

(Eyes Only)

EXECUTIVE OFFICE OF THE PRESIDENT
PRESIDENT'S ADVISORY COUNCIL ON EXECUTIVE ORGANIZATION
WASHINGTON, D. C. 20506

October 17, 1969

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR

THE PRESIDENT

SUBJECT: Proposed Organization of the Executive Office of the President

This paper amplifies the proposals presented in the Council's meeting with you in San Clemente on August 20, 1969. The memorandum discussed in that meeting (see Appendix 1) recommends creation of an Office of Executive Management (OEM) and a Domestic Policy Council (DPC). Implementation plans for these proposals are presented in this report. A subsequent report will cover other activities within the Executive Office of the President (EOP) we are now studying, particularly the Offices of Science and Technology, Emergency Preparedness, and Inter-governmental Relations.

Under the plan proposed by your Council, the OEM and the DPC will serve the President directly. They will increase his ability for effective decision making and program execution. When fully operative, they will permit the President to delegate authority with confidence, and strengthen the agencies'^{1/} ability to manage their programs. Figure A is a diagram of selected elements of the EOP as it is currently organized. Figure B diagrams our proposed EOP organization for these elements.

^{1/} As used in this memorandum, "agencies" includes the departments, agencies, and other units of the Executive Branch outside the Executive Office of the President.

The OEM and the DPC, when considered with the National Security Council, are conceived of as the primary staff machinery for the President's management of the Executive Branch. The success of OEM and DPC will depend upon close cooperation between them, and upon their ability to work with the agencies and with units of the President's office. We recognize that the President will continue to need a personal staff to handle matters which for one reason or another seem better suited to the attention of that staff than of the DPC or OEM.

OEM and DPC will provide a more effective and coherent arrangement of many management activities which already exist in some form. They will provide you, and Presidents in the future, with instruments for managing, although you and they may use them differently. While the analog is imprecise, it is worth noting that in the field of foreign affairs, the National Security Council has for 22 years been available to serve each President in a manner consistent with his style.

Within the next few years, the OEM and the DPC may require, in our opinion, up to 110 additional professionals, over and above those presently assigned to the EOP, to serve their functions effectively. If and when such a level is reached, our estimate of the additional cost is \$2.2 million annually. Staffing and budget estimates are presented in Appendix 2.

This increase, which will be achieved over time, is modest in terms of the management responsibilities of the President. The DPC and OEM represent, after all, the first major improvement in the President's management capability since the Brownlow Commission recommendations were implemented by President Roosevelt in 1939. In recent years, billions have been invested in domestic programs, yet adequate means for the President to manage them have neither been requested nor provided.

The cost of the EOP has increased at an annual rate of 10 percent since 1963. In this current year, for example, the BoB has been authorized to employ 50 more professionals. The \$2.2 million which we recommend represents a seven percent increase in the official EOP budget; if persons detailed to the EOP from the agencies were paid from EOP funds, the percentage would be even lower.

THE DOMESTIC POLICY COUNCIL (DPC)

Mission and Role

There does not now exist, at any point in the structure of government, an organized and well staffed group of men charged with advising the President on total domestic policy. The DPC will fill that need. It will develop new initiatives, like the recent welfare proposal; analyze agency initiatives, like the recent tax reform package; and consider policy changes in existing programs, e.g., whether Social Security benefits should be tied to living costs.

In proposing alternative courses of action for the President, the DPC will undertake four activities. First, the DPC will develop forecasts and other data to help define national goals and objectives. Second, it will synthesize policy alternatives into consistent domestic programs that will balance the President's priorities and agency requests against available resources. Third, it will serve as a central point for rapid response to Presidential needs for domestic policy advice on immediately pressing issues. Fourth, it will consider the policy implications of ongoing programs and propose revised policy as needed. As an example of the latter, the policy underlying the Job Corps with its attendant program and organizational difficulties, would undoubtedly have been reviewed by the DPC.

The DPC will provide a mechanism for the Administration's top executives to focus collectively on domestic policies and on their own relationships in developing those policies. It will be a vital link between the agencies and the President--disseminating the President's philosophy to the agencies and communicating agency positions to the President.

Structure and Staffing

The President (and in his absence, the Vice President) will serve as Chairman of the DPC. Formally, there will be eleven Council members: the Vice President, the Secretaries of nine Cabinet departments (all but State, Defense, and Post Office), and the Director of CEO as long as he retains Cabinet rank. The Council's staff will be headed by an Executive Director who, we believe, should also be the Assistant to the President for Domestic Affairs.

