

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

OFFICE OF
THE DIRECTOR

January 27, 1970

MEMORANDUM FOR MESSRS. ASH, EHRLICHMAN, HALDEMAN, AND HARLOW

Subject: Implementation of the PACEO Report on Reorganization of the Executive Office of the President

1. My appointed staff and I have reviewed and discussed the PACEO Report. We present in this memorandum considerations which we believe need careful examination prior to affirmative action on PACEO's recommendations. I am ready to meet with all four of you as soon as we can get together. Either before or at that meeting, I believe it would be most useful for us to have a copy of the preliminary draft of the Presidential message to the Congress, which I understand PACEO staff is putting together, to accompany the proposed Reorganization Plan (Draft 5(b) -- copy attached).
2. At the beginning, let me indicate that this memorandum will avoid using or discussing the specific nomenclature proposed by PACEO for the organizational entities and positions recommended in its report. This reflects no criticism of any name or title used by PACEO. It reflects only the caution that names chosen too early can give the appearance of fixed positions and can create unnecessary obstacles to success of the plan.
3. As I have said before, I strongly support an improved and strengthened institutional management capability for the President, in the broadest definition of that term. My appointed staff also agrees with me that this purpose can be effectively achieved by two concurrent steps which will establish: (1) a Cabinet-level council with delegated functions in the area of domestic affairs, supported by a small, adequately funded staff within the Executive Office but separated from the White House, and (2) a successor organization to the Bureau of the Budget which works with the Cabinet-level council, and which has greatly increased capability to assist the President in:
 - a. coordination of programs in terms of both consistency of policy objectives and delivery of services;

- b. effective organization and management of executive agencies and functions;
- c. preparation and clearance of legislation;
- d. design and maintenance of management and information systems to assist in Presidential decision making;
- e. development of an integrated system of executive personnel programs in the career services.

4. This is in addition to our continued efforts to improve:

- a. budget preparation and execution;
- b. economic and fiscal analysis and long-range planning;
- c. evaluation of program results and priorities.

5. The President could, by executive action, establish the Cabinet-level council and direct stepped-up, refocused activity for the Bureau of the Budget, as enumerated above. However, such executive action would not achieve a number of ends advocated by PACEO. Chief among these are:

- 1. Statutory authorization for the Cabinet-level council and for year-to-year support of it by an appropriation separate from White House funding.
- 2. A first step toward authority for the President to organize the Executive Office as he sees fit, brought about by transfer to the President of present statutory authorities vested in the Bureau of the Budget or its Director.
- 3. Statutory identification by title of the function of executive management which, although now performed in varying degrees by the Bureau of the Budget, may incorrectly be presumed by some to be within the context of formulation and execution of the budget instead of within the broader context of development and execution of policy and program.
- 4.. A first step toward provision of adequate executive-level positions within the successor organization to the Bureau of the Budget by adding a number of executive level V positions within the civil service

system (in addition to transfer of the existing six Executive Schedule positions of Director, Deputy Director, and four Assistant Directors in the Bureau of the Budget).*

6. We agree with the desirability of the foregoing ends, which it is not possible to achieve by executive action. I believe, however, that immediate attention must be given to a series of considerations that bear on method and timing of action, existing statutory problems, and sensitivity of Executive-Legislative relations. Several of these considerations did not fall within the assigned jurisdiction of PACEO and, hence, are not discussed in its report.

7. Perhaps the most urgent of these considerations relate to the methodology and suggested time frame for achieving the desired results. They are:

1. The plan must be presented to an opposition Congress, which can be expected to view it most critically and has little incentive to accept it.
2. The plan involves long-standing provisions of law and Congressional prerogatives having to do with the budget process and the appropriations process.
3. The step-up of "nondollar-oriented" functions of executive management present questions of relationship of the proposed new organizations with other parts of the Executive Office (for example, Office of Intergovernmental Relations, OEP, and CEA), and, in turn, of their relationships with the Legislative Branch.

* Although it is not practical to ask for any other executive level positions for either the separately funded council or the BoB successor organization as part of a reorganization plan (unless they are Civil Service), it is assumed that such request could be made as part of a Government-wide expansion of executive-level positions to be launched this spring.

8. I urge that no commitment to methodology or timing of achieving the desired results be announced or publicly endorsed prior to careful discussions with both chairmen and ranking minority members of: (1) the Appropriations Committees; (2) the Committees on Government Organization; (3) other committees involved, including the Joint Committee on Reduction of Federal Expenditures, and the Joint Economic Committee. All three sets of discussions should come only after initial contact with the legislative leaders of both Houses. (See separate discussion below concerning the Post Office and Civil Service Committees.)
9. I have little doubt that the reorganization plan approach is a more practicable approach than either an executive order or regular legislation, but the above discussions can have a substantial impact on timing and the amount and kind of supporting detail for a Reorganization Plan to be set forth in the President's message that must accompany transmittal of the Plan to the Congress.
10. A consideration related to use of a Reorganization Plan involves the possibility that a resolution of disapproval might be introduced and prevail. Any Congress (and particularly an opposition-dominated Congress), will tend to resist transfer of Budget Bureau authorities to the President, because the President is much more difficult to reach. Further, Congress may consider the plan to be lacking in substance because most of those authorizations would presumably be delegated to the Bureau's successor organization. To obviate this concern, it may become necessary for initial discussions to present detail as to how authorities will be redelegated; how the President proposes to use the Cabinet-level council; and how the Director of the successor organization to the Bureau of the Budget proposes to organize and conduct the responsibilities assigned to the new office.
11. Although I believe the plan will be approved if we all do our homework and contact work well, the effect of possible disapproval of the plan on the President's subsequent freedom to move by executive action cannot be dismissed. The President's options can be protected to some extent if negotiations with the Congress leave room for maneuver, for concession, and for building legislative history about intent. I think this consideration argues strongly for an early meeting with the President in which those of us who will be laying the groundwork in the Congress can have the benefit of a discussion with him.

