

**THE WHITE HOUSE  
WASHINGTON**

**CABINET AFFAIRS STAFFING MEMORANDUM**

**Date:** 5/1/84      **Number:** 168982CA      **Due By:** \_\_\_\_\_

**Subject:** Cabinet Council on Management and Administration - May 3, 1984

2:00 P.M. - Roosevelt Room

	Action	FYI		Action	FYI
<b>ALL CABINET MEMBERS</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>CEA</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>CEQ</b>	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<b>OSTP</b>	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACUS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Baker</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Deaver	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HHS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	McFarlane	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCHR/Simmons	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			CCNRE/	<input type="checkbox"/>	<input type="checkbox"/>

**REMARKS:**

The Cabinet Council on Management and Administration will meet on Thursday, May 3, 1984 at 2:00 P.M. in the Roosevelt Room.

The agenda and background papers are attached.

**RETURN TO:**

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Craig L. Fuller<br>Assistant to the President<br>for Cabinet Affairs<br>456-2823 | <input type="checkbox"/> Katherine Anderson                 | <input type="checkbox"/> Don Clarey          |
|   | <input checked="" type="checkbox"/> Tom Gibson              | <input type="checkbox"/> Larry Herbolzheimer |
|   | Associate Director<br>Office of Cabinet Affairs<br>456-2800 |  |

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION  
FROM: RALPH BLEDSOE, *Ralph Bledsoe* EXECUTIVE SECRETARY  
SUBJECT: CCMA PLANNING MEETING OF MAY 3, 1984  
DATE: MAY 1, 1984

Attached are an agenda and materials for the CCMA Planning Meeting now scheduled for Thursday, May 3, 1984 at 2:00 p.m. in the Roosevelt Room.

The first agenda item, Cyclical Payments, will include a brief discussion of the attached OMB memorandum, calling for creation of a CCMA Working Group on this subject.

The second agenda item will be a presentation by Joe Wright of OMB on plans for modification of OMB Circular A-125, pertaining to contract financing and progress payments. This is a follow-up to the discussion at the CCMA Planning Meeting of February 2, and will focus on alternative #2 contained in the paper distributed for that meeting. Please refer to previously provided materials.

The third agenda item will include a report by Patrick Tyson of OSHA, on results of the first six months of FY1984 toward meeting the goal approved by the President of reducing accident and injury claims by Federal employees by 3% per year. A paper entitled "Federal Sector Occupational Safety and Health Program" is attached. The paper and attached charts indicate agencies that have and have not met specific goals.

The fourth agenda item will include a discussion by Don Devine of OPM on current Combined Federal Campaign policies and plans. No paper is provided.

The final planned agenda item will be a review of progress toward achievement of the goal to reduce Federal civilian employment by 75,000 by the end of FY1984. A table listing each agency's status through February, 1984 is attached, with a chart showing various projections for the year.

THE WHITE HOUSE

WASHINGTON

CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

May 3, 1984

2:00 p.m.

Roosevelt Room

AGENDA

1. Cyclical Payments
2. Progress Payments Controls
3. Federal Employees Health & Safety
4. Combined Federal Campaign Policy
5. Federal Civilian Employment



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MAR 12 1984

MEMORANDUM FOR: HONORABLE EDWIN MEESE III  
COUNSELLOR TO THE PRESIDENT

FROM: JOSEPH R. WRIGHT  
DEPUTY DIRECTOR Joe

SUBJECT: Cyclical Payments for Entitlement Programs

The Treasury encounters substantial cash flow problems caused by the payment of approximately \$18 billion during the first three days of each month to 45 million beneficiaries of nine entitlement programs. Requiring these programs to make payments on more than one day of the month, such as by having the Social Security Administration pay half of their beneficiaries on the third of the month and the other half on the 17th of the month instead of all payments being made on the third, would produce savings for the Treasury, the Federal Reserve Board, financial institutions, the Postal Service and the administering agencies. Security and check theft problems encountered by program beneficiaries would also be reduced.

Administrations since 1941 have urged the use of cyclical payments. The Carter Administration decided to phase in a cyclical process by applying them to all new social security beneficiaries, and actually budgeted funds for this purpose. The Social Security Administration estimated that this would produce savings of \$536 million over five years. I believe the time has come to begin realizing the benefits of cyclical payments.

The attached discussion paper outlines the various options for cyclical payments as well as the many advantages and potential controversies. In my opinion the paper points to the need for a CCMA work group to develop and oversee an implementation strategy for cyclical payments. This would assure that the best cyclical process is developed and, unlike efforts of previous Administrations, that change actually occurs. I would recommend that the group be chaired by the Deputy Secretary of the Treasury, with participation by the Office of Policy Development, the Associate Director of OMB for Management and the Assistant Secretary for Management and Budget of the Department of Health and Human Services.

