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James T. McIntyre to 'Dear Senator,' 12 October 1978

James T. McIntyre

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

October 12, 1978

Dear Senator,

As you complete the work of the 95th Congress, I want to take this opportunity to recount the reorganization accomplishments that we have achieved together. As you can see from the enclosed report, we have made progress this year in improving the efficiency and accountability of the Federal Government. Civil Service and regulatory reform are major examples.

The successes were the result of a close working relationship between the Executive and Legislative branches. In several instances, our proposals were the result of issues brought to our attention, or introduced, by Members of Congress.

I am grateful for the help and cooperation you have given and look forward to an even more rewarding and productive year in 1979.

Sincerely,

A handwritten signature in black ink, reading "James T. McIntyre, Jr.", is written over the typed name.

James T. McIntyre, Jr.
Director

Enclosure

reduce interest costs by: (1) accelerating collections; (2) disbursing payments on time, but not sooner; and (3) ensuring that cash balances are earning interest.

An initial progress report, released in May, identified major cash management savings by the Treasury Department. Management improvements carried out by six other agencies-- Agriculture, Treasury, Energy, Interior, GSA and Action-- have now identified further savings. Overall, implementation of these new management procedures have now resulted in savings for the Federal Government of more than \$175 million per year.

Contact: Dick Cavanagh (395-5870)

REGULATORY REFORM- On March 23, President Carter issued an Executive Order designed to simplify federal regulations and reduce their burden on the American public. The Order directs executive agencies to adopt rulemaking procedures that ensure federal regulations are written clearly and achieve their legislative goals with a minimum of paperwork and red tape.

Forty departments and agencies have now submitted for OMB approval their final plans for implementing the Executive Order. These plans revise agency procedures to:

- Simplify government regulations, requiring them to be written in plain english;
- Require agency heads to approve regulations;
- Help to minimize regulatory costs and paperwork by requiring thorough analyses of regulatory alternatives;
- Provide the public with the name and phone number of a person who can answer questions about proposed regulations;
- Improve public participation in the regulatory process by requiring agencies to publish semi-annual agendas of regulations and allow 60-day comment periods for important regulations.

In addition, each agency has now selected a variety of existing regulations to be subjected to "sunset" type review.

Contact: Stan Morris (395-6176)

FUTURE PROGRESS REPORTS WILL REVIEW REORGANIZATION NOW UNDER STUDY.

PRESIDENT'S REORGANIZATION PROJECT

Office of Management and Budget

James T. McIntyre, Jr., Director
Harrison Wellford, Executive Associate Director for
Reorganization and Management
Peter Szanton, Associate Director for Organization Studies
Wayne Granquist, Associate Director for Management and
Regulatory Policy
Peter Petkas, Director, Project Management Staff
Gary Fontana, Reorganization Project Congressional Liaison

White House

Richard A. Pettigrew, Assistant to the President for
Reorganization
Christopher J. Matthews (Contact: 456-6730)

* * * *

Contact: Stan Morris (392-6176)

Reorganization Progress Report

October 13, 1978

Highlights

CIVIL SERVICE--Congress has approved President Carter's civil service reform bill. The legislation (1) provides tough new incentives for federal worker productivity, (2) streamlines disciplinary procedures, and (3) strengthens protections--including those of "whistle-blowers"--against political abuse. President Carter called the reorganization plan the "centerpiece" of Administration efforts to improve government economy and performance. (Page 2)

INSPECTOR GENERAL--The Congress has approved legislation reorganizing departmental audit and investigation functions. The measure consolidates such functions in 12 major departments and agencies under Presidentially-appointed Inspectors General. These Inspectors General will be responsible for rooting out fraud, waste and abuse in the various departments. (p. 8)

EMERGENCY PREPAREDNESS--The President's plan to consolidate the Federal Government's emergency preparedness and disaster response programs became effective September 16. The reorganization combines five existing agencies and six additional disaster-related responsibilities into a single unit. (p. 5)

