service. Federal agencies, including OMB, have been concerned for some time with deficiencies in the program. However, there are serious reservations about the approach CSC is proposing in response to these concerns. A significant financial investment in a



system with fundamental flaws will produce marginal improvements at a high cost. OMB recommends (issue 1) that present resources be held relatively stable until the system can be thoroughly evaluated.

#### Pay Reform

CSC requests additional funding of \$607K in FY 77 and \$640K in 78 to continue development, testing, and evaluation of methodologies for implementing the Rockefeller Panel pay recommendations. Approval of the supplemental request for \$607K in FY 77 will provide sufficient resources to ensure submission of locality pay legislation to the next Congress, a decision on the feasibility of total compensation comparability by July 1977, and completion of a study which relates the Government's ability to recruit and retain a qualified workforce to compensation levels. The 78 request for further increases, except for annualization of the 77 supplemental increase, is not recommended. The revised 77 level provides sufficient flexibility for reallocation resources as various phases of the pay projects are completed.

#### EEO Workload and the Privacy Act

The OMB estimate includes a 77 supplemental of \$400K to reduce the rapidly increasing backlogs CSC is experiencing in EEO appeals cases. The number of appeals which CSC processed in 1976 was 8,681. The current 77 estimate is 11,500. If these cases are not adjudicated within 180 days, appellants can seek redress in the civil courts.

The Privacy Act prohibits Federal agencies from maintaining records that describe how individuals exercise First Amendment Rights. To comply with requirements CSC will prevent new investigations from including restricted information and will screen inactive records which are activated. The OMB estimate provides for \$450K in resources for FY 77, as CSC requested, to begin the screening required.

#### Administration of the Retirement and Insurance Program

The retirement and insurance programs are supported totally by transfers from trust funds. CSC is asking that the limitation on such transfers be raised from \$25M to \$34M. OMB supports a \$3M increase. Uncontrollable workload has risen sharply because of increased



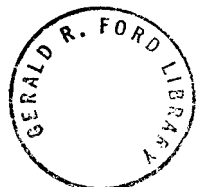
numbers of annuitants and claims, costs of medical examinations, and CSC's responsibilities for processing garnishment orders, health benefits claims and processing funds transfers through the electronic transfer program approved by Treasury. In order to stabilize the level of resources needed to meet continuing workload increases CSC initiated the design of a new automated system in 1974. With the increase in resources, the system will become fully operational in FY 78.

#### IPA

In calendar year 1975, OMB requested CSC to conduct an evaluation of the IPA program. In addition to its own efforts, CSC asked a panel of the National Academy of Public Administration to undertake an independent review. The Panel's recommendations, discussed in issue paper #2, fully supported the program and asked for increased funding, as well as, program expansion to include general management and demonstration projects. CSC's budget request proposes legislation and an increased funding level of \$11.6M to include general management. It also includes an additional \$15M for the present program. Consistent with the OMB recommendation against expansion to include general management, a reduced request of \$20M is allowed. This level of funding will provide for inclusion of demonstration projects.

#### Revolving Fund

A supplemental request is pending for an appropriation of \$3M as working capital of the revolving fund which finances the investigations and training programs. The agency has not sufficiently justified this allowance. Specifically, CSC did not use any analysis to justify sufficiency requirements. It did not address the significant change in pricing policy which caused the working cash level to be depleted. Alternatives to capitalization were not addressed, such as drawing down on customer agencies' account receivables or holding inventory investments level. If alternatives are addressed and a better pricing policy adopted, the Revolving Fund should be able to handle increasing business with the current capitalization level.



## Employment

The following table summarizes the differences among the OMB 1977 ceiling, CSC's requests and OMB recommended levels for full-time permanent employment:

	<u>CSC Req.</u>	<u>OMB Rec.</u>
1977 Current.....	xxx	6870
Supplemental Requests.....	748	230
1977 Revised.....	7618	7100
1978 Ceiling.....	8000	7215

CSC's total 1977/78 request reflects an increase of 1130 FTP positions over OMB's 1977 ceiling. This is an increase of over 14%. The OMB recommendation reduces that request by 785 positions for a total increase of 4.8%. 345 new positions should enable the Commission to implement necessary improvements in pay and retirement administration while addressing the problems of uncontrollable work loads. The reductions recommended affect, primarily, recruiting and examining and the reimbursable programs. The former activity has already been addressed, but the latter requires additional comment. Administration of the revolving fund and setting of appropriate program levels for the fund activities, as well as for other reimbursable activities, is poor. Planning levels are set in uncritical response to demand and the number of positions which can be gotten out of OMB. Before additional personnel are authorized, the agency needs to develop long-range plans which include a reasonable assessment of the level of demand to which CSC should respond and criteria for prioritizing competing demands.





Civil Service Commission  
1978 Budget  
Case I  
Summary Data

	(In millions)		<u>Employment, end-of-year</u>	
	<u>Budget Authority</u>	<u>Outlays</u>	<u>Full-time Permanent</u>	<u>Total</u>
1976 actual.....	13,555.9	8,322.5	6740	8044
1977 Budget, January 76 estimate....	16,385.6	10,116.2	6870	8350
enacted <sup>1/</sup> .....	16,983.4	9,837.3	xx	xx
supplementals recommended (see attached list) <sup>2/</sup> .....	5.5	5.4	230	230
agency request <sup>3/</sup> .....	16,994.4	9,845.1	7618	9098
OMB recommendation.....	16,988.9	9,842.7	7100	8580
OMB employment ceiling.....	xx	xx	6870	8350
1978 planning target.....	16,449.0	11,284.0	xx	xx
agency request.....	17,141.9	11,191.6	8000	9810
OMB recommendation.....	17,111.2	11,166.7	7215	8695
1979 OMB estimate.....	18,666.4	12,447.4	7215	8695

Summary of Issues

	1978				1979	
	<u>Agency Req.</u>		<u>OMB recom.</u>		<u>OMB est.</u>	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
Issues;						
1. Recruiting and Examining (includes 1977 Supp. request)....	51.1	51.1	47.1	47.1	47.1	47.1
2. Intergovernmental Personnel Act..	40	31	20	17	20	17

<sup>1/</sup> Enacted equals amounts appropriated and entitlements to reflect current law.

<sup>2/</sup> Shows net effect only.

<sup>3/</sup> Includes effect of supplementals on BA and O.