Attachment

## DISCUSSION PAPER ON CYCLICAL PAYMENTS

Approximately \$18 billion are disbursed by the Treasury between the first and the third of each month to 45 million beneficiaries of nine entitlement programs, causing enormous cash flow and related problems. All entitlement programs disbursed at the Federal level except for Federal salaries make all of their payments to all of their recipients once a month, on the same day of the month. This paper explores the issue of disbursing payments on a staggered or cyclical basis under which payments would be made to a portion of the caseload two or more times during the month rather than the current system of once-a-month payments.

### BACKGROUND

There is a lengthy, bipartisan history of interest in cyclical payments. Since at least 1941 the Department of the Treasury has promoted the idea of issuing payments on a cyclical basis, particularly in the social security programs. There are many reasons for this interest, including savings to the Treasury, the banking industry and the agencies that administer the programs, as well as greater protection and convenience for the recipients of the programs. These are spelled out in greater detail later in this paper.

Looking just at the last ten years, then Treasury Secretary Shultz concluded in 1974 that social security payments should be issued on a cyclical basis for all new social security beneficiaries. In 1975, Treasury Secretary Simon recommended to OMB that social security payments should be cycled for all beneficiaries. In 1978, Treasury Secretary Blumenthal made the same recommendation to the White House.

Finally, in 1978 the President's Reorganization Task Force on Cash Management issued a report endorsing the concept of cyclical payments for social security as a cost-saving measure and indicating that Treasury and the Social Security Administration (SSA) would "move ahead" on cyclical issuance of social security payments to new beneficiaries only beginning in 1981. Although resources were provided in SSA's FY 81 budget to implement the new process, this did not occur.

The SSA actuaries estimated that the five year (FY 81 through FY 85) savings to the trust funds of the Task Force's proposal would be \$536 million. This savings results from the fact that under a cyclical system money that would have been paid out on the third of the month under the current system stays in the trust fund for a longer period of time and earns interest during that period. Current savings estimates would be somewhat less because of interest and inflation rates that are lower than those forecasted at the time.

It should be recognized that SSA has traditionally opposed going to a cyclical payment system, primarily due to the confusion they believe it would cause, anticipated adverse public and Congressional reaction, and difficulties of systems conversion.

Although most of the attention has been focused on social security, there apparently has been an assumption that once the largest program went to cyclical payments, the rest would soon follow suit. Given the size and constituencies of such programs as Veterans Administration pensions and compensation and Railroad Retirement, this may not be a good assumption.

#### ADVANTAGES OF CYCLICAL PAYMENTS

Occasionally it is assumed that the increased use of electronic funds transfer (EFT) obviates the need for cyclical payments. While it is certainly true that EFT is preferable to checks, EFT in fact responds to only a few of the problems resolved by cyclical payments. Consequently, the use of cyclical payments remains desirable regardless of the extent of EFT usage.

The following are the major advantages of a cyclical payment system for each agency or group listed.

##### Department of the Treasury

- o Reduces cash flow difficulties caused by needing billions of dollars at the beginning of each month, and reduces the need for short-term borrowing
- o Provides a more even workload distribution, resulting in savings in space, equipment, and overtime
- o Depending on the method of cycling, may produce significant savings for general revenue funded programs

##### Federal Reserve Board

- o Reduces administrative costs associated with monthly avalanche of cashed checks at Federal Reserve Banks

##### Financial Institutions

- o Reduces the need to have large amounts of cash on hand at the beginning of the month
- o Avoids overburdening of accounting systems and delays in crediting accounts
- o Reduces problems resulting from monthly crowding and lines

##### Social Security Administration

- o Avoids the tremendous influx of work in local SSA offices at the beginning of each month as a result of inquiries about check amounts and non-receipt of checks
- o Reduces the need for extra staff and overtime to accommodate the peak workload referred to above

- o Depending on the cycling method, produces significant savings in additional interest for the trust funds

#### Other Program Agencies

- o Provides administrative savings similar to those identified for SSA but on a smaller scale due to the smaller size of non-SSA programs

#### Postal Service

- o Provides administrative savings from more even workload distribution

#### Program Beneficiaries

- o Reduces risk of theft of checks and money
- o Increases convenience and speed of transactions at financial institutions
- o Increases convenience and speed of transactions at retail establishments, particularly in geographic areas with large beneficiary populations

In addition, there is some evidence of Congressional interest and support for cyclical payments as a management improvement initiative.

#### DISADVANTAGES OF CYCLICAL PAYMENTS

Any change of this nature may be opposed by program agencies and their related interest groups and the Congress simply because of preferences for the status quo. Furthermore, any cyclical process that is viewed as decreasing or delaying benefits will produce very strong political opposition, although such opposition might be muted if it were part of a budget deficit reduction compromise.

