

**Prepared Statement of
The Honorable Donna Shalala
The National Commission on the Public Service
Before the House Government Reform Committee
March 6, 2003**

Mr. Chairman, Members of the Committee: First, I want to join our Chairman Paul Volcker in thanking the committee for holding this hearing. I entered public service as a Peace Corps volunteer, just out of college. From then, to my time as Assistant Secretary of HUD in the Carter Administration, to my service as Secretary of HHS during the Clinton Administration, to today, I have seen the demands on the federal government become more and more challenging. Unfortunately, I have also seen the ability of government to live up to these challenges become severely strained.

Paul Volcker has talked about the Commission's proposal that the executive branch of government be reorganized and the reasons behind it. I will outline our concept for the operational level of these new mission centered departments.

Each of the new mission-centered departments would be composed of the agencies tasked with contributing to that mission. Programs with similar objectives would be combined in the same agency. Policy direction and oversight of performance would come from political appointees at the department level. Each agency would be run by a skilled manager who could come from the career service, or a political background, and might be appointed for a term of years. These decisions would depend on the particular circumstances and needs of that agency. Importantly, subject to specific criteria, the agency heads would be granted the ability to adopt the organizational structure and personnel system that best fit the agency's operating needs.

The criteria that we recommend be set out in statute or established by executive directive are:

- Clear program objectives
- Performance specifications
- Basic employee guarantees

With this grant of greater administrative discretion, of course, effective executive and congressional oversight will become even more important.

As someone who has run a large department I can speak personally to the need for greater management discretion. The current personnel and administrative systems are a constant challenge to be overcome for the creative administrator. For the administrator who cannot get around them, they create a roadblock to progress.

To compete for the finest scientists in the world, the NIH director and I had to battle legal, regulatory, structural and bureaucratic obstacles. The Dean of my medical school, indeed every public and private medical school in this country, has more flexibility in hiring and organization than the Directors of the CDC, FDA and NIH, and yet they recruit the same people.

Putting these recommendations into effect will take preparatory work. We will need a cadre of well-trained and skilled administrators. We will need models for the best administrative structures and personnel systems for agencies' varied operational tasks. OPM, GAO and others have already done some work in this area. In our report, we note several demonstration projects that were commended to us by the experts as providing good lessons. The Committee may want to consider asking GAO and OPM to undertake a comprehensive analysis of all demonstration models and special authorities to date, to

identify which systems work best and in which circumstances, and to point out what didn't work.

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Given the importance of personnel and management reform, we also recommend that Congress provide the Office of Personnel Management, agency human resources offices and the management side of OMB with additional resources.

I also want to make note of the political diversity of our Commission members. We are Democrats, Republicans and independents. But we had a strong common bond in our concern about the ability of government to meet its increasingly difficult national and worldwide challenges. We had a common view of the problems with the current system and, after discussing the reforms that had been proposed to us, the path to our final recommendations became pretty clear.

Mr. Chairman, I have spent half of my career in government service and half leading some of our nation's finest universities. Unless we make some significant reforms we will miss the opportunity to recruit and retain a new generation of extraordinary Americans – more diverse and talented than any generation in our history.

Thank you.