Civil Service Commission  
1978 Budget  
Case II

Summary Data

	(In millions)		<u>Employment, end-of-year</u>	
	<u>Budget</u>		<u>Full-time</u>	
	<u>Authority</u>	<u>Outlays</u>	<u>Permanent</u>	<u>Total</u>
1976 actual.....	13,555.9	8,322.5	6740	8044
1977 Budget, January 76 estimate...	16,385.6	10,116.2	6870	8350
enacted 1/.....	16,983.5	9,851.1	xx	xx
supplementals recommended (see attached list) 2/.....	5.5	5.4	230	230
agency request 3/.....	16,994.5	9,858.9	7618	9098
OMB recommendation.....	16,989.0	9,856.5	7100	8580
OMB employment ceiling.....	xx	xx	6870	8350
1978 planning target.....	16,449.0	11,284.0	xx	xx
agency request.....	17,181.6	11,337.3	8000	9810
OMB recommendation.....	17,150.9	11,312.4	7215	8695
1979 OMB estimate.....	18,771.9	12,701.4	7215	8695

Summary of Issues

	1978				1979	
	<u>Agency req.</u>		<u>OMB recom.</u>		<u>OMB est.</u>	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
Issues.						
#1 Recruiting and Examining (Includes 1977 Supplemental Req.).....	51.1	51.1	47.1	47.1	47.1	47.1
#2 Intergovernmental Personnel Act.....	40	31	20	17	20	17

- 1/ Enacted equal amounts appropriated and entitlements to reflect current law.  
 2/ Shows net effect only.  
 3/ Includes effect of supplementals on BA and outlays.



Civil Service Commission  
1978 Budget

Distribution of Budget Authority  
(In millions of dollars)

	<u>1976</u>		<u>1977</u>		<u>1978</u>		<u>1979</u>
	<u>Act.</u>	<u>Jan.</u>	<u>Agency 1/</u>	<u>OMB 1/</u>	<u>Agency</u>	<u>OMB</u>	<u>OMB</u>
		<u>Budget</u>	<u>Req.</u>	<u>Recom.</u>	<u>Req.</u>	<u>Recom.</u>	<u>Est.</u>
A. Open-ended programs and fixed costs (Entitlements)							
1. Retirement .....	13,098.6	15,825.8	16,422.9	16,422.9	16,473.6	16,473.6	17,941.2
2. Health and Life.....	347.9	451.8	451.8	451.8	506.2	506.2	593.8
3. Intrafund Transactions..	-3.4	-5.7	-10.0	-10.0	-.1	-.1	-.1
Total open-ended and fixed costs.....	13,443.1	16,271.9	16,864.7	16,864.7	16,979.7	16,979.7	18,534.9
B. Discretionary programs (relatively controllable)							
1. Central Personnel Mgt...	98.8	103.9	111.9 <sup>2/</sup>	109.4 <sup>3/</sup>	122.4 <sup>2/4/</sup>	111.7 <sup>3/</sup>	111.7
2. Intergovernmental Personnel Assistance...	15.0	10.0	15.0	15.0	40.0 <sup>4/</sup>	20.0	20.0
3. Proprietary Receipts....	-1.0	-.2	-.2	-.2	-.2	-.2	-.2
4. Revolving Fund .....	--	--	3.0	--	--	--	--
Total budget authority	13,555.9	16,385.6	16,994.4	16,988.9	17,141.9	17,111.2	18,666.4

- 1/ Includes Oct. 76 pay raise  
2/ Includes effect of requested supplemental  
3/ Includes effect of recommended supplemental  
4/ Includes effect of proposed legislation to expand IPA





Civil Service Commission  
1978 Budget

Distribution of Outlays  
(In millions of dollars)

	<u>1976</u>		<u>1977</u>		<u>1978</u>		<u>1979</u>
	<u>Act.</u>	<u>Jan.</u> <u>Budget</u>	<u>Agency 1/</u> <u>Req.</u>	<u>OMB 1/</u> <u>Recom.</u>	<u>Agency</u> <u>Req.</u>	<u>OMB</u> <u>Recom.</u>	<u>OMB</u> <u>Est.</u>
A. Open-ended programs and fixed costs (Entitlements)							
1. Retirement .....	8,284.1	10,023.6	9,723.6 <sup>2/</sup>	9,723.6 <sup>3/</sup>	10,982.5	10,982.5	12,151.0
2. Health and Life.....	-79.2	- 15.3	6.1	6.1	57.1	57.1	168.2
3. Intrafund Transactions..	- 3.4	- 5.7	-10.0	-10.0	- .1	- .1	- .1
Total open-ended and fixed costs.....	8,201.4	10,002.6	9,719.7	9,719.7	11,039.5	11,039.5	12,319.1
B. Discretionary programs (relatively controllable)							
1. Central Personnel Mgt...	103.8	103.8	111.6 <sup>2/</sup>	109.2 <sup>3/</sup>	122.4 <sup>2/</sup>	111.5 <sup>3/</sup>	111.5
2. Intergovernmental Personnel Assistance...	15.2	10.0	15.0	15.0	31.0 <sup>4/</sup>	17.0	17.0
3. Revolving Fund	3.1	--	-1.0	-1.0	-1.1	-1.1	--
4. Proprietary Receipts....	-1.0	- .2	- .2	- .2	- .2	- .2	- .2
Total outlays .....	8,322.5	10,116.2	9,845.1	9,842.7	11,191.6	11,166.7	12,447.4

- 1/ Includes Oct. 76 pay raise  
2/ Includes effect of proposed supplemental  
3/ Includes effect of recommended supplemental  
4/ Includes effect of proposed legislation to expand IPA



Civil Service Commission  
1978 Budget  
Supplementals and Legislative Program Items

	(\$ in millions)		<u>Employment, end of period</u>	
	<u>Budget Authority</u>	<u>Outlays</u>	<u>Full-time Permanent</u>	<u>Total</u>
Payment to the Civil Service Retirement and Disability Fund:				
Agency supplemental request..	232.2 <u>1/</u>	232.2	--	--
OMB Recommendation.....	232.2	232.2	--	--

Recommendation provides for the first installment necessary for the 1976 Wage Board and General Schedule pay raises, additional amounts necessary for the first and second installments for the 1975 General Schedule and Wage Board pay raises and of the amount of interest lost due to the change in fiscal years.