The other disadvantages of cyclical payments for the agencies or groups listed are as follows:

#### Social Security Administration

- o Increases public inquiry workloads during transition period (and possibly thereafter) resulting from questions and confusion over payment dates
- o Complicates responding to inquiries about non-receipt of checks since currently employees know without further inquiry when check is supposed to be received
- o Poses risk of litigation over issue of unequal treatment of beneficiaries
- o Requires programming changes during period of transition in upgrading SSA's systems

Other Program Agencies

- o Causes problems similar to those identified for SSA but on smaller scale due to smaller size of non-SSA programs
- o Depending on sophistication of automated systems, systems modification could be a smaller or greater problem than with SSA

Postal Service

- o May make it more difficult to guarantee delivery on a specific date depending on the number of payment dates

Program Beneficiaries

- o Causes potential confusion over payment dates
- o If applied to new beneficiaries only, could cause a one-time delay in receiving funds
- o If payments were delayed to some beneficiaries to implement cyclical payments for entire caseload, those dependent on benefits for much or all of their support would be in jeopardy

RELEVANT AGENCIES AND PROGRAMS

The following is a list of the largest entitlement programs which appear to be candidates for cyclical payments. Included are the approximate number of payments issued on each payment date, the dollar amount of those payments, and the time of payment, except as otherwise noted. In addition to this list, there are other, smaller programs that should ultimately be examined for cyclical payment applicability, and there are also non-entitlement programs such as general revenue sharing which may be logical candidates for cyclical payments.

All Agencies

- o Civilian Employee Salaries  
2.8 million payments, \$2 billion, every two weeks

Department of Defense

- o Military Retirement  
1.4 million payments, \$1.4 billion, last of each month
- o Military Salaries  
3 million payments, \$41 billion annually, with active duty primarily receiving two payments per month and reservists one payment per month

Department of Health and Human Services

- o Black Lung  
254,000 payments, \$88 million, on third of each month



- o Disability Insurance  
3.6 million payments, \$1.4 billion, on third of each month
- o Retirement and Survivors Insurance  
31.3 million payments, \$12 billion, on third of each month
- o Supplemental Security Income  
3.9 million payments, \$828 million, on first of each month

Department of Labor

- o Black Lung  
93,000 payments, \$56 million, on 15th of each month
- o Federal Employees' Compensation Program  
46,000 payments, \$87 million, required by law to be paid every 28 days

Office of Personnel Management

- o Civil Service Retirement  
1.8 million payments, \$1.7 billion, on first of each month

Railroad Retirement Board

- o Retirement, Survivors and Disability  
982,000 payments, \$517 million, on first of each month

Veterans Administration

- o Compensation Programs  
2.6 million payments, \$833 million, required by law to be paid on first of each month
- o Pension Programs  
760,000 payments, \$325 million, required by law to be paid on first of each month

Clearly the largest problem is social security, with total benefits paid on the third of each month of almost \$13.5 billion to almost 35 million beneficiaries. In descending order of magnitude are the following:

Civil Service Retirement - \$1.7 billion to 1.8 million retirees

Military Retirement - \$1.4 billion to 1.4 million retirees

VA Compensation and Pensions - \$1.2 billion to 3.4 million veterans

Supplemental Security Income - \$828 million to 3.9 million recipients

Railroad Retirement - \$517 million to 982,000 beneficiaries

Federal Employees' Compensation - \$87 million to 46,000 beneficiaries

Department of Labor Black Lung - \$56 million to 93,000 beneficiaries

Federal civilian salaries, although representing a substantial amount of money and payments, are already partially cyclical. Not only are they paid twice a month rather than once, pay dates vary from agency to agency. Consequently, it may prove unnecessary to consider any further cycling of civilian salaries.

The payment of military salaries is different. Although theoretically paid monthly, the majority of military personnel opt to receive their monthly pay in two installments. All personnel have the same pay dates. Further analysis would be necessary to determine whether increased cycling of military salaries would be beneficial.

#### FEDERALLY FUNDED, STATE DISBURSED PROGRAMS

There are many entitlement programs in which payments to individuals are disbursed at the State or local level. The largest of these are Aid to Families with Dependent Children (AFDC), Food Stamps and Unemployment Insurance. Food Stamps and Unemployment Insurance are already using cyclical systems, with the majority of food stamps being issued cyclically throughout the first 15 days of the month and about half of the States making unemployment payments once a week and about half making payments once every two weeks.

AFDC is much less cycled. Approximately 40 States make one payment each month to their entire caseload. The balance use cycles ranging from two payments each month to daily payments.

The real question with Federally funded, State disbursed programs is whether Federally mandated cycling is warranted. There is a less direct impact on Federal operations and cash flow since there is a State, and sometimes a county, intermediary through which funds pass before being received by program beneficiaries. Increased cycling of programs such as AFDC would actually increase some Federal costs since more transactions between the States and the Federal governments would occur under a cyclical system, although these might be more than offset by other benefits. There is also a serious question of whether Federally mandated cycling would be consistent with Administration policy on Federal/State relations.

Nonetheless, it is interesting to note that the Department of Agriculture encourages the States to use a cyclical system in the Food Stamp program for some of the same reasons identified in this paper: to reduce security problems that occur when it is known that everyone receives a document in the mail on the same day that is redeemable for food stamp coupons; to reduce the burden on the outlets that issue food stamp coupons in exchange for the document; to reduce the burden on retail outlets that redeem food stamp coupons; and to reduce the amount of time that would otherwise be spent by food stamp recipients waiting in longer lines to receive food stamps and to buy food.