The President may convene meetings of the whole or any part of the Council membership. At such meetings, he may decide also to invite selected executives of the EOP, non-member agency heads, or others. In discussing a truth-in-lending issue, for example, the President might include, among others, Treasury, Commerce, HEW, CEA, and FTC.

The President will use Council meetings as he sees fit: sometimes as a forum for discussion, sometimes as a means of disseminating his decisions, sometimes to weave diverse views into a workable consensus.

The Executive Director of the DPC will be a Level II to be appointed without Senate approval. He will direct and organize a staff of some 40 professionals, most of whom will be assigned to analyze specific matters of current interest to the President. Sections of the staff could specialize in such areas as environmental quality, urban affairs, and human resources. A small segment of the staff--about ten professionals--might conduct research on long-range economic and social trends to help clarify national goals and objectives. This staff element provides a research tool not currently available. Another small group, perhaps five professionals, could insure that the DPC is appropriately involved in budget allocation and review.

Much of the Council's work will be accomplished by program committees to be established by the President through the Executive Director. We use "program committees" as a generic term for a variety of working groups. In practice, these committees can be task forces, planning groups, statutory offices, advisory councils, or commissions. They can be established with varying degrees of formality, and can deal with broad program areas like urban affairs and environmental quality or with narrower ones like drug abuse or prison reform. The Committees will be supported by DPC staff, supplemented when needed by agency experts.

The membership of these committees can include representation from within the Federal government, from outside it, or both. Their staffs, coordinated and monitored by the DPC's Executive Director,

can call upon experts within and outside the Executive Branch. The committee device, with adequate staffing and coordination, will provide the generative mechanism for readying policy proposals for Presidential review. As needs change, committees will be formed, modified, and terminated.

For a further description of the DPC, see Appendix 3.

Important Changes

While building on relationships that exist informally between the White House Staff, agency officials, and outside groups, the DPC embodies three innovations:

1. It asserts executive leadership over program development permitting an integration of policy with resources.
2. It institutionalizes an adequate Presidential-level staff to research program proposals and do long-range planning.
3. It brings the President's top officials into flexible, working bodies to focus on broad domestic issues and instills a shared sense of overall goals.

These innovations will enable the President to make better program decisions in the light of resource constraints and will remove the confusion of purpose which arises from ambiguity in assigning responsibility for policy development.

THE OFFICE OF EXECUTIVE MANAGEMENT (OEM)

Mission and Role

OEM will be an essential management arm of the President. It will provide enhanced institutional capability for:

- budget and program evaluation,
- program coordination,
- legislative clearance,
- executive personnel development, and
- organization and management systems improvement.

It will be OEM's job to carry out all these functions so they relate to each other. Coherent executive management of the Executive Branch cannot otherwise be attained. In performing its mission, OEM will serve as an important link between the President and the agencies. Appendix 4 provides a more detailed description of OEM's general duties.

Structure and Staffing

We recommend that the Executive Director of the OEM be a Level I and his Deputy Executive Director a Level II both appointed without Senate confirmation.

To perform the functions listed above, the Executive Director and his Deputy Executive Director will be responsible for five Divisions:

1. Division of Budget and Evaluation (See Appendix 5)

This Division will prepare and review the annual budget and will assist in developing budget and fiscal policy. With the help of other parts of the EOP, it will develop the assumptions, constraints, and guidelines for the agencies' program budget submissions.

A great weakness in Federal government is its lack of ability to evaluate program results. This Division will also be charged with that responsibility. It will assess program achievements in terms of performance objectives and cost, and will pinpoint critical problem areas for executive attention. Further research into evaluative techniques, and training EOP and agency executives in their use, will take time and effort, but it must be done.

The Director of the Division will also be a Deputy Director of OEM. He will have two Level IV deputy division directors, one for evaluation and one for fiscal affairs, as well as

a Level V assistant division director for budget preparation and review. Together they will direct a staff of about 240 professionals.

Forty of these will establish budget guidelines and assemble the budget, and 25 will develop and apply evaluation techniques. The others will be divided into six examining groups, corresponding to BoB's present program divisions, augmented to strengthen the evaluative function and headed by Presidential appointees. Four of the examining groups will be headed by Level V's, while the remaining two examining groups, those concerned with National Security Programs and Human Resources Programs, will each be headed by a Level IV.

2. Division of Program Coordination (See Appendix 6)

Major problems have always faced the President in achieving the effective implementation of his domestic programs. A program is only as good as the results it achieves at the points of delivery. Where programs require cooperative interagency action, a sound management device is needed to assure this is forthcoming.