Providing Retirement and Insurance Services:				
Agency supplemental request..	3.9 <u>2/</u>	--	209	--
OMB recommendation.....	.9	--	50	--

Recommendation provides support for workload increases generated by garnishment orders, health benefit claims and disputes, costs of medical exams, and the electronic funds transfer program.

Civil Service Commission Revolving Fund:				
Agency supplemental request..	3.0	--	--	--
OMB recommendation.....	0	--	--	--

Agency has not sufficiently justified the request for additional capitalization of the revolving fund nor addressed alternatives.

- 1/ The amount of the supplemental is an intergovernmental transfer.  
2/ Increase limitation on trust fund transfers.



	(\$ in millions)		Employment, end of period	
	<u>Budget Authority</u>	<u>Outlays</u>	<u>Full-time Permanent</u>	<u>Total</u>
Central Personnel Management Operations:				
Agency supplemental request...	4.0	3.9	276	--
OMB recommendation.....	1.4	1.4	90	--

Recommendation provides support for pay reform and workload generated by the anticipated growth in the number of EEO appeals and Privacy Act requirements.

Pay Increases:				
Agency supplemental request...	5.1 <u>3/</u>	4.0	--	--
OMB recommendation.....	5.1	4.0	--	--

Legislative Item:				
To expand the IPA Grant Program and associated administrative costs:				
Agency request.....	11.6	7.6	--	--
OMB recommendation.....	0	0	--	--

OMB does not recommend expansion of the IPA program to general management projects based on the analysis provided in the issue paper.

3/ \$1M of this amount represents an increase in the limitation on trust fund transfers.



Civil Service Commission  
1978 Budget

Authorizing Legislation Required for 1979  
(Under sec. 607(f), P.L. 93-344,  
this legislation must be transmitted to Congress  
no later than May 15, 1977)

The Civil Service Commission has none.



## Civil Service Commission

### Presidential Management Initiatives

#### 1. Decisionmaking and MBOs.

CSC has developed a unified planning system to serve as the basis for coordinated management activities. These include budget formulation, agency decisionmaking, and MBO formulation and assessment, etc. However, considerable work still needs to be done to make the system work. To date, development of MBO's has not significantly improved CSC's capacity to set priorities and effectively allocate resources to carry out its mission. Two major weaknesses are: 1) inadequate formulation of major MBO's which precludes measurement of results; and 2) ineffective means to follow up on milestones and targets set.

#### 2. Evaluations

CSC's submission was inadequate, except in the personnel management area. Planned evaluations were non-specific and do not provide an explicit role for central staff independent of the bureau director with responsibility for the program area to be evaluated.

A shift of emphasis from process to results, greater specificity in describing actions to be taken, development of interim target dates, and revision of plans to meet requirements would provide the basis for monitoring performance.

#### 3. Reduction in the Burden of Federal Reporting

CSC's submission conforms with the OMB guidance on reporting reductions. However, the schedule for periodic review of regulations is sketchy and needs revision.



4. Contracting Out and Holding Down Overhead Costs

This group of initiatives reflects little specificity as to follow-up and expected results. The ADP plan does not project any short-term results nor specific details on the means for achieving dollar savings which are estimated at \$2 million per year. CSC has not yet submitted the requested updated ADP plan.

5. Personnel Management

As might be expected, this was the best section of CSC's plan, particularly in executive development. The plan for activities to improve productivity measurement is too vague and needs improvement.



ISSUE #1

Civil Service Commission  
1978 Budget

Issue #1 The Competitive Examining System

Background

Over the past twelve years (1965-1977), the Civil Service Commission's budget for recruiting and examining has risen \$40 million (from \$6.6M in 1965 to \$46.7M in 1977). During the same dozen years, the number of applications being processed annually has declined overall by some 45,000 and selections from certificates to agencies has dropped by 93,000.

The \$40 million increase has, obviously, not been justified by CSC on the basis of workload increases. CSC has, instead, argued for the increased resources in order to provide faster and more efficient service, expand opportunities for all citizens (especially minorities, women and the handicapped) to apply for jobs, and improve examining processes to insure identification of quality candidates. The basic methods for achieving these goals were to 1) centralize recruiting and examining in the CSC through establishment of area offices throughout the country, and 2) automate the system.

Notwithstanding these efforts, the staffing system continues to face substantially the same time and quality criticisms and problems. Some of the problems have been exacerbated by congressional concern for merit system abuses and court decisions requiring documentation of screening decisions. The problems were summarized in a September 1975 letter from Paul H. O'Neill to Bob Hampton. (Attached) In addition to a request for consideration of administrative improvements, CSC was asked to critically evaluate legal and regulatory requirements underlying the examination and referral process.

In response, CSC is asking an additional \$5M and 200 positions in 1977 supplementals and 1978 budget requests to uniformly apply improved selection devices, improve timeliness of service, provide quality control, expand recruitment and other outreach activities, and provide greater assistance to agencies on staffing problems.





## Issue

Should additional resources be invested in the current recruiting and examining program?

### PROS

- ° Encourages CSC to expand their recent efforts to establish, for a very small number of positions to be filled (GS-15's), a quality system of identifying the agency's need and supplying candidates that meet the need.
- ° May provide marginally faster service to the agencies, thus marginally relieving current pressures to short circuit the established CSC system.
- ° May provide more information to the public on the current recruiting system.

### CONS

- ° In the face of agency complaints about timeliness of CSC actions, gives more support for more processing by CSC.
- ° Provides more resources for more processing in the Federal recruiting system when it is already infinitely more cumbersome than those in private enterprise, thus increasing the problem of losing Federal candidates to the private sector.
- ° Further service to the public (e.g., responding to inquiries, outreach activities) may only add further applicants to registers already clogged and raise public expectations of being placed in jobs when, in fact, the jobs do not exist.
- ° Invests an additional 10% in a system which is not achieving its objectives and ignores the real possibility that the current system has fundamental flaws.



## Alternatives

1. Support CSC's plans for "quality" improvements. (CSC req.)
2. Approve some resource increases to expand the use of specialized techniques for filling some positions.
3. Hold resources at the current level pending an evaluation by an independent source of the current system. (OMB rec.)

## Analysis

	1976 Actual		1977 Current		1977 Est. With Supp.		1978 Est.	
	<u>BA</u>	<u>FTP</u>	<u>BA</u>	<u>FTP</u>	<u>BA</u>	<u>FTP</u>	<u>BA</u>	<u>FTP</u>
Alternative I	\$43.1M	2181	46.6	2175	48.7	2338	51.1	2355
Alternative II	43.1M	2181	46.6	2175	47.8	2263	48.3	2263
Alternative III	43.1M	2181	46.6	2175	46.6	2175	47.1	2175

CSC is sensitive to the increasingly intense criticism of the examining system from external sources. They believe the improvements which have been planned will correct the deficiencies. However, they are concerned that they cannot launch corrective action on the scale necessary to effect significant results without additional resources.