CASH MANAGEMENT--The Office of Management and Budget continues efforts, begun last year, to introduce modern cash management procedures in federal departments and agencies. Estimated savings through implementation of these procedures are currently in excess of \$175 million annually. (p. 9)

REGULATORY REFORM--Forty departments and agencies have now begun overhauls of their regulation-writing procedures. (p. 9)

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President's Reorganization Project

Legislative Proposals

Last year, Congress approved three Presidential reorganization initiatives: streamlining of the Executive Office of the President; creation of the new Department of Energy; and consolidation of the United States Information Agency and State Department cultural affairs functions. Numerous intra-departmental reorganizations were also instituted.

The following is a status report on proposals considered by the Congress during 1978.

* * *

CIVIL SERVICE--In March, President Carter proposed a major overhaul of the Federal Civil Service. His proposals would: (1) establish productivity incentives for federal employees; (2) create more streamlined personnel appeals procedures; and (3) strengthen protections against political abuse of the Civil Service. The proposals include two elements: a Civil Service Reform Bill, introduced March 2, and a Civil Service Reorganization Plan, submitted May 23.

1) The Civil Service Reform Bill, having been agreed to in House-Senate Conference, passed the Senate October 3 and the House October 6. As passed, the bill:

- . Creates a Senior Executive Service - This would include 9200 senior executives whose duties are managerial and who are now compensated from the GS-16 level through Executive Level IV. The Service would include both career and non-career employees. Career executives would no longer receive automatic pay increases based on longevity. Instead they would be eligible to receive annual bonuses for superior performance. They could be removed from the Service for poor performance.
- . Allows incentive Pay for Mid-level Managers - The bill would authorize the use of incentive pay for the 72,000 federal managers and supervisors in grades GS-13 through GS-15. These managers would no longer receive automatic "step" increases in pay, and would receive only a portion of their annual comparability pay increases. In return, they would be eligible to receive pay increases of up to 12 percent of their salary based upon actual performance.

- . Streamlines the Personnel Appeals System - The bill would reduce the red tape and costly delays in the present personnel system so as to ensure timely personnel decisions. It would set fair, but sensible standards and eliminate the redundancies in the current personnel appeals system.
 - . Creates Stronger System of Protections Against Political Abuse of the Civil Service - The bill spells out prohibited personnel practices for the first time in the statutes. It establishes a Special Counsel with broad authority to protect from reprisals those employees who expose waste and fraud ("whistle-blowers").
 - . Codifies the Existing System of Federal Labor Relations
 - . Eliminates Veterans Preference in Federal hiring and retention for military personnel who retire at or above grade rank (Major/Leut. Commander); also for those in the Senior Executive Service.
- 2) The Civil Service Reorganization Plan became effective August 11, (Under special authority adopted by Congress last year, a reorganization plan becomes effective 60 legislative days following its submittal unless either House votes to reject it).

The Reorganization Plan provides the structural framework for civil service reform. Under the current organizational structure, the U.S. Civil Service must perform the conflicting roles of both protector of employee rights and promoter of efficient personnel management policy. The Plan divides these roles between two separate agencies:

- . The Merit Systems Protection Board would be an independent agency under bipartisan leadership and would have the policy and adjudicatory responsibilities and authority to deal with employee complaints and appeals and to prevent reprisals against "whistle blowers."

(As noted above, the Civil Service Reform Bill would create a Special Counsel for this Board, appointed by the President and confirmed by the Senate, to investigate and prosecute political abuses and merit system violations).

- . The Office of Personnel Management would be the primary agent advising the President and helping him carry out his responsibilities to manage the federal workforce. The Office would help develop

personnel policies, provide personnel leadership to agencies, and administer central personnel programs. It would be headed by a director and a deputy director, both appointed by the President and confirmed by the Senate.