#### OPTIONS FOR CYCLING

There are numerous options for cyclical payments, and the best options may vary from program to program. The major options are as follows:

1. phase-in cyclical process by applying to new recipients only; retain present system for current caseload;
2. delay payments to a portion of the caseload each month until ultimately all payments are made on a cyclical basis;
3. advance payments to a portion of the caseload each month until ultimately all payments are issued on a cyclical basis;
4. on a one-time basis delay payments to the entire caseload so that a cyclical system is achieved in one month; and
5. on a one-time basis advance payments to the entire caseload so that a cyclical system is achieved in one month.

Further options surround the question of the frequency of payments. Options range from two payments a month to daily payments. One significance of this question can be seen from estimates made by the SSA actuaries in 1980. They estimated the savings of a one-time delay in social security payments to the entire caseload (option 4) to be \$360 million by 1986 if there were two payments a month, and \$470 million if there were ten.

Finally, there are options as to which programs should have their programs cycled. These options range from all programs to none. Cycling could be limited to those programs in which legislation would not be a prerequisite. Needs-based programs such as Supplemental Security Income could be excluded as being too controversial. Federal salaries could be excluded since they are already partially cycled. Cycling could be limited to social security since it has been studied the most and represents the majority of the payments and dollars.

The following should be considered in reviewing the various options:

- o Advancing payments, whether all at once or gradually, is extremely expensive; using social security as an example, a one-time advance could cost over \$150 million in interest lost to the trust funds in the first year and \$3.4 billion in additional payments to beneficiaries
- o Delaying payments could produce significant savings; again using social security as the example, in 1980 the SSA actuaries estimated first year savings to the trust funds in additional interest of \$305 million if all beneficiaries were to be paid twice a month, with savings increasing to \$360 million by the fourth year
- o Delaying payments would be extremely controversial since recipients would, in effect, incur a one-time loss of benefits; in addition to adverse constituent and Congressional reaction, there would almost certainly be court action brought against delaying payments

- o Applying cyclical payments only to new recipients delays the full benefits of a cyclical system for however long it takes to achieve a complete turnover of the caseload (for social security there is approximately a 37 percent turnover in five years); however, it also avoids the cost of advancing payments and at least some of the controversy of delaying payments, and was proposed and almost implemented by the previous Administration
- o All of the options present varying degrees of difficulty for the administering agencies to deal with in modifying and operating the systems required to produce payments
- o The Postal Service guarantees delivery of social security checks on the third of each month; this guaranteed delivery might become more difficult to achieve as the number of delivery dates increases.
- o Cycling in programs such as VA Compensation and Pensions that require legislation in order to change payment dates will be more difficult to achieve

#### ALTERNATIVE TO CYCLICAL PAYMENTS

There is an alternative to cyclical payments which appears to avoid most of the problems of cyclical payments, while achieving most of the advantages.

All social security beneficiaries would be given the option of receiving benefits twice a month instead of once a month - half of the monthly payment on the third, and the other half on the 17th. The only condition would be that an individual could only qualify for the two payment option by participating in direct deposit, which involves electronic funds transfer from Treasury to the beneficiary's financial institution.

Currently about 40 percent of all beneficiaries of Retirement and Survivors Insurance and Disability Insurance and 10 percent of all recipients of Supplemental Security Income receive their benefits through direct deposit. This has resulted from an extensive campaign by Treasury because of the benefits that Treasury derives from electronic funds transfer in lieu of checks. Individuals benefit from the security and convenience of direct deposit.

A significant percentage of beneficiaries would elect to participate in the two payment direct deposit program since there is evidence that many people would prefer to receive benefits twice a month rather than once a month. For example, SSA has been lobbied to pay Supplemental Security Income recipients twice a month, since SSI is a means-tested program and presumably it is difficult for its recipients to budget for an entire month. Another example is the fact that most military personnel elect the option of two payments each month.

The advantages of the two payment direct deposit alternative are as follows:

- o There would be significant annual savings in additional interest to the social security trust funds by keeping half of the payments of participating beneficiaries in the trust funds for 14 additional days
- o There would be an easing of Treasury's cash flow problems
- o Treasury, the Federal Reserve Board, the Postal Service and financial institutions would gain the advantages of electronic funds transfer, offset only by the fact that there would be two transfers per month per beneficiary rather than the single monthly transfer for those currently participating in direct deposit
- o All participants would enjoy the increased security and convenience of direct deposit, and those who rely on social security for much of their income should find it easier to budget for half of a month rather than for an entire month
- o The enormous costs of advancing payments and the controversy of delaying payments would be avoided since the system could be implemented immediately (aside from the lead time necessary to modify SSA's payment system) by giving participants half of the normal payment on the third and the balance on the 17th
- o The risk of litigation and the possibility of confusion to beneficiaries would be substantially reduced since the procedure would be voluntary

This alternative would appear to be applicable to most of the entitlement programs listed in this paper. Legislation would be required only for those programs such as VA Compensation and Pensions that have statutory payment dates.