The fact remains, however, that substantial increases have been granted over the last 12 years to improve the system, but the projected quality results have not materialized. In large part this may be due to the fact that the improvements have been limited to procedural accomplishments. A long series of legal and regulatory requirements have resulted in a process which is increasing mechanistic and bureaucratic and ill-equipped to handle the pressures generated by the growth of Federal unionism and an increasingly litigious public.

The question arises as to whether the system itself is flawed and is thus generating nonproductive and unnecessary workload to the detriment of quality and timeliness. One example will serve to illustrate the point. Under the "rule of three" which has been operative since 1888, an agency must select a candidate for employment from among the top



three eligibles on the CSC certificate. This rule requires that fine distinctions be made in rating applicants for placement on registers and certificates. The end product is a determination that an applicant with a rating of 95, for example, is of higher quality than one with 94.5. With the litigious attitude of the public, it is little wonder that the Commission faces increasing difficulty in making such determinations and defending them.

Many other questions are also relevant to the current CSC system: What functions that CSC now performs can be delegated to the agencies? What can be done to make more direct the link between job openings expected and applications for those jobs? What can be done to build quality--as well as qualification--measures into the standards applied to candidates? What can be done to shorten the time now involved in hiring candidates not now in the Federal civil service? Until all of the problems have been defined and alternative solutions explored, additional resources are, at best, a palliative remedy.

Marginal improvements in the quality of candidates for mid-level positions might result if CSC is given additional resources to pursue the development of specialized selection devices for positions at GS-11 and above. This technique has proved especially helpful to agencies with unique positions such as railroad inspectors and for positions at the GS-15 level.

However, the Division's concern with this alternative is the implied acceptance of the premise that the problems are of a procedural nature only. The arguments against full funding of the improvement projects are equally applicable to partial funding.

#### Recommendation

CSC request: Alternative #1. CSC believes that the current system is basically sound. They see the current problem as essentially one of resources. CSC believes the pressures being generated to provide more timely service and quality candidates can be met by devoting more CSC time to each unit of work and adding staff to handle the workload that entails. They argue that no significant offsets can be made by further productivity gains or by increased automation. Further, they believe that support for the current system with greater emphasis on improvement is the only practical alternative in the face of concern for merit system abuses and application of merit principles.



OMB Recommendation: Alternative #3. Infusion of resources has not been the answer, in the past, to the problems of quality and timeliness. The Division believes that the factors which are inhibiting the development of a timely and flexible staffing program must be articulated and alternative solutions evaluated before a further financial investment in the present system is made.

The Division further believes that the body selected to do the evaluation is critical.

We recommend against either the CSC or a body representative of various interested groups (e.g., agencies, unions, educational institutions, CSC). Neither of these would, we believe, be likely to achieve objectivity. As is evidenced by the past year, the evaluations CSC has produced are not uniformly satisfactory as to timeliness, relevance, perspective, and innovative approaches. The CSC Executive Director has been meeting with assistant secretaries this year on the recruiting and examining problem, but without significant result. The representative body, we believe, would necessarily have to spend most of its time attempting to reconcile conflicting viewpoints. While this reconciliation will be necessary if the present CSC system is to be changed, we believe that is a step which should follow, not precede the delineation of at least one alternative to the present system.

The Division recommends a two step approach to the evaluation:

- ° In preparation for the evaluation, OMB staff would develop a fairly comprehensive study prospectus including a history of the development of the examining system, the changing roles of the CSC and employing agencies, the trends which impact on the system now, and a tentative listing of problems to be explored. We would not expect to show the prospectus to CSC since we would be developing it only as an aid to the person appointed by the President to do the study. We believe we could finish such a prospectus early in 1977.
- ° The OMB prospectus would be sent to the President, together with a recommendation that he appoint a person to conduct the study and make recommendations to the President. The person appointed would, in our view, need to have a national reputation as a person of unquestioned professional objectivity and integrity and be able to recruit a small, but first-rate staff. We believe that the appointment



could be appropriately coupled with an announcement that emphasizes the need to attract the Nation's top talent to Federal Government service.

In short, we believe that no further resources should be given to "improve" the current recruiting system until there has been a major look--by a source independent of the CSC and its clients and applicants--at the efficacy of the present system.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

7/15/75

Honorable Robert E. Hampton  
Chairman, Civil Service Commission  
Washington, D. C. 20415

Dear Mr. Chairman:

I share with you the belief that the quality of the Federal Service is very much a result of the caliber of the people the government hires to fill its career jobs. I also share the conviction that the government's personnel needs are best served by the merit system. However, recently I have become concerned about the efficiency and effectiveness of the government's recruiting and examining functions. You will recall, for example, that I recently wrote you expressing disappointment over the demise of the management intern register.

Another basic concern I have centers about the efficiency and effectiveness of the recruiting and examining function of the Mid-Level and Senior-Level registers. By efficiency I mean the speed of service the agencies are receiving from the Commission and by effectiveness I mean the quality of candidates being referred on certificates. I continue to hear complaints about the operation of this Commission function. I would like for us to look at this situation as a management problem that is solvable if we put our minds to it.

As a part of our 1977 budget review, I would like to have the Commission submit a special report that would analyze what managerial or administrative improvements, if any, could be made in the short run in efficiency and effectiveness of the current recruiting and examining system. Such an analysis should involve representatives from some departments and agencies to insure that user needs are adequately considered and responded to. This review should be submitted no later than October 20, 1975 in order for its recommendations to be considered in this budget cycle.



Secondly, there are some longer-range questions underlying the examining and certification process that need to be addressed. The current system operates under many constraints, and these constraints should be examined with a view toward alleviating them. This review should not be hurried, but should benefit from thorough analysis, agency participation, and a sober assessment of the possibilities of improving the laws and procedures governing the staffing of the Federal Service. I would think that this type of analysis could be ready for discussion early next year. I would like my staff to be involved in that review.

I attach high priority to these reviews and believe that we can improve the speed and flexibility of the processes to staff the Federal Service, and at the same time strengthen the integrity of the merit system.

