

A Government of the Future

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Meeting Our Greatest Challenges: The President's Fiscal Year 2017 Budget

Under the President's leadership, we have turned our economy around and created 14 million jobs. Our unemployment rate is below five percent for the first time in almost eight years. Nearly 18 million people have gained health coverage as the Affordable Care Act has taken effect. And we have dramatically cut our deficits by almost three-quarters and set our Nation on a more sustainable fiscal path.

Yet while it is important to take stock of our progress, this Budget is not about looking back at the road we have traveled. It is about looking forward and making sure our economy works for everybody, not just those at the top. It is about choosing investments that not only make us stronger today, but also reflect the kind of country we aspire to be – the kind of country we want to pass on to our children and grandchildren.

The Budget makes critical investments in our domestic and national security priorities while adhering to the bipartisan budget agreement signed into law last fall, and it lifts sequestration in future years so that we continue to invest in our economic future and our national security. It also drives down deficits and maintains our fiscal progress through smart savings from health care, immigration, and tax reforms.

The Budget shows that the President and the Administration remain focused on meeting our greatest challenges – including accelerating the pace of innovation to tackle climate change and find new treatments for devastating diseases; giving everyone a fair shot at opportunity and economic security; and advancing our national security and global leadership – not only for the year ahead, but for decades to come.

The President is committed to driving lasting change in how Government works – change that makes a significant, tangible, and positive difference in the economy and the lives of the American people. Over the past seven years, this Administration has launched successful efforts to modernize and improve citizen-facing services, eliminate wasteful spending, reduce the Federal real property footprint, and spur innovation in the private sector by opening to the public tens of thousands of Federal data sets and innovation assets at the Federal labs. To date, these efforts have already saved over \$3.5 billion across the government in IT costs alone. Yet, despite this progress, there is more work to be done. The President's Management Agenda is addressing this by improving the way Government works and delivers for citizens in the 21st Century.

The Budget fully supports the President's Management Agenda, a comprehensive and forward-looking plan to modernize and improve government to ultimately deliver better, faster, and smarter services to citizens and businesses. The President's Management Agenda is built on four pillars:

- **Effectiveness** - delivering world class customer service to citizens and businesses;
- **Efficiency** - increasing quality and value in core operations

- **Economic Growth** - opening Government-funded data and research to the public to spur innovation, entrepreneurship, and job opportunities; and
- **People and Culture** - unlocking the full potential of today's Federal workforce and building the workforce we need for the 21st century.

The Administration is executing the President's Management Agenda through Cross-Agency Priority (CAP) Goals, which were introduced by this Administration to improve coordination across multiple agencies to help drive performance on key priorities and issues. Performance for each CAP goal is regularly tracked throughout the year and goal teams are held accountable for results, which are updated quarterly on Performance.gov. In addition to the Management Agenda, the Budget also supports the President's plan to reorganize the Federal Government so that it does more for less, and is best positioned to assist businesses and entrepreneurs in the global economy.

Effectiveness: A Government that Works for Citizens and Businesses.

A more effective Government will not only better deliver services for citizens but will also use taxpayer dollars more efficiently. Ultimately, Government must be able to deliver the user experience and engagement that the American people and businesses expect and deserve.

- **Delivering Smarter Information Technology (IT).** The Administration has embarked on a comprehensive effort to fundamentally improve the way that the Government delivers technology services to the public. A key component of this strategy is focused on recruiting top technologists and entrepreneurs to work within agencies on the highest priority projects through the U.S. Digital Service, leveraging the best processes to increase oversight and accountability for IT spending, and ramping up Government contracting with innovative companies. To date, these and other efforts have saved over \$3.5 billion.

To institutionalize the dramatic improvements that this approach has demonstrated, the Budget funds the development of U.S. Digital Service teams at 25 Federal departments and agencies. These small, high-impact teams will drive the quality and effectiveness of agencies' most important digital services. In addition, the Budget supports the Administration's aggressive goal of hiring and placing 500 top technology and design experts to serve in the U.S. Government by January 2017. More information about these efforts is available in the Fact Sheet on the Administration's Smarter IT Delivery agenda.