12. In this connection, I have been reminded that the steps leading to creation of the Executive Office of the President in 1939 took extended efforts at education and marshalling of support, even though the President had an overwhelming majority in the Congress. We do not have that advantage, and negotiations with the Hill could take a long time.
13. The Congress will probably expect me personally to take the lead in explaining and defending the Reorganization Plan, both before and after its formal transmittal. This is still another reason why I need not only firsthand instructions from the President, but also his approval to negotiate on matters pertaining to the organization and functional distribution of authorizations to be exercised by the successor organization to the Bureau of the Budget.
14. This point is central to another consideration where I believe agreement is necessary. The Director of the Bureau's successor organization, of course with the President's approval, will need freedom to organize his effort. Too many advance specifics on such matters as internal organization, numbers, and assignment of personnel, rate of build-up for the discharge of new functions, and the most efficient fixing of operating relationships with the Cabinet-level council and its supporting staff can hamper him severely.
15. As with any reorganization plan, our hope must be to persuade the Congress to have confidence in the President and judge the plan on the basis of expected results, rather than to attempt to prescribe suborganizational structure and definition of methodology and procedure. Neither specific program economies nor operating efficiencies should be catalogued in the President's message. The emphasis should be more like that quoted by PACEO from President Eisenhower's January 1961 Budget Message.
16. Before our discussions together, I think it may be helpful for me to describe the present operating role of the Bureau of the Budget, a role that goes far beyond activities directly related to the formulation and execution of the budget. The Bureau has been involved in most of the areas of executive management stressed in the PACEO Report. I would like to touch briefly on each of the areas of primary concern.

Legislative Clearance

17. The present Office of Legislative Reference now performs the functions projected for the legislative clearance operation described in the report, insofar as I can tell. Under the expanded charter, it would presumably intensify its present

duties in the development of legislative proposals and clearance of reports on legislation and upgrade the timeliness of its reports (except, indeed, when Congress requests long lags in response to inquiries to serve their own purposes). I assume that PACEO would agree that the present clear dividing line of responsibility (and cooperative working arrangement) between this Office and the White House legislative contact (Harlow) operation should continue.

Organization and Management

12. The assigned responsibilities of the Bureau's present Office of Executive Management include parts of PACEO's proposals respecting program coordination and organization and management systems as follows:
- a. Executive branch organization. Developing, and defending before Congress, Presidential reorganization plans, advising departments with respect to organization, and clarifying agency roles in areas not dealt with by PACEO (also pre-PACEO and post-PACEO).
 - b. Interagency coordination. Defending before Congress and directing the President's program for common regional boundaries and common location of regional offices among the social agencies, organization of regional councils for field coordination and expediting of program actions, administration and expansion of Federal Executive Boards, and pilot projects for joint funding and joint management of interagency programs.
 - c. Intergovernmental coordination. Designing and implementing systems for intergovernmental coordination, with special emphasis this year on establishing clearinghouses in 47 States, 208 metropolitan areas, and 106 nonmetropolitan areas, and the development of more coordinated patterns of sub-State planning and development district boundaries.
 - d. Management improvement. Providing leadership for development of financial and other management systems throughout the Government, with primary emphasis now on financial management.
 - e. Government-wide special projects. Directing a ten-agency attack on grant-in-aid red tape to: (1) Simplify processes, (2) speed delivery, (3) decentralize Federal operations, and (4) place

greater reliance on States and communities.

These already reflect to some extent the President's desire expressed to me over a year ago to revitalize this function within the Bureau. The present executive management function in the Bureau is staffed with 48 men (up 10 percent in the last year) and 7 more are in the process of being recruited.

17. However, the Bureau acknowledges that there are substantial challenges yet unmet in its present program, particularly with respect to the following:

- a. Insufficient attention is devoted to defense.
- b. Domestic coordination troubleshooting until recently has been limited to field operations. Since most field problems have headquarters origins, this factor has been a severe handicap, which must be overcome.
- c. The process of developing plans to compensate or correct critical inadequate management strength in most departments and agencies requires much more talent than has been available within Bureau budget restraints.
- d. Manpower losses from earlier years in management specialties has limited ability to provide requested services and positive leadership.

