



**Issue Paper on Transforming Government Operations
2026 Bipartisan Government Reform Roundtables
U. S. Senate Homeland Security and Governmental Affairs Committee
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Note: This paper was prepared by members of the Shared Services Leadership Coalition (SSLC) Board of Directors and Advisory Board and draws upon previous SSLC publications referenced in footnotes and at the conclusion of the paper.

I. CHALLENGES

Overall Performance Gap

The federal government’s operational performance – efficiency, effectiveness, and productivity – is widely perceived to lag significantly behind the best run Fortune 500 corporations and some high performing government organizations. While comparative productivity data is not robust, it’s common knowledge that costs for common transactions such as vendor payments, payroll, and hiring actions are often substantially higher, in some cases an order of magnitude higher, than industry benchmarks. For example, the end-to-end cost of completing a hiring action in the private sector is around \$4,000 compared to over \$10,000 in government. Processing an invoice in government typically costs over \$100 compared to a few dollars in the private sector¹.

A 2025 report published by the Technology CEO Council made the case that fully modernized government technology platforms, business processes and AI capabilities could “reduce operational costs and increase productivity by \$2 Trillion over 10 years, while simultaneously improving service quality and impact.”² This data point annualized to \$200 Billion per year might be considered a ballpark measure of the overall productivity gap between government and industry.

Inefficiency and ineffectiveness are rooted in the government’s antiquated, stove-piped and sprawling organizational structures, cumbersome bureaucratic business processes, duplicative approaches, and parochial, turf-sensitive workplace cultures. Agencies and programs established in legislation decades ago (in some cases over a century ago) have been reauthorized and expanded through the years with too little thought about how they might be

¹ [SSLC-Proposal-for-Transforming-Government-Operations-12-17-24.pdf](#)

² *American P.I.E.: How Productivity, Innovation and Efficiency Can Transform American Government*, Technology CEO Council, March 2025. The Technology CEO Council is an industry advocacy group; its estimate comes from knowledgeable sources but has not been independently validated.



restructured around common missions and customer populations in ways that could break down structural, process and cultural barriers and enable far more efficient information sharing and program delivery. The government we have today is the product of decades of “delinquent maintenance,” i.e., failure to periodically redesign and restructure the government’s delivery systems as times change, missions evolve and technology impacts organizational constructs.

Extensive evidence of delinquent maintenance is documented in GAO’s 2026 “Duplication Report.”³ Over 600 examples of duplication, overlap and fragmentation in mission delivery representing over \$100 Billion in potential savings and service improvement opportunities are identified, including:

- Improved health care data exchanges and service provision between VA and DOD could not only improve care but potentially save tens of millions of dollars annually.
- Enhanced cooperation and collaboration among the FBI and other agencies could strengthen agencies’ fraud prevention and detection capabilities.
- Better coordination between the Departments of Education and Labor on workforce development programs could better manage fragmentation in employment programs and improve mission delivery.

The central challenge in improving the government’s operational performance is how to institutionalize structures, processes and incentives to continuously modernize government to improve mission delivery, reduce costs, and free resources for national priorities such as deficit reduction and under-resourced missions. The issues described below are symptoms and contributors related to this central challenge.

The mission of the Committee on Homeland Security and Governmental Affairs (HSGAC) includes continually curating and refreshing the body of laws governing the management and organization of the executive branch. HSGAC has a historic opportunity and the responsibility to update and enforce compliance with these statutes to drive the government’s long overdue restructuring, transformation and performance improvement.

RELATED ISSUES

1. Barriers to Common Services Consolidation and Shared Service Delivery

The federal government continues to operate as though every agency must own and manage its own full suite of mission-support services. In a modern environment, this is unnecessary and inefficient. Nearly 90% of Fortune 500 companies now rely on standardized and consolidated

³ GAO-26-108505, May 12, 2026



shared services—typically delivered through managed service offerings on cloud platforms. These models improve performance, reduce security risks, lower costs, and eliminate capital expenditures, while enabling continuous innovation and modernization.

Despite almost forty years of federal efforts to adopt shared services, progress has been modest. Shifting administration priorities and the absence of a sustained mandate or long-term governance structure have prevented the government from rationalizing its mission-support environment over time horizons longer than a single presidential term.

Government shared service providers face constraints that make it difficult to operate effectively:

- They lack the procurement, budgeting, and hiring authorities needed to function like modern service organizations.
- They cannot reinvest savings, share in savings, or benefit from performance incentives.
- Savings generated by shared services are often recaptured for unrelated purposes.
- Appropriations are structured around agency missions rather than business lines, making enterprise investments difficult to fund.
- Legislation such as the Civil Service Reform Act of 1978 gave rise to duplicative systems and inconsistent standards of operation and data through the broad use of delegated authorities.
- Finally, government shared service providers are often not allowed to retain earnings either individually or collectively to fund end of lifecycle or end of contract transitions, forcing the government to work with offerings that are outdated and lack desired levels of security. Even in the development of new shared service offerings, agencies frequently lack a plan for how to fully fund adoption of new services so that valuable shared services go underutilized and fail.