- **Strengthening Federal Cybersecurity.** Strengthening the cybersecurity of Federal networks, systems, and data is one of the most important challenges we face as a Nation. As cyber risks have grown in severity over recent years, the Administration has executed a comprehensive strategy to address cybersecurity across the Nation. Building upon the Administration's broader efforts to enhance cybersecurity, in 2015 the Office of Management and Budget, in coordination with the National Security Council, the Department of Homeland Security, the Department of Commerce, as well as other departments and agencies, executed a series of actions to bolster Federal cybersecurity and secure Federal information systems through the Cybersecurity Strategy and Implementation Plan (CSIP). Challenges still remain, and the Federal Government has identified three primary challenges – outdated technology, fragmented governance, and workforce gaps. To address these challenges and continue moving the needle on cybersecurity, the President has set forth a Cybersecurity National Action Plan that takes near-term actions and puts in place a long-term strategy to enhance cybersecurity awareness

and protections, protect privacy, ensure public safety and economic and national security, and empower Americans to take better control of their digital security. To help drive these efforts, the President's FY 2017 Budget invests \$19 billion, or a roughly 35 percent increase from FY 2016, in overall Federal resources for cybersecurity. More information about these efforts is available in the Fact Sheet on Cybersecurity.

- **Delivering World-Class Customer Service.** The Administration is continuing its efforts to improve the quality, timeliness, and effectiveness of Federal services by developing standards, practices, and tools for agencies to improve their customer service. We have also increased opportunities for the collection and use of customer feedback data, which are critical to helping the Government better respond to the needs of the public and improve overall service delivery. In August of 2015, the U.S. General Services Administration launched the pilot of FeedbackUSA, a simple tool that uses kiosks located in local federal offices – such as passport offices and Social Security Administration card centers – to allow customers to rate their experience. Federal agencies can use FeedbackUSA to solicit, aggregate, and analyze customer service transactional feedback in real time so that they can resolve issues and improve their services. The Administration also established the Federal Customer Service Awards program to recognize individuals and teams who provide outstanding customer service directly to the American people and identify effective practices that can be replicated within and across agencies. The inaugural awards, announced in December 2014 by the President and awarded in December 2015, exemplify how the Federal Government delivers excellent service to its customers, the public. The Budget builds on these efforts through continued investments in improving the quality of service the public receives when they interact with their government. For example, the Budget includes a more than \$100 million or eight percent increase for IRS services to taxpayers, including for critical activities to improve and modernize its public-facing IT infrastructure.

Efficiency: Increase Quality and Value in Core Operations.

Over the years, duplicative administrative functions and back-office services have made government less effective and wasted taxpayer dollars. To address this issue, the President has focused on improving Government efficiency to maximize the value of Federal spending. For example, over a two-year period the Federal Government has reduced its domestic office and warehouse inventory by 21.4 million square feet. In an effort to reduce duplication of core administrative services, such as payroll, across government agencies, large departments are also moving toward the use of shared services across agencies.

- **Buying as One through Category Management.** The United States Federal Government is the single largest buyer in the world with annual spending on goods and services close to \$450 billion per year. For this reason, in 2015, the Administration launched Category Management government-wide, an approach that enables the Federal Government to act more like the single enterprise it is. For example, just one month after OMB issued a new category management policy on laptops and desktops that included standard configurations, several vendors dropped their prices for the standard configurations by 50 percent. To further support category management and the Federal Information Technology Reform Act (FITARA), the General Services Administration awarded a government-wide agreement for common application development services, an agreement that will allow agencies to share and re-use developed applications, code, and best practices, which could save between 50 and 80 percent on application development costs. The Budget, through reinforcement of this management

practice, better leverages buying power, which leads to increased savings, more consistent practices across agencies, reduced duplication, and improved performance for American taxpayers.