#### CONCLUSIONS

There appears to be substantial evidence that some form of cyclical payments would be beneficial. For over forty years Administrations of both parties have repeatedly tried to change the social security payment system. On the other hand, there appear to be enormous problems with converting the present system to cyclical payments. The fact that Administrations have repeatedly failed may indicate the difficulty of achieving a cyclical payment system.

There is also a need to examine the subject in greater detail and with technical advice from Treasury, SSA and other program agencies. Even though social security has been studied off and on for forty years, the best cyclical process for social security is not at all clear. The other entitlement programs should also be reviewed to determine if each should be cycled and, if so, in what manner. Finally, the programs disbursed at the State and local level should be examined to determine if the advantages of cyclical payments are applicable to them and how cyclical payments can be achieved in a manner consistent with Administration policy on Federal/State relations.

FEDERAL SECTOR OCCUPATIONAL SAFETY AND HEALTH PROGRAM  
Progress: May 1982 - May 1984

May 3-7, 1982: As part of OSHA's "balanced approach," Assistant Secretary Auchter held a special meeting of OSHA's top managers to develop a strategy for reducing the injuries and illnesses which had created rapidly growing Federal workers' compensation costs. The main recommendation was to increase top-management's awareness of the problem.

October 19, 1982: Assistant Secretary Auchter met with the Cabinet Council for Management and Administration (CCMA). He informed the CCMA that Presidential action was needed; compensation costs had risen from \$169 million in 1973 to \$830 million in 1982. The CCMA agreed, therefore:

December 9, 1982: The President issued a policy statement and memorandum to agency heads urging them to find ways to reduce injuries, illnesses, and their associated costs.

December 1982 to May 1983: The President's statement was the cornerstone of OSHA's new Federal sector program, including:

- ° Agreement with the Employment Standards Administration to use compensation data for identifying high-hazard Federal workplaces.
- ° Development of a program targeting Federal workplaces for inspections and assistance. The program would have two goals: making Federal and private programs more similar, and involving top managers in reviewing "Action Plans" developed by their targeted workplaces.
- ° Resumption of a Presidential awards program recognizing agencies with successful safety and health programs.
- ° Revision of the agency safety and health program evaluation system to increase top-management awareness of findings.

June 8, 1983: Assistant Secretary Auchter met with the CCMA to review the Federal safety and health program. He noted that 98% of the injury claims, and 97% of the costs were created by 15 large agencies. The Postal Service and the Tennessee Valley Authority were examples of agencies which had successfully reduced their injury/illness rates. Evaluations indicated the success was primarily due to increased top-management attention. Assistant Secretary Auchter requested an additional incentive. The CCMA agreed, therefore:

October 11, 1983: The President issued another memorandum to agency heads establishing a measureable performance goal: an injury reduction of 3% per year for five years.

Fiscal Year 1983: Federal initiatives included:

- ° Large Federal worksites with high claims rates were identified with compensation data. Worksites were in 9 of the 15 large agencies. A group with the highest rates were scheduled for inspections, a group with slightly lower rates was scheduled for assistance. Both were required to prepare Action Plans for improving their record and transmit them to their top agency managers for discussion with OSHA.
- ° A five year plan was developed to conduct, by FY 88, a full evaluation in each of the 15 large agencies. Two agencies were evaluated: Treasury and the Veterans Administration.
- ° Presidential awards were presented at the White House to the U.S. Postal Service, DOD (small components) and the Civil Aeronautics Board.

Fiscal Year 1984: Program progress after six months indicates:

- ° A significant reduction in the growth of compensation costs. Costs had grown about 11% each fiscal year from 1979 to 1982 (the compensation fiscal year runs from June 30 to July 1). In FY 1983 the cost rose from \$829.5 to \$862.5 million--a growth of only 4%.\* [Charts 1 and 2]
- ° The government is achieving the President's 3% injury reduction goal. About half of the 15 large agencies are meeting the goal [additional detail, Chart 3]:

<u>Agencies meeting the goal</u>	<u>Agencies NOT meeting the goal</u>
§† Agriculture	§† Postal Service
§† Interior	§† Defense
§† General Services Admin.	§† Treasury
§† Tennessee Valley Authority	† Transportation
§† Veterans Administration	Commerce
† Health & Human Services	Labor
Housing & Urban Development	Justice
NASA	

§ Evaluated by OSHA

† Targeted for inspection/program assistance

- ° Action plans were discussed with top agency managers, six agencies were evaluated, and 15% of the targeted inspection/assistance visits were initiated. Generally, agencies where OSHA has focused its attention have been more successful in achieving the President's goal.
- ° TVA has continued to reduce its injury rates. Its compensation costs had grown approximately 20% per year from FY 1979 to FY 1982--in FY 1983 costs grew only 1%. [Chart 2]

\*Note: Improvements in administering the compensation Act can also influence this growth. Examples are rehabilitation of injured workers and actions to prevent fraud.