Program Coordination

20. Emphasis on other aspects of program coordination presented in the PACEO Report is supplied in many cases by the regular examining staff in the Bureau's program divisions. For example, there has been strong, ongoing attention to such work in the Human Resources Programs Division. Nevertheless, the identification of program coordination as a major function of executive management by the PACEO Report gives a new line of departure for increased emphasis and priority of effort even before the Bureau's successor organization is established.

Management Information

21. Similarly, the Bureau, through its Management Information Systems Staff, has been addressing the problem of designing management information systems to meet executive information and decision-making needs. That staff of 27 with a 1971 budget of \$1.6 million, is carrying out a number of activities designed to support data

handling and information requirements for the budget process, program planning and evaluation, fiscal and economic policy analysis, management systems improvements, intergovernmental coordination, and a variety of executive decision-making processes. The work of this staff involves, among other things:

- a. Support of the budget process by improving the budget preparation system, developing a system for continually updating budgetary information, and further mechanization of the special analyses volume of the budget.
- b. Development of a Government-wide integrated data structure and information system which will serve the various needs of agency program managers and administrators and of the Executive Office of the President in planning and evaluating, decision-making, and program execution and control.
- c. Development of a Joint Bureau of the Budget-Council of Economic Advisers Data System to serve the needs of both agencies for social and economic data.
- d. Development of Government-wide Information Systems, including supervision of the preparation of the Catalog of Federal Domestic Assistance, the geographical outlays reporting system, development of a grant data bank, development of policies on management of information systems in the Federal Government, development of an Intergovernmental Information Systems Clearinghouse, development of a long-range systems integration plan for Federal, State, and local information system.
- e. Providing technical assistance to Bureau staff on their information and data processing needs.

Program Evaluation

22. Up to the present time, the evaluation of program results and priorities has largely been geared to normal budget preparation and analysis, plus attention to the Bureau's part in developing a Government-wide evaluation (the more practical successor to the old and somewhat theoretical PPBS). A significant adjustment of this effort, with new resources, and a closer tie to

a strengthened fiscal and economic analysis capability will be needed. This is consistent with the PACEO Report recommendations.

Economic and Fiscal Analysis and Planning

A special word is necessary about economic and fiscal analysis and long-range planning.

23. For a number of years, the Budget Director has found it necessary to use one of his statutory Assistant Directors as his alter ego and backstop on matters of economic and fiscal policy. I have found this essential, even though my background is already heavily oriented in this direction. This is a cross-cutting requirement which involves concern with the work of the entire Bureau, including general supervision of its Office of Statistical Policy, which coordinates Federal statistical activities, and also liaison with the Treasury, the Council of Economic Advisers, the Federal Reserve Board, and a number of departments and agencies. This responsibility will take on even greater importance as the full intent of the reorganization plan is realized and will also be tied closely into work we are doing in long-range planning for resource allocation.

24. For this reason, as you will have noticed, I gave a separate listing to these functions in the catalog at the beginning of this memorandum. Too precise assignment of the functions will create problems. They cannot be subordinated fully in any organizational unit. They must remain, in my judgment, a part of the Director's general portfolio and under the control of one of his principal appointed assistant directors.

Executive Personnel

25. The only function proposed for the successor organization to the Bureau of the Budget for which the Bureau has neither explicit nor implicit statutory authority, relates to the proposal on executive personnel. Nevertheless, its other authorities and responsibilities have required the Bureau to maintain substantial staff capability work on matters of personnel policy and personnel administration.

26. I know the PACEO staff has had conversations at the Civil Service Commission about a more effective executive manpower management system. The Commission agrees that there is urgent need for organized arrangements and greatly increased capability for managing executive manpower, and that the policies for such a system of managing executive manpower are central

Presidential concerns -- not merely parochial concerns of the Commission.

27. Any new system will require, among other things, a data base which should be built and maintained outside the Executive Office of the President. This task, and dealing with the host of constraints, restraints, and outright prohibitions set forth in personnel statutes for which the Civil Service Commission has basic and cross-cutting administrative authorities present still another consideration involving the Congress. Many provisions of law will have to be amended, and some repealed, if we are to get a rational and effective executive manpower system. The committees chiefly involved are the Post Office and the Civil Service Committees. As early as possible, the Chairman of the Civil Service Commission should be brought into the picture for consultation and advice. The Commission, partially as a result of its discussions with PACEO staff, will be ready in the near future to present to the President extensive recommendations for improvement of the existing executive manpower system.

Notifying Other Agencies

28. As the PACEO Report recommends, the President, at the appropriate time, should preside over a meeting of all of the principal policy officers affected by the reorganization. They will need an expression of his personal philosophy and his instruction on the content, form, and timing of the reorganization proposals. They should also know what he expects of the new organizations, and how he wants them to operate.
29. I shall be glad to work with all of you on preparing necessary materials for the President, or to assign Bureau personnel to this task if you so wish. Announcements to the press and the public also will require careful preparation and collaboration.
30. This is a long memorandum. But I thought each of you should have a full statement about the direction of my thinking and concerns. Attention to the considerations I recommend for discussion will enable us to respond more effectively to the President's desire for prompt action.


Robert P. Mayo