- **Expand Shared Services to Increase Quality and Savings.** Most Federal agencies have similar administrative functions. Human resources, financial management, and payroll, for example, are common administrative functions that all agencies need, but some agencies are better equipped to effectively manage them. By creating Shared Service Providers (SSPs), and concentrating the delivery of administrative services within a smaller number of agencies, we can reduce duplicative efforts. Further, by giving this task to agencies with the right expertise, we can unlock competition between agencies, free up resources for mission critical activities, and deliver cost-effective support to agencies. Agencies small and large – including the Securities and Exchange Commission and the Department of Housing and Urban Development – successfully took steps to realize the benefits of shared service agreements. In addition, as part of the Cybersecurity National Action Plan, the Administration is establishing shared services for commonly used IT and security services, such as email and web hosting, moving each individual agency out of the business of developing and securing their own unique versions of commodity products. With this increasing shift toward using Shared Service Providers, the Administration is taking steps to better manage this emerging practice. To support an enterprise-wide approach to shared services, in October 2015 the Administration established a cross-function management and oversight structure comprised of an interagency Shared Services Governance Board (SSGB) and a Unified Shared Services Management (USSM) office within GSA. Led by the SSGB and USSM, stakeholders from across the government will work together to manage and oversee mission-support shared services with an initial scope of acquisitions, financial management, human resources, travel and information technology. The Budget proposes \$5 million to staff the USSM office to oversee Shared Service Providers and facilitate agency transitions to these more cost-effective services.
- **Benchmarking Agencies.** Over the course of this Administration, we have used regular data-driven reviews – such as PortfolioStat and AqStat – to advance management priorities. Building on these efforts, in 2014 the Administration launched the Benchmarking initiative by establishing cost and quality benchmarks for core administrative operations across agencies to measure performance in key mission-support areas. In 2015, OMB, in conjunction with GSA, launched the “FedStat” review with major agencies to have a holistic, data-driven discussion across all mission-support and mission-delivery areas. As part of this initiative, OMB met with agencies to identify potential areas for improvement, discuss shared challenges across the Government, and explore opportunities to pursue cross-agency solutions – including policies, processes, and leading practices of excellence for broader application across program administration and management. These data-driven reviews led to a number of tangible improvements – such as how agencies may benefit from shared services or strategies for addressing common hiring and recruitment challenges – that can improve the effectiveness and efficiency of individual agencies and the Government as a whole.
- **Shrinking the Federal Real Property Footprint.** The Administration has made significant progress on real property. In 2012, the Administration issued a "Freeze the Footprint" policy, which directed agencies to freeze the growth in their office and warehouse real estate inventory. While it only called for zero footprint growth, Freeze the Footprint actually led to a 10.2 million square foot reduction by the end of FY 2013. And by the end of FY 2014, the cumulative reduction reached 21.4 million square feet. In March 2015, the Administration

issued the National Strategy for the Efficient Use of Real Property (National Strategy) and its companion policy, the Reduce the Footprint (RTF) policy. Building on the Freeze the Footprint policy and agencies' successes in beginning to reduce their real property holdings, the five-year National Strategy's primary objective is to formally adopt government-wide requirements to reduce the size of the government's domestic real property portfolio through efficiency improvement and property disposal. The agencies' RTF Plans target an aggregate reduction of 60 million square feet between FY 2016 and FY 2020.

- **Reforming Federal Background Investigations.** The Federal Government is responsible for issuing, handling and storing much of America's most important data. Last year, in light of increasing cybersecurity threats, including the compromise of information housed at the Office of Personnel and Management (OPM), the Administration initiated a 90-Day Suitability and Security review to re-examine reforms to the Federal background investigations process, assess additional enhancements to further secure information networks and systems, and determine improvements that could be made to the way the Government conducts background investigations for suitability, security and credentialing. The review resulted in a series of actions to modernize and strengthen the way the Federal Government conducts background investigations for Federal employees, members of the Armed services, and contractors, and protects sensitive data. These changes include the establishment of the National Background Investigations Bureau (NBIB), which will absorb the U.S. Office of Personnel Management's (OPM) existing Federal Investigative Services (FIS), and be headquartered in Washington, D.C. This new government-wide service provider for background investigations will be housed within the OPM. Its mission will be to provide effective, efficient, and secure background investigations for the Federal Government. Unlike the previous structure, DOD will assume the responsibility for the design, development, security, and operation of the background investigations IT systems for the NBIB. To support this work, the Budget will include \$95 million in additional resources that will be dedicated to the development of these IT capabilities. These changes build upon the Administration's efforts to improve how the Federal Government performs security clearance determinations, and protect the safety of American citizens and of our Nation's most sensitive information and facilities.

Economic Growth: Opening Government-Funded Data and Research to the Public to Spur Innovation, Entrepreneurship and Job Growth.

The Budget continues to invest in efforts to open up Government-generated assets, including data and the results of Federally-funded research and development - such as intellectual property and scientific knowledge - to the public. Through these efforts, the Government empowers citizens and businesses to increase the return on our investment with innovation, job creation, and economic prosperity gained through their use of open Government data and research results. The use of this data and scientific knowledge has impacted the private sector, including fueling innovative start-up companies and creating American jobs, increasing the transparency of retirement plans, helping consumers uncover fraudulent charges on their credit card bills, assisting potential homebuyers in making informed housing decisions, and creating new life-changing technologies such as leading-edge vaccines.