# Office of Workers' Compensation Programs, Chargeback Cost to All Federal Agencies

Fiscal Years 1973 - 1983

Chargeback Costs (millions of dollars)

900

800

700

600

500

400

300

200

100

0

FY 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983

862.5

168.9

222.4

303.9

412.4

492.8

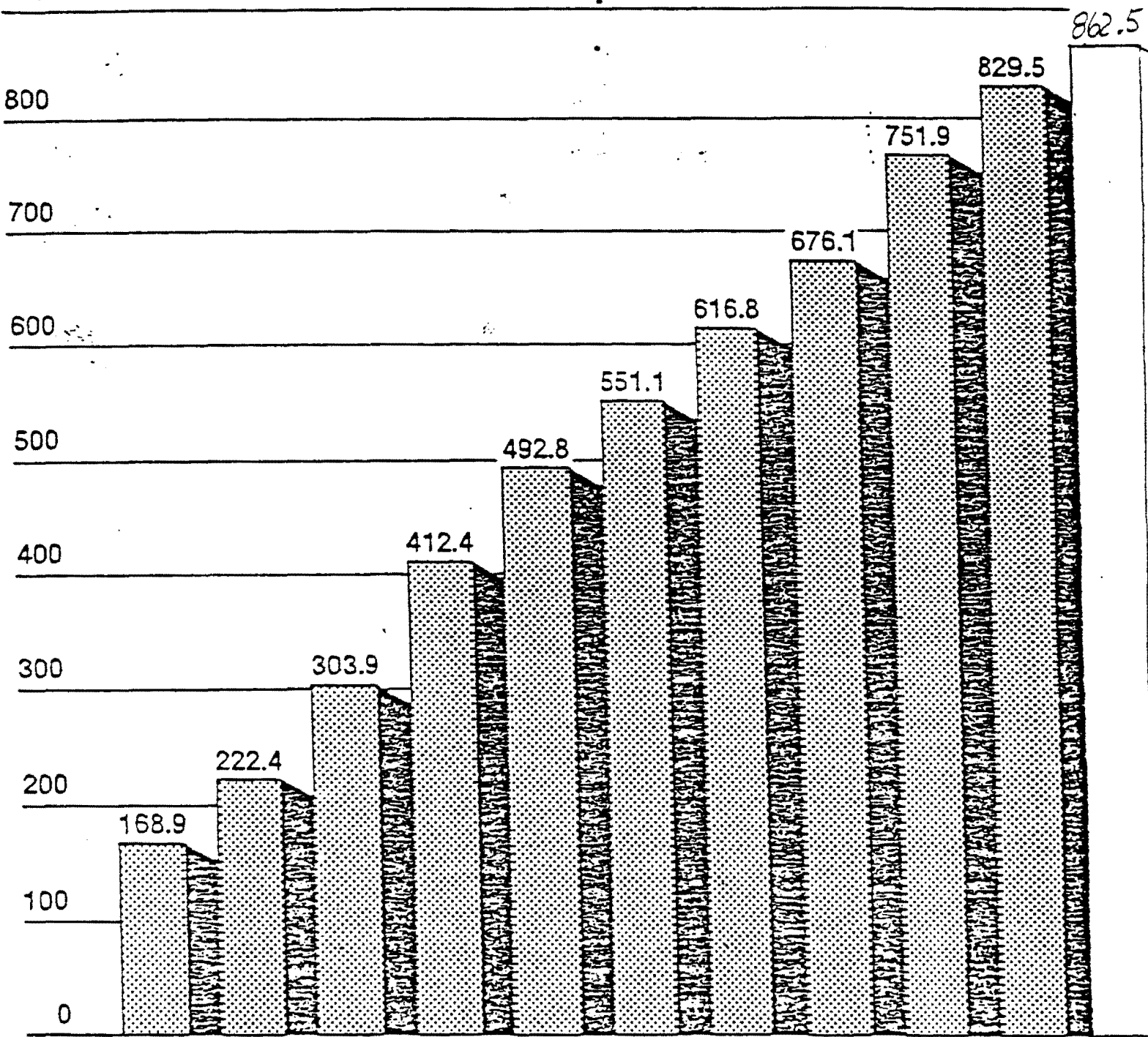
551.1

616.8

676.1

751.9

829.5

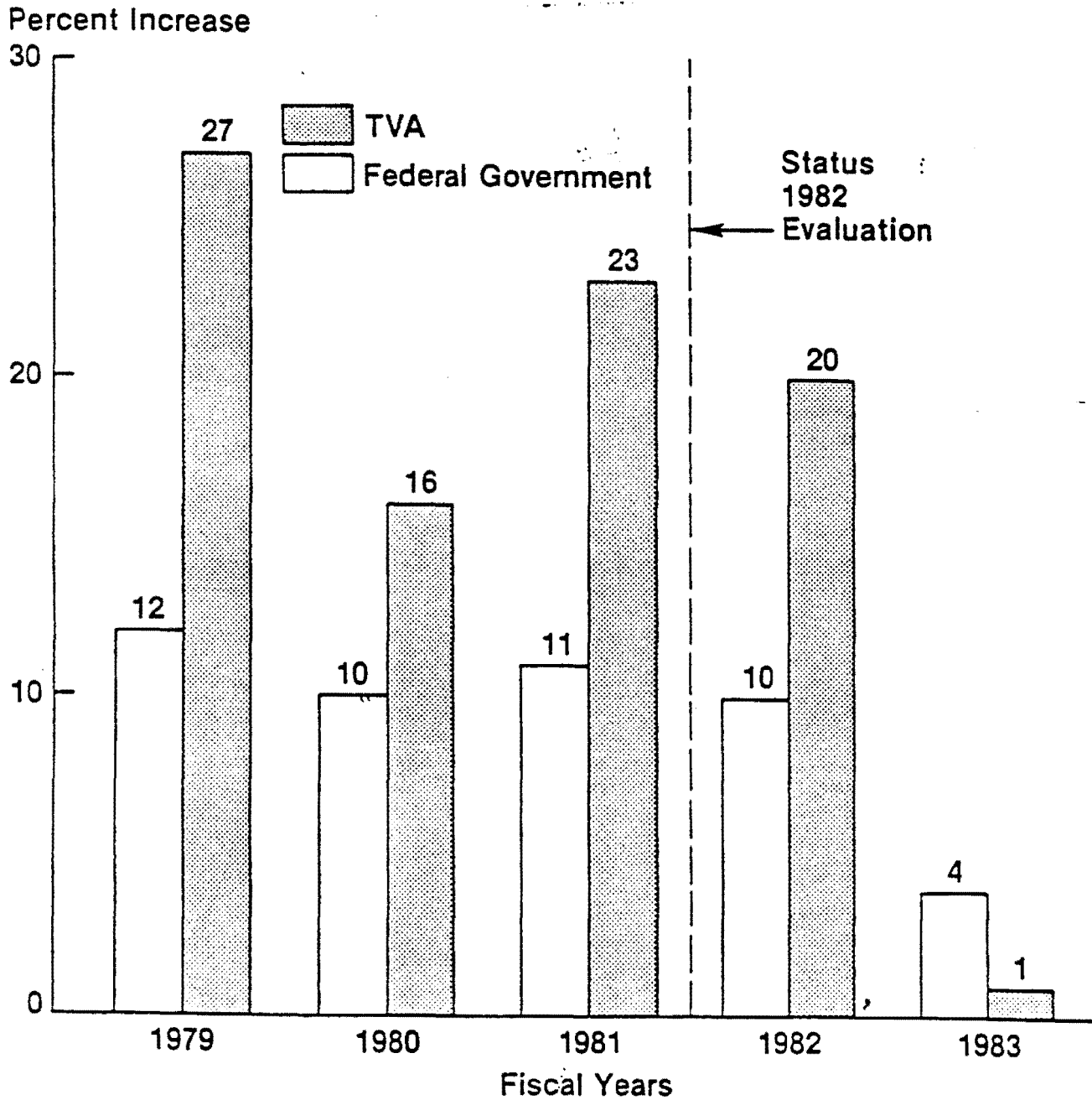




# Percent Growth by Year in Workers' Compensation Chargeback Costs

## TVA and Federal Government

### Fiscal Years 1978-1983



Source: Office of Workers' Compensation Programs

## OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

## SIX MONTHS PROGRESS REPORT

ON FY 1984

## PRESIDENTIAL GOALS

FOR A 3 % REDUCTION IN THE

NUMBER OF WORKERS' COMPENSATION INJURY/ILLNESS CLAIMS REPORTED

DEPARTMENT/AGENCY	FY 84 GOAL	6 MONTH GOAL	TOTAL CLAIMS RPTD 1st 6 Mths	MEETS GOAL