Sincerely yours,

Paul H. O'Neill  
Deputy Director

cc: EG/CSC  
CSC chron  
Director's Copy  
Deputy Director  
Mr. Collier  
Mr. Medina  
Mr. Preston  
Mr. Bray  
return: J.Lyle

EG:J.Lyle:ba 8/27/75



ISSUE #2



Civil Service Commission  
1978 Budget

Issue #2 Intergovernmental Personnel Act Grant Program

Background

The Intergovernmental Personnel Act (IPA) of 1970 authorized CSC to establish a grant program to assist State and local governments to improve their personnel management through a variety of projects addressing particular aspects of personnel administration. To date, the majority of projects have centered on personnel systems improvement and management and employee development training programs.

The allocation of IPA appropriations reflects CSC's conscious decision not to set project priorities, but to allow maximum flexibility to State and local governments in this program. Eighty percent of IPA grant appropriations are allocated to States according to formula.<sup>1/</sup> Of the 20% of the appropriation remaining for discretionary funds, CSC subtracts the funds needed to bring each State up to an administratively-determined minimum grant level which is, for example, \$70,000 per State if the appropriation is \$15M. About 8% of the appropriation is used to supplement formula funds to States and to territories not covered by the law (e.g., Puerto Rico, Virgin Islands, Guam and American Samoa), thus leaving CSC somewhat less than 12% of the appropriation for discretionary projects. The Commission has regularly assigned part of its discretionary funds to its ten regional offices in amounts proportionate to the formula allocations to their States. CSC headquarters has employed slightly more than one third of its discretionary funds for projects of its selection.

In calendar year 1975, OMB requested CSC to conduct a formal evaluation of the program. The budgets for 1976 and 1977 included restrained and reduced requests for the program (to a \$15M and \$10M request respectively) pending the outcome of the evaluation. Congress restored the 1977 level to \$15M.

<sup>1/</sup> The formula is:  $(\% \text{ State's population is of total population plus } \% \text{ State-local employment in State is of total State-local employment})/2$ . This average is multiplied by 80% of the appropriation to derive each State's share of formula funds.



The evaluation involved two separable efforts. CSC hired 54 independent consultants to examine 384 grant projects from the program's first three years. Results showed that grantees have continued IPA projects and expanded their scope with State and local resources, specifically:

1. 76% of completed IPA projects were continued with State and local funds.
2. 72% of surveyed projects initiated new activities while 24% tried to improve ongoing activities.
3. 54% of surveyed projects were expanded beyond the original intention either in scope or in organizations involved.

The second evaluation effort was completed by the National Academy of Public Administration (NAPA). This effort assessed the administration, objectives, policies and funding of the IPA grant program. NAPA concluded that improvement of the management and training of State and local government personnel is a proper Federal role; the program has been successful; and the program can be strengthened by expanding its scope from personnel management to general management, including a demonstration component, and by increasing the funding of the program.

#### Issue

Should the IPA grant program be continued and expanded to incorporate a demonstration component as well as be extended to general management?

#### PROS

- The CSC/NAPA evaluation supports increased funding levels for the basic program, plus expansion for demonstrations and general management projects.
- IPA's supporters claim, and we agree, that adding a demonstration component can enhance the program's effectiveness on a national basis.
- Expansion of scope to general management would fill a gap in existing Federal aid programs which focus on management in specific functional areas.

#### CONS

- There are no acceptable criteria supporting increased funding of the existing basic personnel management program.
- There is little evidence to show that the demonstration approach is more effective at dispersing information on the desirability of various approaches than are intergovernmental projects funded under the current program.



- Expansion to general management could disperse resources too broadly and direct efforts toward too many objectives.
- If expansion of Federal assistance to general management is desirable, then the redirection of IPA should be part of a broader effort to pull together all support for general administration at the State and local level.

### Alternatives

1. Phase out the program.
2. Continue the current program at current or higher funding levels.
3. Continue the current program; add a formal demonstration component. (OMB rec.)
4. Expand the program to include general management activities as well as demonstration projects. (NAPA/CSC rec.).

### Analysis

1. Phase out IPA -- budget authority required:

FY 78  
\$5M

FY 79  
2.5

FY 80  
0

FY 81  
0

Support for the program within the Administration has fluctuated because of concern for program impact. As noted above, the evaluation OMB requested has been completed with a strong endorsement for the continuance of IPA. State and local officials favor the program, as does the Study Committee on Policy Management Assistance and the Committee for Economic Development. There is no support or reason, other than budgetary, for phasing out the program. IRRO, EDLR, the Domestic Council and CSC concur.

2. Continue the program at current or higher funding levels.-- budget authority required:

<u>FY 78</u>	
<u>Current</u>	<u>High</u>
\$15M	\$25M

<u>FY 79</u>	
<u>Current</u>	<u>High</u>
15	25

<u>FY 80</u>	
<u>Current</u>	<u>High</u>
15	25

<u>FY 81</u>	
<u>Current</u>	<u>High</u>
.15	25

While the groups listed above recommended some degree of expansion of the IPA program, all view maintenance of the status quo at a funding level of \$15-25M as the minimum



necessary effort. CSC and the NAPA panel suggest \$25M. There is no way at present to determine what the "appropriate" level of funding should be. The criteria used by NAPA and the Commission to support a higher funding level are: requests for grant money exceed funds available and a significant number of jurisdictions continue to have inadequate personnel systems. However, the same considerations could be used to argue that \$25M is likewise inadequate, leading to recurring requests for additional resources. A commitment to \$15M as the base funding for IPA, although conservative, would provide program stability on which to base more effective long range planning efforts.

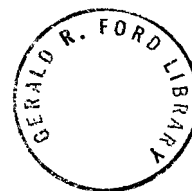
3. Continue the basic program but augment it by establishing a demonstration component. (OMB rec.). Budget authority requirements are:

FY 78		FY 79		FY 80		FY 81	
Low	High	Low	High	Low	High	Low	High
\$20M	30M	20	30	20	30	20	30

Undertaking an effort designed to support carefully selected demonstration projects would emphasize the pioneering of new practices and promote projects that have potential application to other State and local jurisdictions. Demonstration projects could highlight high priority areas: retirement and insurance benefits systems, labor-management relations and productivity improvements. Emphasis on retirement systems seems a particularly appropriate emphasis in light of the many State and local retirement funds that are in trouble and CSC's real expertise in the retirement systems area. This approach might provide more impact than investing in modest projects of only local impact.<sup>2/</sup>

Restoring to CSC the discretion to set a variable 25% to 75% Federal match would give CSC a level to achieve the redirection of the program to include demonstration projects. It would require legislation. In addition, a policy of limiting funding for projects to three years would underline the limited demonstration nature of the projects.