- **Opening Data to Spark Innovation.** The Administration continues to make progress towards its open data commitment and data governance. By the close of calendar year 2015, Data.gov featured over 188,000 datasets on topics such as education, public safety, health care, energy, and agriculture. With over 10 million page views in 2015, open data continues to drive economic growth, unlock opportunities for entrepreneurs, and opens the door to innovative

academic research. The Budget reflects the Administration's open data priorities by proposing funding to support open data efforts such as Data.gov, identifying data sets in areas with high potential for economic impact, and developing performance metrics to measure agency progress in reaching open data goals.

- **Fueling the Economy by Bridging the Barriers from Lab-to-Market.** The Budget invests \$152 billion in research and development (R&D) across Government. The Federal Government's investment in R&D has produced extraordinary long-term economic impact over the decades through the creation of new knowledge, new jobs, and new industries. The Budget also reflects the Administration's commitment to improving the transfer of Federally-funded research results to the commercial marketplace. The Budget invests \$30 million in the National Science Foundation's Innovation Corps (I-Corps), which provides experiential entrepreneurship training for teams of Federally-funded scientists, and increases funding at the National Institute of Standards and Technology (NIST) to strengthen interagency lab-to-market efforts.
- **Expanding Economic Measures.** The Budget provides \$3 million to develop and expand Department of Commerce measures of the service trade sector of the economy. Expanding and improving data on these dynamic service trade industries could help to support trade promotion efforts and more effectively implement a strong, pro-growth trade policy that creates high value jobs at home. The Budget also provides \$5 million to produce more timely releases of certain economic indicators, designed to improve accuracy and reduce revisions to the quarterly GDP calculation. The Bureau of Economic Analysis will also begin developing county-level measures of GDP and incomes to allow for more granular economic data for private and public sector decision makers alike.
- **Improving Data Infrastructure and Collaboration.** The Budget proposes \$10 million in funding for the Census Bureau to build on its existing strengths and start developing a more comprehensive infrastructure for acquiring, linking, sharing, and analyzing key administrative datasets. These funds will allow agencies to measure outcomes and test new approaches more easily and cheaply across a range of Federal programs

People and Culture: Unlocking the Full Potential of the Federal Workforce and Building the Workforce We Need for Tomorrow.

The Administration is committed to attracting, developing, and retaining the best talent in the Federal workforce so we can foster a culture of excellence and successfully deliver the highest quality solutions to the American people. The Budget supports efforts to strengthen the Senior Executive Service (SES) and improve employee engagement in order to fully capitalize on the talents in today's Federal workforce at all levels, and recruit and develop the talent needed to continue moving the Federal Government forward in the 21st Century.

- **Building a World-Class Federal Management Team.** The Administration is taking action to strengthen and broaden the experience base of the Federal executive corps. The Budget includes funding to implement SES reforms derived from the White House Advisory Group recommendations and administer the second class of White House Leadership Development Fellows, which will emphasize diversity and the changing needs of 21st century workforce.