FEDERAL GOVERNMENT TOTAL	169,261	84,630.5	84,173	YES
15 AGENCY GROUP	163,792	81,896.0	81,635	YES
U. S. POSTAL SERVICE	61,616	30,808.0	32,138	NO
14 AGENCY GROUP	102,176	51,088.0	49,497	YES
DEP'T of AGRICULTURE	7,334	3,667.0	2,793	YES
DEP'T of COMMERCE	846	423.0	488	NO
DEP'T of DEFENSE	52,007	26,003.5	26,939	NO
DEP'T of H & H S	3,606	1,803.0	1,633	YES
DEP'T of H U D	285	142.5	127	YES
DEP'T of the INTERIOR	6,061	3,030.5	2,679	YES
DEP'T of JUSTICE	2,872	1,436.0	1,696	NO
DEP'T of LABOR	586	293.0	347	NO
DEP'T of TRANSPORTATION	2,125	1,062.5	1,076	NO
DEP'T of the TREASURY	3,616	1,808.0	1,856	NO
GENERAL SERVICES ADMIN	2,077	1,038.5	969	YES
NAT'L AERO & SPACE ADMIN	331	165.5	153	YES
TENNESSEE VALLEY AUTH	4,152	2,076.0	634	YES
VETERANS ADMINISTRATION	16,703	8,351.5	8,107	YES
ALL OTHER AGENCIES	5,469	2,734.5	2,538	YES