OMB's QSMO marketplace framework (M-19-16) is conceptually sound but remains inconsistently implemented and enforced. Congress has not provided clear outcome expectations—such as achieving cost and quality comparability (to the extent possible) with industry. As a result:

- Government shared service providers remain under-resourced and dependent on outdated, high-risk technology.
- The QSMO model, while well intended, is a non-standard shared services model and tends to enable duplication by servicing individual agencies.



- Commercial providers face “level playing field” issues that discourage industry investment and participation.
- Without a mandate, effective governance, consistent direction, or a reliable demand signal, neither consolidation nor large scale industry participation has materialized.

A well-implemented marketplace model would allow the government to leverage its scale by opening mission-support services to multiple qualified providers. Competition—rather than single-provider consolidation—would drive continuous innovation, cost efficiency, and improved service quality, potentially exceeding the performance of industry consolidation models.

Industry practices such as centrally managed transition budgets for merger integration (typically over two to three years) have no federal equivalent. The government also lacks clear role delineation: agencies should focus on policy, strategy, oversight, and accountability, while industry is generally better positioned to deliver operational performance. More pathways for experimentation, including pilots, are needed to test and scale new models.

GAO’s February 2026 report, *Federal Shared Services: Adoption Challenges Underscore the Need for Consistent Leadership*, and its 2026 *Duplication Report* highlight these issues. GAO estimated potential savings of “tens of millions of dollars over three years.” SSLC’s updated estimate—based on an extrapolation of earlier work by the Partnership for Public Service—projects **\$74 billion in savings over ten years**⁴.

2. Inefficient and Ineffective Capital Investment and Acquisition Practices

The federal budgeting and acquisition cycle remains structurally misaligned with the speed of modern technology and mission needs. In some cases (e.g., enterprise software buys), a single investment can take three or more years to move from concept to appropriations, effectively preventing timely modernization and locking agencies into outdated solutions. Current scorekeeping rules fail to credit cost savings from process improvements or IT modernization and prohibit reinvestment of savings, removing incentives for efficiency. Agencies too often fail to follow capital investment processes defined in legislation (i.e., the Clinger-Cohen Act); they tend to treat IT as a cost center rather than as an investment with a ROI tied to cost savings or defined program outcomes.

In the private sector, IT modernization investments are used to transform operations in ways that achieve measurable gains in productivity, cost reduction, and other quantifiable outcomes.

⁴ [SSLC-Proposal-for-Transforming-Government-Operations-12-17-24.pdf](#)



Very few if any government IT investments have metrics and measures of success tied to program or mission outcomes.

Absent a more comprehensive understanding of how technology modernization requires conforming organizational change, government will continue to have difficulty achieving the productivity gains seen in the commercial world. Similarly, as long as IT is viewed as a cost center, legacy systems will persist and crowd out funds for modernization.

Agencies need agile, incremental procurement authorities and enforceable cross-government standards that reduce duplication and reward faster delivery. Payment structures should shift toward shorter, commercially aligned cycles that incentivize performance and accelerate modernization.

Lastly, a focus on Low Price Technically Acceptable (LPTA) acquisitions for major transformations causes a race to the bottom for qualified bidders, limiting the opportunity for more effective solutions and greater returns on investments.

3. Ineffective Modernization Management Models

Fragmentation within agencies -- CIOs controlling funding, business offices controlling requirements, procurement offices controlling purchasing -- creates cultural and operational conflicts. Deputy secretaries, often policy-oriented and more incented to focus on departmental mission priorities than whole of government management reforms, struggle to resolve these tensions. A more coherent enterprise governance model and a central procurement authority are needed to manage cross-agency modernization.

Government modernization initiatives are rarely managed as integrated business models as in industry. Too often, programs such as Go.Gov or HR 2.0 accumulate requirements from multiple stakeholders without a unifying operational framework. Unlike the private sector, where fixed budgets and deadlines allow operators to determine the "how," government often specifies both the process and the timeline, undermining execution.

4. Organizational and Cultural Barriers to Data Sharing

The Privacy Act prohibits broad, frictionless data sharing between and among government agencies for most purposes. It allows sharing of sensitive personal information only for fraud, waste, and abuse through narrow, highly regulated exceptions—primarily routine uses, law-enforcement requests, and formal computer-matching agreements, each with its own bureaucratic governance and oversight structure. These restrictions and cumbersome pathways



pose significant barriers to other legitimate needs for sharing and enable agency parochialism to undermine attempts to seek exceptions.

