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HOUSE APPROPRIATORS UNDERMINE THE PRESIDENT'S COMPETITIVE CONTRACTING PROGRAM

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In late June, the U.S. House Appropriations Committee approved an amendment by Representative Jim Moran (D-VA) that would deter the Department of the Interior (DOI) from implementing President George W. Bush's competitive contracting program. Now attached to the DOI spending bill for fiscal year 2004, Moran's provision would hinder competitive contracting by forbidding DOI managers from spending money on cost studies, as directed by the Office of Management and Budget (OMB), to determine what their employees do and how much it costs to do it. If this provision is included in the final appropriations bill, President Bush should veto it.

At stake is the President's effort to improve government service and reduce costs by requiring competitive contracting for commercial-type jobs in the federal bureaucracy. The federal government estimates that the bureaucracy contains 850,000 such jobs, and President Bush is requiring agencies to open a portion of them each year to competition from the private sector to improve government efficiency. A recent study found that the Department of Defense (DOD) has conducted 2,300 formal competitions involving 81,000 civilian and military positions since 1978, with an average savings of 33 percent.

OMB's Circular A-76 requires federal agencies to conduct formal cost studies to do basically two things: define each work product or service provided by employees and determine how much it costs to provide that product or service. Following

these determinations, the costs can be compared to private-sector norms to identify which services and products to open to competition from the private sector. Moran's amendment would prohibit the DOI from spending any money to conduct these cost reviews, thus making it illegal for the DOI to find out whether it can save the taxpayers' money.

Misrepresenting the Program. Despite the record of successful performance and substantial cost savings, many civil servants, their unions, and some in Congress are actively opposing competitive contracting in order to protect federal employees from private-sector competition. Moran's effort was prompted in part by a leaked memo sent from the director of the National Park Service (NPS) to her superiors, in which she complains about the President's program.

In the memo, Director Fran Mainella presented a distorted picture of the President's program by focusing on costs and ignoring benefits. She also expressed a major concern about how competition would affect diversity, her presumption being that it might lead to a less diverse work force and that less diversity would mean more whites and fewer

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found at: [www.heritage.org/
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minorities. How this would occur she does not say. Is she suggesting that private business will violate the civil rights laws or that minority workers cannot compete with whites and must be sheltered by an undemanding civil service code?

The director also complains that she would have to hire consultants to do the A-76 studies at about \$3,000 per FTE (full-time equivalent, i.e. employee). Apparently, no one on the Appropriations Committee saw the irony of NPS managers paying a private firm to find out what their employees do and how much they spend. The appropriators see this cost as a flaw, and in a perversely illogical way, they are right. The flaw, however, is not in the cost of the President's program but in the NPS business culture where managers lack useful information about operations they supervise.

A series of recent embarrassing financial lapses reveal the weakness of NPS standards. In 1997, the NPS inspector general reported that officials at Yosemite used taxpayer money to build 19 staff homes for \$584,000 each. A year later, the NPS spent an estimated \$800,000 designing and constructing a "two hole" outhouse in Pennsylvania. The inspector general also testified that the NPS was unable to produce auditable financial statements for three consecutive years. In 2001, the General Accounting Office acknowledged recent NPS efforts to overcome this troubled legacy but concluded, "Our work, however, has shown that these efforts have fallen short in several significant areas."

Mainella's memo reveals just how far short they have fallen and aptly illustrates the absence of basic management skills within the NPS. While Mainella and the appropriators see the \$3,000 per FTE cost as an added financial burden detracting from other needs, decades of experience by other agencies reveal that this modest investment in knowledge gathering would yield vastly larger savings in the immediate future.

One example drawn from the NPS budget illustrates the potential. NPS spends about \$1.6 billion per year operating the parks. These expenditures cover salaries, benefits, supplies, maintenance, repair, utilities, travel, overhead, equipment, and other costs necessary to keep its 387 sites running. It employs approximately 16,000 FTEs to fulfill these duties. Expressing total NPS spending on a per FTE basis yields an estimate of \$100,000.

Assuming that this average level of spending per FTE reflects the typical NPS operation and that the NPS would be as successful as the DOD in implementing its program (average savings of 33 percent), the annual saving per FTE would be an estimated \$33,000—11 times greater than the alleged \$3,000 study cost. Expressed another way, these study costs have the potential to pay for themselves in less than five weeks.

These savings represent real money that could be redeployed to achieve additional NPS objectives and activities that would otherwise not be funded. If a park saved \$200,000 by contracting out the routine maintenance and repair of its roads, that money could be redeployed to expand campgrounds or add nature trails.

Conclusion. If enacted, the anti-reform language now in the appropriation bill would foreclose the opportunity for the NPS to follow the lead of the DOD and significantly increase its discretionary financial resources. By promoting operational ignorance among NPS managers, Representative Moran's proposal would freeze the money-tight status quo and preclude any improvement in services. The parallel proposal introduced by Senator Harry Reid (D-NV) would have a similar effect. The American taxpayers and park visitors deserve better, and President Bush should make sure they get it by vetoing legislation that mandates inefficiency in the National Park Service.

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