Data Source: Office of Workers' Compensation Programs - Cases Reported, Table # 2  
 Prepared By: Office of Federal Agency Programs - April 24, 1984

## Executive Branch (Related to Ceiling) Work Year Reduction Status by Selected Agency, February 1984

AGENCY	Work Years FY '81	Actual Work Years FY '82	Actual Work Years FY '83	FY '84 Budget		FY '84 Target From FY '81 (Base)	FY '84 Reducts. (Incrs.) Remaining	% of FY 84 Target Achieved
				Reducts. (Incrs.) FY '81 To Date	Reducts. (Incrs.) To Date % of Base			
<u>Agencies With Targeted Decreases</u>								
National Aero & Space Adm.	22,700	22,430	22,246	- 409	- 1.8	- 700	- 291	58.4
Defense, (Corps of Engineers)	32,100	31,111	30,816	- 1,962	- 6.1	- 3,200	- 1,238	61.3
Energy	18,700	17,920	16,984	- 1,864	- 10.0	- 2,900	- 1,036	64.3
Environmental Protection Agency	12,900	11,450	10,883	- 1,948	- 15.1	- 2,500	- 552	77.9
Housing and Urban Development	15,700	14,609	13,779	- 2,473	- 15.8	- 3,000	- 527	82.4
All Other Agencies	58,700	53,463	52,486	- 5,801	- 9.9	- 6,800	- 999	85.3
Health and Human Services	154,000	141,548	141,715	- 13,856	- 9.0	- 16,100	- 2,244	86.1
Agriculture	121,000	111,853	109,773	- 11,219	- 9.3	- 12,100	- 881	92.7
Interior	81,700	73,220	73,451	- 8,212	- 10.1	- 8,200	+ 12	100.1
Commerce	36,300	32,487	32,715	- 3,470	- 9.6	- 3,200	+ 270	108.4
Education	6,600	5,639	5,360	- 1,415	- 21.4	- 1,300	+ 115	108.8
Labor	21,600	19,184	18,968	- 2,579	- 11.9	- 2,300	+ 279	112.1
General Services Administration	32,800	30,168	28,391	- 4,714	- 14.4	- 3,700	+ 1,014	127.4
Office of Personnel Management	6,600	5,996	5,601	- 1,044	- 15.8	- 800	+ 244	130.5
Transportation	68,100	60,340	61,752	- 7,621	- 11.2	- 5,600	+ 2,021	136.1
Tennessee Valley Authority	44,700	41,230	35,646	- 10,711	- 24.0	- 5,100	+ 5,611	210.0
Panama Canal Commission	9,100	8,708	8,636	- 628	- 6.9	- 200	+ 428	314.0
<u>Agencies With Targeted Increases</u>								
Treasury	124,300	115,829	118,507	- 4,182	- 3.4	+ 2,000	+ 6,182	0.0
U.S. Information Agency	7,600	7,805	7,906	+ 388	+ 5.1	+ 900	+ 512	43.1
Justice	54,400	53,875	55,686	+ 2,210	+ 4.1	+ 3,800	+ 1,590	58.2
State	22,900	23,545	23,786	+ 955	+ 4.2	+ 1,500	+ 545	63.7
Veterans Administration	209,600	215,321	216,836	+ 7,755	+ 3.7	+ 9,400	+ 1,645	82.5
Reduc. Alloc. to Agencies		- 28,000 <sup>b/</sup>				- 60,100	+ 12,700	121.1
Reduc. Unalloc. to Agencies		- 36,386 <sup>b/</sup>				- 15,000 <sup>b/</sup>	- 15,000	77.0 <sup>c/</sup>
EXEC BR (EXCL USPS, POSTAL RT COMM & DOD (MIL FUNC))	1,163,100 <sup>a/</sup>	1,097,682	1,091,923	- 72,800	- 6.3	- 75,100 <sup>b/</sup>	- 2,300	96.9
a/ Includes 1,000 contingencies.								
b/ Includes contingencies reduction (-1,000).								
c/ Accomplishment without lapse.								
DEFENSE, MILITARY TOTAL	937,700	978,081	982,991	+ 45,306	+ 4.8	+ 52,200	+ 6,894	86.8
TOTAL EXECUTIVE BRANCH (EXCL USPS & PRC)	2,100,800 <sup>a/</sup>	2,075,763	2,074,914	- 27,494	- 1.3	- 22,900	+ 4,594	120.1

**PROJECTIONS - FY 1984  
EXECUTIVE BRANCH WORKYEAR REDUCTIONS SINCE FY 1981  
(NON-DEFENSE - NON-POSTAL)**