In practice, data protection often functions as a turf protection strategy, not a risk-management strategy. No matter how permissively future laws might be written to encourage sharing across agencies, legislation cannot mitigate the threat agencies feel from information sharing. Modern data architectures -- permissions, audit trails, and granular controls -- are necessary but insufficient by themselves to break through cultural barriers and unleash greater sharing and more proactive risk management across the government.

Legislation to consolidate programs and agencies serving similar missions and customer populations with similar data requirements -- while involving significant legal and policy challenges to be fully considered -- would resolve Privacy Act restrictions because the Act's cross-agency disclosure restrictions would no longer apply to merged organizations that no longer exist as separate agencies.

II. OPTIONS

1. **Initiate comprehensive government restructuring on two tracks (A and B below):**

A. Enact legislation mandating consolidation of common services, supported by effective governance, realistic timelines, and sustained resources across administrations.

B. Create a Congressional government restructuring commission of industry and public administration experts to develop a longer-term plan to comprehensively restructure the executive branch leveraging best practice design principles, organizing around common customers and data requirements, and driving implementation thru a BRAC-like enforcement mechanism with defined performance outcomes, resources and timeline⁵.

2. **Update IT management and acquisition statutes for the AI era.** Replace outdated, solution-oriented requirements with legislation that enables the emergence of new models emphasizing data sharing, interoperability, and workflow-embedded accountability across agencies and program silos.

3. **Redesign budget and acquisition processes** to shorten the idea-to-execution cycle, reinforce best practice capital investment requirements, and adopt agile procurement models that

⁵ The design of a restructuring commission would require substantially more discussion than space allows for in this issue paper. SSLC leaders have experience in drafting similar legislation and stand ready to assist HSGAC staff if helpful.



reward shorter payment cycles, while also enabling longer term commitments to encourage industry investment.

4. **Drive modernization of agency operations thru outcome-driven legislation** that defines performance objectives, fixed dates and budgets, and allows agencies to determine the “how,” supported by stronger enterprise governance and clearer cross-agency ownership.
5. **Strengthen Executive Branch governance of data sharing practices** to break down cultural barriers and enable secure, permissioned and auditable data exchange across agencies and a shift from reactive to proactive risk management.
6. **Strengthen and incentivize use of shared service authorities** in procurement, budgeting, and hiring; create joint appropriations for enterprise functions, including broader use of franchise fund authorities; and adopt industry-style transition models with clear accountability and funding streams.

III. HARD QUESTIONS

1. **How should we expect the government’s organization and staffing levels to be impacted** by the introduction of AI into key policy and functional areas such as regulatory compliance, economic development, law enforcement, social services, etc., and mission support services such as FM, HR, acquisition, etc.?
2. **Is now the moment to confront the employment implications of AI and fiscal constraints**, despite the historical political sensitivity surrounding federal workforce reductions?
3. **How can the government shift from vertical power structures to horizontal models** that promote data sharing, shared services, and cross-agency collaboration?
4. **What changes in Title 5 and HR practices will be necessary** to enable more fluid movement of skilled labor between government and the private sector, and **what will it take to change expectations around lifelong government employment** in a world requiring agility, mobility, and continuous skill renewal?
5. **What is the appropriate balance between government and industry delivery** of common transactional and operational activities that are not policy sensitive or inherently governmental and require continuous modernization to keep up with rapidly evolving technology?



6. **What specific outcomes should Congress require for modernization investments**, how should they be tied to agency or program appropriations, and how can Congress provide strong oversight of government modernization efforts?
7. **How to fund agency migrations** from a legacy service provider to a shared service provider?
8. **How and where to maintain, track and keep current standards and performance measures for all shared services?**

IV. RECOMMENDED PARTICIPANTS

SSLC has nominated the following experts to speak to these challenges (not in preferred order):

Kerry Canfield, SSLC Board Member and Vice President, CGI Federal

Margaret Weichert, SSLC Advisory Board Member and former Deputy Director for Management, OMB

V. LINKS TO SOME OF SSLC'S WORK IN THESE AREAS

[Proposal for Consolidating and Modernizing Government-Wide Common Service Operations for Efficiency, Effectiveness and Cost Savings « Shared Services Now](#)

[Federal Shared Services: Why Legislation Is Necessary | Shared Services Leadership Coalition](#)

[Centralization might not be the best model for delivering common government services - Government Executive](#)

Endorsements from aligned non-profit/good government organizations: [SSLC-Quotes.pdf](#)

"Myth busting" common objections to shared services: [PowerPoint Presentation](#)