- <sup>2/</sup> The NAPA evaluation defines a demonstration program as one that concentrates resources on a limited number of projects selected to represent programmatic alternatives limited to a specific length of time. Ineffective projects are discarded while the impact and content of successful projects are disseminated to other jurisdictions. Defining more precisely the programmatic alternatives to be tested through demonstration projects will be the responsibility of CSC.



Increased funding above the minimum level recommended for the basic program would be needed to expand the program to include demonstration projects. Success depends, to a large extent, on funding enough projects to ensure visibility. The division believes that a minimum funding level of \$20M is appropriate to redirecting the program. IRRO and EDLR concur. NAPA and CSC support a level of at least \$30M consistent with their recommendation that \$25M is appropriate for the basic program level.

4. Expand to general management support. (NAPA/CSC Rec.). Budget authority required is:

FY 78	
Low	High
\$30M	40M

FY 79	
Low	High
30	40

FY 80	
Low	High
30	40

FY 81	
Low	High
30	40

The NAPA evaluation recommends an expansion in program scope on the grounds that the central management capacity of many State and local governments has been taxed in recent years by the assignment to these jurisdictions of greater responsibility for administering many Federal programs. The report defines general management as the central legislative and executive functions of policy-making, revenue raising and allocation, program coordination and evaluation and labor-management relations. It argues that the Federal government has a pragmatic need to help State and local jurisdictions to meet management requirements imposed upon them by Federal grant programs.

On the other hand, the NAPA report points out that a number of Federal agencies such as HEW, DOL, DOT, HUD and others, provide funding through their grants which is applied to improve the functional/central management capacities of State and local governments. There is limited coordination of such programs as a consequence of varying legislative and administrative requirements.

If this option were selected, the division believes that further staff work should be undertaken to determine:

- whether a block grant whose purpose is to aid state and local management should be proposed. IPA could be folded into this block grant as well as the previously mentioned programs of other agencies. The Domestic Council supports this approach.



- whether a new management improvement categorical program should be established. The previously mentioned management programs tied to grants administered by other agencies would not be included on the theory that the diversity of assistance programs and the lack of sharp delineation between their support of general management and the functional purpose of the specific categorical grant may make it impractical and difficult to separate out management support from the other purposes of the grants. Existing management capacity programs would, however, be folded into this new combined program.

The division is concerned that this alternative, if not wrapped as a block grant or new categorical program, would give a second major objective--management assistance--to a program now directed at personnel assistance and result in directing too few funds at each objective. This could have a negative impact on the personnel management component and generate immediate demands for additional funding above the \$40M level recommended by the CSC.

<u>Agency Request</u>			
<u>(Difference from Alt. #4 (Agency request))</u>		<u>1978 Outlays</u>	<u>1979 Outlays</u>
Alt. #2 (OMB rec.)		-14M	-20M
		-18M	-25M
		-31M	-40M

#### Agency Request

Alternative #4. The agency believes IPA should be redirected to include general management support because few funds are available to the elected and appointed officials in State and local governments to improve overall management capacity. CSC recommends \$40M as the appropriate initial funding level.

#### OMB Recommendation

Alternative #3. EG, IRRO and EDLR agree that the present program should be continued with expansion to include a demonstration component as a means of achieving broader impact for the dollars spent. An increase of \$5M in program level would provide the necessary discretionary funds to support demonstration projects. Further, CSC should be directed in its allowance letter to include financing and administration of retirement and insurance benefits systems as a project for demonstration.





Civil Service Commission  
1978 Budget  
Five Year Projections  
(In millions of dollars)

		<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
A. Entitlement Programs <sup>1/</sup>							
	BA	xx	16,979.7	18,534.9	20,190.3	21,115.9	21,897.4
	O	xx	11,039.5	12,319.1	13,656.7	14,950.2	16,347.2
B. Discretionary Programs							
	BA	xx	131.5	131.5	131.5	131.5	131.5
	O	xx	127.2	128.3	128.3	128.3	128.3
Total	BA	xx	17,111.2	18,666.4	20,321.8	21,247.4	22,028.9
	O	xx	11,166.7	12,447.4	13,785.0	15,078.5	16,475.5

Summary Comparison of Outlay Projections

1977 Budget, January estimates.....	10,116	11,574	12,999	14,302	15,475	xx
1977 Budget, Mid Session Review estimates.....	10,037	11,459	12,843	14,108	15,246	xx

<sup>1/</sup> Estimates reflect enactment of legislation which removed the 1% kicker. Economic assumptions are Case I - low inflation.



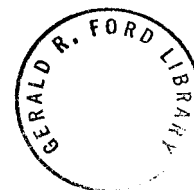


EMPLOYMENT DATA

Civil Service Commission  
1978 Budget  
Employment Data by Program

<u>Program</u>	<u>1976</u>	<u>1977</u>		<u>OMB Recom.</u>	<u>1978</u>	
	<u>Act.</u>	<u>Current</u>	<u>Request</u> <sup>1/</sup>		<u>Request</u>	<u>OMB Recom.</u>
Assuring a Merit Workforce (staffing, pay policy, investi- gations, training, etc.).....	4545	4558	5020	4701	5144	4725
Retirement and Insurance.....	985	1067	1276	1117	1413	1191
State and Local Personnel Assistance	260	239	294	254	356	254
Other.....	240	251	273	273	288	279
General Administration.....	667	702	702	702	736	710
Federal Labor Relations Council.....	43	53	53	53	63	56
Total, end of year FTP.....	6740	6870	7618	7100	8000	7215
Total, end of year.....	8044	8350	9098	8580	9810	8695

<sup>1/</sup> Includes two supplemental requests.