The reorganization plan would also create:

- A Federal Labor Relations Authority, which would consolidate the third-party functions in the federal labor-management relations. It would be an independent agency operating under bipartisan leadership with final decisional authority on matters within its jurisdictions.
- A General Counsel within the FLRA with responsibility to investigate and prosecute alleged unfair labor practices before the FLRA.
- A Federal Service Impasses Panel as a separate entity within the FLRA.

The Civil Service reform project is a cooperative effort of the U.S. Civil Service Commission and the President's Reorganization Project.

Contact: Howard Messner (395-4960)

EDUCATION--President Carter called for creation of a separate Department of Education in his State of the Union Address January 17. OMB Director James T. McIntyre introduced the Administration's proposals for the composition of such a department in testimony before the Senate Governmental Affairs Committee April 14.

The Administration has proposed creation of an Education Department in order to achieve the following objectives:

- provide education policy with high-level leadership and attention;
- establish Cabinet-level accountability for federal education activities, making these more responsive to the President, the Congress and the public; and
- create a better federal structure for assisting States and localities, who have primary responsibility for education matters.

On September 27, the Senate voted 72 to 11 to create a separate Education Department. The measure included in the

new department the following HEW functions: Education Division, vocational rehabilitation program, telecommunications development, education-related activities of the Office of Civil Rights. Also to be included: the college housing program (HUD); the science education programs (National Science Foundation); the law enforcement education programs (Justice Department) and the schools for overseas military dependents (Defense Department).

The House Government Operations Committee reported legislation creating a Department of Education July 18.

Contact: Patricia Gwaltney (395-5014)

EMERGENCY PREPAREDNESS--On June 19, President Carter proposed the consolidation of federal programs involved with preparedness, mitigation and response to federal emergencies ranging from natural and manmade disasters to nuclear attack.

The reorganization plan was designed to achieve the following objectives:

- Make a single agency, and a single official, accountable to the President and Congress for all federal emergency preparedness, mitigation and response activities;
- Create a single point of contact for state and local governments, who have strongly urged consolidation of federal emergency programs. (The Carter reorganization plan was endorsed unanimously by the National Governors' Association).
- Enhance the dual use of emergency preparedness and response resources at all levels of government by taking advantage of the similarities in planning and response activities for peacetime and attack emergencies.

The plan establishes a new Federal Emergency Management Agency to replace five existing federal agencies and assume six additional disaster-related responsibilities. The agencies include:

- The Defense Civil Preparedness Agency (Defense Department), which administers the national civil defense program.
- The Federal Disaster Assistance Administration (Housing and Urban Development), which coordinates and funds federal natural disaster relief operations.
- The Federal Preparedness Agency (General Services

Administration) which coordinates civil planning for national emergencies.

- The Federal Insurance Administration (Housing and Urban Development), which manages the flood insurance and hazard reduction programs.
- The National Fire Prevention and Control Administration (Commerce Department), which administers the federal fire prevention program in coordination with state and local governments.

The six additional responsibilities to be assumed by the Federal Emergency Management Agency are:

- The community preparedness programs for weather emergencies, administered by the National Weather Service (Commerce);
- The Earthquake Hazard Reduction Program, Office of Science and Technology (Executive Office of the President);
- The Dam Safety Coordination Program, Office of Science and Technology (EOP);
- The Federal Emergency Broadcast System oversight responsibility, Office of Science and Technology (EOP); and
- Emergency functions not now assigned to any specific federal agency: (1) coordination of emergency warning and (2) federal response to consequences of terrorist incidents.

Contact: William Harsch (395-5105)

The reorganization plan became effective September 16. (The House rejected a motion disapproving the plan September 14 by a vote of 327 to 40).

EMPLOYEE RETIREMENT INCOME SECURITY ACT--On August 10, the President submitted to the Congress a plan to reorganize the administration of ERISA.