- **Enabling Agencies to Hire the Best Talent from All Segments of Society.** The Administration will continue to streamline recruiting, hiring, onboarding, and will identify promising practices to deploy talent across agencies. Notably, in 2016, the Administration will launch the Hiring Excellence Campaign as an educational outreach vehicle to enable agencies to attract highly qualified and diverse talent through engaged and empowered hiring managers supported by highly skilled HR staff. Other initiatives also include expanding the use of Fellowship programs and Veteran hiring programs, implementing new legislation that provides many people with arrest histories a second chance, and modernizing the background investigation process. In addition, the Administration continues to support providing agencies with the flexibility necessary to manage their workforce while upholding the Merit System Principals. Collectively, these initiatives will increase diversity, reduce skills gaps, and improve organizational outcomes across government.
- **Retaining a High-Performing Federal Workforce that Reflects the Diversity of Our Country.** Retaining a diverse, multi-generational, and committed 21st century workforce requires modern, flexible, and supportive workplace policies and programs. This Administration has supported the expansion of telework options and alternative work schedules, recognized the need for expanded benefits such as the new “individual plus one” health care option, and supported Agency development of employee-family care programs (i.e., child care subsidies, counseling and bereavement services, lactation rooms) and access to fitness facilities. In particular, the Budget proposes legislation that would offer federal employees six weeks of paid administrative leave for the birth, adoption, or foster placement of a child. In addition, the proposal would make explicit the ability for parents to use sick days to care for a new child. The United States is the only industrialized country that does not guarantee workers paid parental leave. Not only is parental time with a newborn or newly adopted child critical to healthy development but evidence shows that the availability of paid maternity leave increases the likelihood that mothers return to their jobs following the birth of a child.
- **Creating a Culture of Excellence and Engagement to Enable Higher Performance.** The Budget supports efforts to strengthen management accountability for improving employee engagement; increasing the use of human capital data analytics; expanding government-wide human capital technical training and increasing leadership development opportunities; and improving resource exchanges to share best practices across government. For example, the Budget provides funding for a network of agency innovation labs that provide the resources and training for agency employees to develop, test and scale promising new ideas to improve the effectiveness and efficiency of government.
- **Providing Identity Theft Protection Benefits to All Federal Employees.** The Administration recognizes that data breaches that impact personally identifiable information (PII) are expected to remain a significant concern for our current and future federal workforce. Research indicates that the private sector is increasingly providing identity theft protection coverage as an employment benefit not only to mitigate potential harm caused by specific data compromises, but as a way to boost employee trust and compete for and retain top talent. OMB is working with OPM to fully implement the provisions included in the FY 2016 omnibus that provide identity theft protection and other benefits for 10 years to those individuals impacted by the OPM data breaches. Furthermore, the Administration will seek to provide cost-effective benefits to current and future federal employees that will help employees mitigate the risks of identity theft. OPM, working with agency partners and other stakeholders, will provide

legislation to Congress in the coming months that will authorize OPM to provide this benefit to all federal workers.

Improving Performance and Accountability.

The Administration is executing the Management Agenda through the Cross-Agency Priority (CAP) Goals, which are focused on improving coordination across multiple agencies to address key performance improvement priorities. The CAP Goals are part of the performance improvement framework developed with Congress through the Government Performance and Results Act (GPRA) and the GPRA Modernization Act. Each CAP Goal has senior level Goal Leaders and publishes quarterly progress updates on Performance.gov. Consistent with authority granted in FY 2016, the President's FY 2017 Budget includes authority for agencies, with prior notification to Congress from the Director of OMB, to transfer up to \$15 million from agency budgets to support these cross-cutting management initiatives. This institutionalizes a capability to fund cross-agency efforts, rather than handling them on a case-by-case basis, and provides a powerful tool to turn management reform ideas into real and lasting results for the American people.

Reorganizing Government: Reforming the Government to Win in the Global Economy.

The Administration will also continue efforts to drive lasting change in how Government works through reorganizing or consolidating Federal programs to reduce duplication, and identify cost savings to allow the Government to invest more in productive activities. The President is again asking the Congress to revive an authority that Presidents had for almost the entire period from 1932 through 1984—the ability to submit proposals to reorganize the Executive Branch through a fast-track procedure. In effect, the President is asking that the next President have the same authority that any business owner has to reorganize or streamline operations to meet changing circumstances and customer demand. For example, consolidating business and trade promotion into a single department would enhance Government productivity and effectiveness. Bringing together the core tools to expand trade and investment, grow small businesses, and support innovation, would help American businesses compete in the global economy, expand exports, and create more jobs at home.

Cutting Red Tape in the Infrastructure Permitting Process.

Building a 21st-century infrastructure in a way that safeguards communities and the environment is a key component of the President's efforts to strengthen our economy and create new jobs. Since 2011, the Administration has taken a set of coordinated actions to reduce project review timelines for major infrastructure projects, while improving environmental and community outcomes. To continue advancing this effort, the Administration will work aggressively throughout 2016 to implement the permitting provisions in the recently-enacted Fixing America's Surface Transportation Act, many of which align with ongoing Administration efforts. Among other things, the law establishes a new interagency governance structure to oversee the timely processing of permits and reviews; standardizes processes for resolving disputes, which can contribute to schedule delays; and enables agencies to recover reasonable costs for such activities. Until these fees are in place, the budget provides funding for the Federal Permitting Improvement Steering Council to continue FAST Act implementation and oversight activities. Lastly, the law requires greater use of an online dashboard, consistent with existing Administration efforts, to track infrastructure projects under Federal review to improve communication with project sponsors, enhance interagency coordination, and increase the transparency and accountability of the permitting process. To this end, the Budget includes funding to expand the

Administration's Permitting Dashboard. Once fully implemented, these reforms will facilitate more efficient, effective, and timely Federal permitting decisions.