**Civil Service Commission  
1978 Budget**

Changes in Central Personnel Operations - Budget Authority <sup>1/</sup>(\$000)  
and FTP Employment

Item	1977 Current <sup>2/</sup>		1977 Supplemental Requests <sup>3/</sup>		OMB		1978		Requested Increase to Base		Comments
	BA	FTP	Ceiling Req. FTP	Agency Supp. Req. BA FTP	1977 Rev. Rec. BA	FTP	Agency Request BA	FTP	OMB Rec. FTP	FTP	
Keeping Personnel Policies <del>CERTIFICATES</del> Pay Research & Administration	\$3,407 (2,004)	130 ( 76)		(607) (23)	(607)	(23)	\$4,678 (864)	182 (21)	\$4,234 (220)	161 (0)	The supplemental request is recommended to expedite work on pay reform. \$20K in FY 78 provides for annualization of the increase. \$44K of the 77 request is disallowed. The revised 77 level provides sufficient flexibility for reallocation of resources as various phases of the pay projects are completed.
Staffing for Federal Employment: Recruiting and Examining	\$53,908 (46,582)	2466 (2175)		(2,500) (186)	0	0	\$60,612 (3096)	2700 (17)	\$55,150 (530)	2,490 (0)	The 77 supplemental request and \$204K of the 78 requested increase for examining improvements is disallowed consistent with the Issue #1 recommendation. The request for 17 positions and \$525K for improvement of agency merit promotion programs is not justified. This objective can be achieved through CSC's evaluation program. \$530 is allowed for mandatory increases.
Standards Dev. and Other	7,326	219					1108	(31)	(712)	(24)	The OMB recommendation supports implementation of the new job evaluation system (FES) and Executive Development. It denies \$396 K and 7 positions for designing special classification systems since FES is readily modified to meet such needs.

<sup>1/</sup> Except as otherwise noted.

<sup>2/</sup> Includes 1976 October pay adjustment.

<sup>3/</sup> Includes a request for ceiling relief in reimbursable programs and a 1977 supplemental request for additional BA and positions.



Civil Service Commission  
1978 Budget

Changes in Central Personnel Operations - Budget Authority <sup>1/</sup> (\$000)  
and FTP Employment

	1977 Current <sup>2/</sup>		1977 Supplemental Requests <sup>3/</sup>		OMB		1978		Requested Increase to Base		Comments	
	BA	FTP	Ceiling Req. FTP	Agency Supp. Req. BA FTP	1977 Rev. Rec. BA FTP	OMB Rev. Rec. BA FTP	Agency Request BA FTP	1978 Agency Request BA FTP	Requested Increase to Base OMB Rec. BA FTP			
Ensuring Fitness & Suitability:	\$ 5,168	1042		(450)	(45)	(450)	(45)	\$6,013 (395)	1124 (112)	\$5,818 (200)	1112 0	Approval of the supplemental request supports the Privacy Act requirement for review of investigative files to protect 1st amendment rights. An additional \$200K in FY 78 permits full year operation. Since the request assumes level workload, additional positions in 78 are not justified.
Disburable Investigations			(40)				(25)					The EEO complaint caseload has tripled since 1975. The recommended increase would reduce the overtime generated. Productivity gains in other investigative activities is the basis for disallowing 15 positions.
Improving Personnel Management Personnel Mgt. Evaluation	\$18,215	1022						\$19,707 (375)	1243 (113)	\$18,389 (0)	1072 (0)	The request for \$175K and 13 positions to provide leadership and assistance to bring about improvements in agency personnel management is disallowed because the program evaluation function received a sizeable increase in 77 which can be used for this purpose.



Civil Service Commission  
1978 Budget

Changes in Central Personnel Operations - Budget Authority <sup>1/</sup> (\$000)  
and FTF Employment

	1977 Current <sup>2/</sup>		1977 Supplemental Requests <sup>3/</sup>		OMB		1978		Requested Increase to Base			
	BA	FTP	Ceiling Req. FTP	Agency Supp. Req. NA FTP	1977 Rev. Rec.		Agency Request		OMB Rec.			
					BA	FTP	BA	FTP	BA	FTP		
Training Leadership*	(\$ 3,050)	(469)*					(943)	(40)	(0)	(0)		
Manpower Information Systems and Other Reimbursable Training*	( 7,017)	(236)					(174)		(174)			
			(160)			(50)						
Providing Retirement and Insurance Benefits <sup>4/</sup>	<u>\$23,627</u>	<u>1105</u>		<u>\$3,887</u>	<u>209</u>	<u>\$24,557</u>	<u>1155</u>	<u>\$32,231</u>	<u>1454</u>	<u>\$26,904</u>	<u>1229</u>	Recommendation for a supplemental increase of 50 positions and \$930K provides for workload generated by garnishment orders, health benefits claims, contract disputes with health carriers, increased number of annuitants and claim costs of medical exams, and the electronic funds transfer program. \$2347K and 74 positions in FY 78 is to complete automation of the retirement record keeping system. Request for \$518K and 10 positions for health audit programs is not sufficiently justified by the agency. Request for \$1852K and 56 positions is for further workload increases. The expected workload does not justify the expenditure in view of the 77 supplemental increase and the completion of the automation project in 78.
Retirement Services & Workloads				(3,887)	(209)	(930)	(50)	(1852)	(56)	(0)	(0)	
Automating Retirement System								(2347)	(74)	(2347)	(74)	
Health Benefits Audits								(518)	(10)	(0)	(0)	

<sup>4/</sup> Dollars represent limitation on trust fund transfers





Civil Service Commission  
1978 Budget

Changes in Central Personnel Operations - Budget Authority <sup>1/</sup> (\$000)  
and FTP Employment

	1977 Current <sup>2/</sup>		1977 Supplemental Requests <sup>3/</sup>		OMB		1978		Requested Increase to Base		Comments
	BA	FTP	Ceiling Req. FTP	Agency Supp. Req. BA FTP	1977 BA	Rev. Rec. FTP	Agency Request BA	FTP	OMB Rec. BA	FTP	
Strengthening State & Local Personnel Administration IPA Administration	\$20,344 (5,344)	245 (198)	55		\$20,344	260	\$47,682 (88)	362 (25)	\$25,344 (0)	260 (0)	Agency requests resources to support its recommendation for IPA increases. The OMB recommendation is consistent with issue #2 recommendation.
Reimbursable Technical Assistance		(47)	(40)			(0)	(0)	(37)	(0)	(0)	Agency needs to develop criteria for prioritizing competing demands for technical assistance before additional personnel are authorized.
Reimbursable Training			(15)			(15)					Participation in CSC training courses is an alternative method of providing assistance and OMB recommends modest expansion of training.
IPA Grants	(15,000)	--					(15,000)	--	(5,000)	--	Consistent with issue #2 recommendation.
Proposed leg. to expand IPA to General Management							(11,650)		(0)	--	Expansion not recommended.



