OPM REORGANIZATION

Current Situation
The Office of Personnel Management (OPM) is responsible for a critical mission that supports 2.1 million federal employees, covers 8 million lives through Federal Employee Health Benefits and more than 5 million retired federal employees and beneficiaries through retirement services. OPM manages the Civil Service Retirement and Disability Trust Fund, which represents one of the largest liabilities on the Federal Government’s financial statements ($1.9 Trillion).

Despite the criticality of its mission, OPM is not currently structured or resourced sufficiently to maintain its mission in a sustainable, secure, and financially stable or sustainable way moving forward. In other words, the status quo is not viable. The disastrous large scale data breach experienced by OPM in 2015 is an illustration of what is at stake. And structural issues continue to plague attempts to modernize and remediate service quality, security and mission responsiveness.

The structural instability is exacerbated by the mandate in the National Defense Authorization Act for fiscal year 2018 to transfer the National Background Investigations Bureau (NBIB), which accounts for more than 80 percent of OPM’s revolving fund resources, from OPM to the Department of Defense (DoD). This decision will dramatically undercut OPM’s ability to operate and maintain the systems that support the federal civilian workforce, greatly increasing the risk of another failure on a scale as large as or larger than the data breach.

Key Question
How can we ensure the financial and operational stability and sustainability of OPM’s mission in light of current realities and 21st century demands?

The Solution
The Administration’s reorganization proposal for OPM aims to address the technological deficit and fundamental structural problems, creating a path for long term sustainability and stability. The reorganization will drive 3 key outcomes: 1) Financial sustainability; 2) Operational stability; and 3) Strategic agility and focus.

Financial Stability
The reorganization proposal seeks to drive long-term financial stability for the human capital mission. By aligning OPM and the U.S. General Services Administration (GSA), we can benefit from synergies around people, facilities, and contracts. The reorganization will better support human capital delivery across the Federal Government by centralizing the services both agencies currently provide, reducing duplication, and empowering our workforce to shift to higher value work.

While we believe seeking efficiencies and empowering our workforce are basic tenets of good government, the need to find efficiencies to lower operational costs is also vital to supporting OPM’s mission because of the budgetary impact of transferring NBIB to DoD. The reorganization could eventually result in annual savings between $11 and $37 million that would be realized through long term efficiencies and consolidations.
Additionally, by combining GSA’s expertise in managing procurement and physical space and OPM’s expertise in human capital management, we can enable new self-funding activities and create another avenue of support for the collective mission.

**Operation Stability**

Operational stability will be derived from aligning the mission and the aging IT infrastructure with the expertise of GSA. Transitioning OPM functions and workforce to GSA gives OPM a more structurally sound foundation to support OPM’s critical strategic human capital management mission, including a vastly more stable information technology infrastructure allowing a focus on creating improvements to addressing cyber risks and improving service quality. GSA’s position as a trusted leader and valued partner in helping improve agencies’ use of information technology is bolstered by its B+ grade on the latest FITARA scorecard, the highest in the federal government. Additionally, GSA has spent the past decade focused on qualitatively and quantitatively improving its own shared CXO functions, so it is well positioned to support OPM.

In contrast, OPM’s aging IT infrastructure is still reliant, in some cases, on systems from the early 1980s. A lack of effective investment stretching back multiple decades has led to this problem, and OPM remains limited in its capacity in this area, which lies outside its core competency and fundamental mission.

Of OPM’s $265 million in discretionary budget authority, roughly $133 million is utilized to directly support trust fund operations and $9 million is being utilized to modernize the trust fund financial system, while the remaining funding is used to carry out the other core missions of OPM. Approximately $60 million in additional mandatory budget authority is also used to directly support trust fund operations. Once the IT is at GSA, we will be able to determine the appropriate ratio necessary to ensure effective administration of the Civil Service Retirement and Disability Fund (CSRDF).

**Strategic Ability and Focus**

In addition to savings, the synergies gained from combining strengths of GSA and OPM will support the realignment of the Executive Branch to better serve the mission, service, and stewardship needs of the American people. By addressing structural vulnerabilities, identifying synergies, building on collective strengths, and addressing diagnosed weaknesses, this merger will allow us to spend valuable taxpayer resources more effectively to support OPM’s mission and the federal workforce. The newly focused organization will have the ability to deliver on hiring reform, re-skilling efforts, and human capital strategy that will enable the federal government to successfully transition our workforce into the 21st century.

**The Need to Act**

The Administration believes it has the authority to effectuate some of the change that is required to successfully carry out OPM’s mission after Congress’s decision to transfer NBIB. However, absent legislative action, some authorities for the transitions will require changes that are administratively burdensome and will cause uncertainty for the workforce. Throughout this process the President’s goal is to prioritize people and minimize the effect of the transition on the federal workforce. This plan aims to begin transitioning OPM offices to GSA out of necessity, but the Administration’s ask is for Congress to enact the needed technical fix to provide full authority.
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up front to allow for a more seamless transition not only for the operations, but for our dedicated federal workforce.