This is a principal purpose of the proposed Division of Program Coordination. Its staff, which will be based in Washington, is intended to be constantly active in the field observing program performance at the operating level. It will improve the implementation of domestic programs by helping agencies work out interagency operating problems in the field. It will perform an expediting role and serve as a catalyst to bring about cooperation between agencies on related programs.

On occasion, the Division will also coordinate specific activities requested by the President, particularly in cases of local emergencies. At other times, the President's staff on the DPC may wish to enter into selected coordination issues where Presidential considerations on important policy matters may be at stake.

It is important to describe the coordinator's role with unusual care. He will cultivate a relationship of trust and understanding with agency officials. Although each coordinator will inevitably carry a grain of Presidential authority, he will rely primarily on his broader perspective and persuasive talents to bring agencies together. He may, for example, ask agencies to take actions allowing greater

flexibility in the field and greater reliance on state and local governments. A coordinator who too often crosses the narrow line from assistance to pre-emption will fail.

The difficulties experienced by state and local governments in respect to interagency Federal programs are well known. This Division can be called upon by those governments to resolve operating problems arising from interagency programs. It will work as appropriate with the Vice President and the Office of Intergovernmental Relations (OIR). As previously indicated, the Council is currently studying the role of the OIR.

The Level III Director of this Division will have two Level IV Deputies and a staff of some 30 professionals.

3. Division of Legislative Clearance (See Appendix 7)

This Division will draw together agency reactions on all legislation--some 17,000 pieces annually--and prepare recommendations to the President.

It will also participate in developing legislation to implement the President's programs and assist in the drafting of new bills. It will review the agencies' proposed Congressional testimony.

A Level III Director will direct a staff of about 20 professionals. This Division will draw upon the assistance of the Division of Budget and Evaluation, the NSC, the DPC, and other staffs.

4. Division of Executive Personnel (See Appendix 8)

Executive manpower planning and development in the Federal government is in a primitive state. We have essentially no means of forecasting needs for executive talent--either in terms of quantity or skills. There is no reliable way to appraise executive leadership potential. Training and motivation programs are inadequate.

The Division of Executive Personnel will take the lead in developing and evaluating programs to recruit, train, motivate, deploy, and evaluate top executives. These programs will aim to develop new perspectives and skills among Federal executives, and will assure that talented executives are identified, utilized to their fullest capabilities, and exposed to opportunities across the Executive Branch.

The Division will rely primarily upon the Civil Service Commission and the agencies to execute programs and will encourage the agencies to develop their own. It will not be responsible for recruiting or identifying potential executives in the career service. These activities should be carried out by the agencies and the Civil Service Commission.

The President will, of course, make whatever arrangements he wishes in recruiting Presidential appointees. We suggest, however, that this function continue to be performed by a member of the President's personal staff, and not be placed within the ambit of the Division of Executive Personnel.

The Division's Level III Director will have a Level IV Deputy to assist him. The staff will number about 20 professionals.

5. Division of Organization and Management Systems (See Appendix 9)

This Division will continually review the organizational structure and management processes of the Executive Branch and recommend changes for their improvement. It will also develop information systems to provide performance data and other meaningful information for the President and the agencies.

Its staff, under a Level III Director, will be divided into two sections to perform these functions. One section will work on organization and management processes--the kinds of tasks assigned to this Council, and to similar groups in the past. Evolving Federal programs need continuing attention to organization and to management systems if the Executive Branch is not to get locked into unworkable structures.

The second staff component, under a Level V Assistant Director, will design and build an effective executive information system to meet the President's needs, and will improve the consistency and quality of agency reporting. The Assistant Director for Information Systems should be chosen primarily for sensitivity to the needs of the President and the agencies, as well as for a broad conceptual grasp of information systems design. As systems are developed, his staff can be reduced.

Important Changes

Many of the functions we have assigned to the OEM are presently performed to some degree within the EOP, but not at the level demanded by current requirements. OEM will bring about the following important changes:

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Presidential appointees will run those institutional staffs of the EOP which assist the President in his management functions. This should lead to greater understanding of the President's programs and priorities and more accurate and aggressive translation of this understanding into action.

OEM will concentrate greater attention on crucial managerial functions: program coordination, organizational and management processes, information systems, and executive personnel.

It will give the President's office an increased institutional staff commensurate with the scope and complexity of his managerial problems.

By conscious stress on "management" rather than "budget," it will create a climate more conducive to managerial effectiveness. The new name--Office of Executive Management--is, we believe, of symbolic importance in contributing to that end.

It will signal increased Presidential attention to executive personnel programs.

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