Civil Service Commission  
1978 Budget

Changes in Central Personnel Operations - Budget Authority <sup>1/</sup> (\$000)  
and FTP Employment

	1977 Current <sup>2/</sup>		1977 Supplemental Requests <sup>3/</sup>		OMB		1978		Requested Increase to Base		Comments
	BA	FTP	Agency Supp. Req. BA	FTP	1977 Rev. Rec. BA	FTP	Agency Request BA	FTP	OMB Rec. BA	FTP	
Other Program Appeals	\$ 6,994	251	\$400 (400)	22 (22)	\$7394 (400)	273 (22)	\$ 7,756 (305)	288	\$7544 (150)	279	The supplemental request of \$400K is recommended to meet unanticipated growth in the number of EEO appeals (2819 cases). OMB recommendation for 78 reflects full year cost of the additional personnel.
Personnel Interchange Commission							(57)	(2)	(0)	(0)	OMB holds this activity stable at its 77 level.
Reimbursable EEO Complaints								(13)		(6)	OMB disallows 7 of the positions requested in light of the complaint process review which is expected to produce more efficient methods.
Federal Labor Relations Counsel	1,637	53			1637	53	1,912 (275)	63 (10)	1719 (82)	56 (3)	An increase of \$82K and 3 positions to process an increasing number of cases is consistent with the ratio of workload to resources maintained in the past.





Civil Service Commission  
1978 Budget

Changes in Central Personnel Operations - Budget Authority <sup>1/</sup> (\$000)  
and FTP Employment

	1977 Current <sup>2/</sup>		1977 Supplemental Requests <sup>3/</sup>		OMB		1978		Requested to Increase to Base		Comments
	BA	FTP	Reg. FTP	Agency Supp. Reg. BA	1977 Rev. Rec.		Agency Request		OMB Rec.		
					PA	FTP	BA	FTP	BA	FTP	
General Administration Support	\$13,284	658			\$13,284	658	\$14,074 (790)	683 (13)	\$13,524 (240)	662 (14)	OMB estimate of \$240K and 4 positions provides support consistent with expanded operating activities and legal responsibilities under the Freedom of Information and Privacy Acts. It reduces the agency request which assumes a higher expansion rate.
Reimbursable Support								(12)		(0)	
Trust Fund Program Support	1,700 <sup>4/</sup>	65			\$ 1,700	65	1,981 (281)	79 (14)	(1,780) (80)	(69) (74)	Increase allowed to support the recommended level of expansion in the Retirement Administration program.
Total Budget Authority	\$122,957			\$3,957	\$124,414		\$162,434		\$131,722		
Total Limitation on Trust Fund Transfers	\$ 25,327			\$3,877	\$ 26,257		\$ 34,212		28,684		
Total Employment, FTP	7,045		263	485	7,275		8,178		7,390		
End of Year Employment, FTP	6,870				7,100		8,000		7,215		

1/ Except as otherwise noted.

2/ Includes 1976 October pay adjustment.

3/ Includes a request for ceiling relief in reimbursable programs and a 1977 supplemental request for additional BA and positions.

4/ Dollars represent program limitation on trust fund transfers.



## CAMP DAVID ISSUES

STATUS REPORTS

EDLR Division has the lead on four Camp David issues. In each case, the primary responsibility for implementation will fall to the Civil Service Commission. The four issues involve (1) the Federal civilian retirement system; (2) the Federal Executive Service proposal; (3) civilian personnel policies and procedures; and (4) labor relations. A separate issue paper has been provided on the retirement system. Brief summary status paragraphs, rather than issue papers, have been prepared on the other issues, inasmuch as these have no FY 78 budget implications:

Federal Executive Service

The schedule for the submission of the Federal Executive Service proposal has been changed by mutual agreement of the Assistant Director, EDLR, and the Executive Director of the Civil Service Commission. Earlier it had been anticipated that the proposal would be included next January in the President's legislative program. However, it is now believed that the proposal would muddy the waters while Quadrennial Commission's recommendations on executive pay are before Congress. Therefore, the earliest that this legislation will be unveiled will be March 1977. The development schedule for the legislation, which earlier had been tightly compressed, will now be stretched out. Nevertheless, OMB and CSC are continuing their joint discussions and studying various alternatives. A formal concepts paper will be available after the first of the year.

Federal Personnel Policies and Procedures

During the evolutionary process of achieving civil service reforms over the years, the system has become too rigid and perhaps encrusted with barnacles. EDLR is preparing a paper which recommends that several changes be sought in existing personnel legislation in order to get rid of some of these rigidities. The recommendations are directed toward several long-standing problems in the areas of hiring, motivating, and separating employees.

The paper will include such recommendations as: elimination or liberalization of the "rule of three"; establishment of a time limit on 5-point Veterans' preference; elimination of apportionment; establishment of a direct linkage between performance appraisals and within-grade increases for professional employees; and reform or redesign of the present procedures for separating employees to make them more flexible.



Neither the problems addressed, nor the recommendations put forward, are original. These problems and legislative remedies have been identified and proposed more than once in the past. What is needed is a coalition to agree upon, generate support for, and succeed in obtaining passage of such legislation. The final recommendation, therefore, will be to convene a carefully chosen coalition working group to draft and lobby for legislation that would allow for more flexible personnel procedures and give managers more opportunity and latitude to express their individual judgment in personnel actions.

### Federal Labor Relations

The Camp David issue on labor relations involves essentially two major initiatives: (1) a comprehensive review of the program, and (2) to increase the delivery and effectiveness of labor relations training among Federal managers.

The comprehensive review scheduled for September by the Federal Labor Relations Council was cancelled. A less comprehensive but in-depth review is scheduled for late November at CSC. CSC and OMB will jointly participate in an open discussion with agency labor relations directors and CSC regional labor relations officers on how the program is working.

OMB and CSC are reviewing the joint CSC/OMB Labor Relations Guidelines to determine possible need for revision. In addition, a letter has been signed by the Director (on October 4) to CSC Chairman Hampton requesting that CSC review its labor relations training delivery system and correct any deficiencies. Another letter from OMB to Secretary of Defense Rumsfeld requests that DOD (which has over 50 percent of the program) seriously consider establishing a centralized labor relations training center; this is awaiting the Director's signature. The Hampton letter is being held so that both may be dispatched at the same time, and it would be very helpful to get the Rumsfeld letter signed soon.