ERISA sets standards for more than 1.75 million private pension and employee benefit plans. The program, which is administered primarily by the Departments of Labor and Treasury, has been the subject of criticism for excessive paperwork requirements, procedural red tape and confusion.

The reorganization plan is designed to reduce jurisdictional overlap in ERISA by clearly dividing responsibility for the

program between the two departments. Under the plan, the Treasury Department would be assigned primary responsibility over pension plan minimum standards for funding, participation and vesting of benefit rights. (These standards assure that pension plans are adequately funded and that the rights of plan beneficiaries are protected). The Labor Department would be assigned primary responsibility over plan fiduciary obligations (which prohibit conflict of interest).

Submittal of the reorganization plan was accompanied by other steps to reduce ERISA paperwork requirements. The plan itself provides for an evaluation of the ERISA reorganization on or before January 31, 1980.

Contact: Patricia Gwaltney (395-5014)

EQUAL EMPLOYMENT OPPORTUNITY--On February 23, the President submitted to Congress a plan to reorganize the Federal Government's equal employment opportunity enforcement programs. The plan makes the Equal Employment Opportunity Commission the principal agency in fair employment enforcement. It lays the foundation of a single, coherent federal structure to combat job discrimination in all its forms.

The reorganization plan transfers to the Equal Employment Opportunity Commission several non-discrimination responsibilities held by other governmental units. These include:

- Coordinate all federal equal employment programs, an authority currently held by the Equal Employment Opportunity Coordinating Council;
- Ensure equal employment exclusively opportunity for federal employees, now held exclusively by the U.S. Civil Service Commission; and
- Enforce the Equal Pay Act and the Age Discrimination in Employment Act, now held by the Labor Department.

The President also announced February 23, that he will issue an Executive Order to take effect October 1, 1978, consolidating responsibility for ensuring nondiscrimination compliance by federal contractors in the Labor Department, which currently shares this authority with eleven other governmental departments and agencies.

The President said he would review by 1981 all aspects of equal employment opportunity enforcement. His review, to encompass the Labor Department's performance as well as the

EEOC's will determine whether further changes are desirable.

The reorganization plan became effective May 6. (The House rejected a motion to disapprove the plan April 25 by a vote of 356 to 39).

Contact: Jeff Miller (395-3937)

INSPECTORS GENERAL--The Administration has cooperated with Congress in the development of legislation to reorganize departmental audit and investigation functions, and to create offices of Inspector General in 12 major domestic departments and agencies. (Agriculture, Commerce, HUD, Interior, Labor, Transportation, GSA, EPA, Community Services Administration, and the Veterans' Administration).

The Offices of Inspector General would consolidate existing audit and investigation resources under the direction of a single, Presidentially-appointed official in each agency. These Inspectors General would be charged with rooting out fraud, waste and abuse in agency programs.

The Inspectors General bill was passed initially by the House on April 18, by a vote of 386 to 6. The Senate approved a separate version of the legislation September 22. The House subsequently agreed to the Senate version.

Contact: Peter Petkas (395-5167)

LEAA-NATIONAL INSTITUTE OF JUSTICE--On July 10, President Carter sent Congress legislation reorganizing the Law Enforcement Assistance Administration. The measure was designed to improve administration of LEAA by (1) simplifying the grant process and eliminating paperwork; (2) targeting funds to areas of greatest need; and (3) eliminating the wasteful use of LEAA funds.

The legislation also would establish in the Justice Department a National Institute of Justice to conduct research in civil and criminal justice and a Bureau of Justice Statistics.

The measure was introduced in the Senate by Senator Kennedy and in the House by Congressman Rodino. The Senate Judiciary Committee has held preliminary hearings on the legislation. Final congressional action is not expected until 1979.

Contact: Tread Davis (395-6113)

Administrative Actions

CASH MANAGEMENT--The OMB was directed by the President last year to explore opportunities for use of modern cash management techniques in the Federal Government. Such techniques